

***ANNUAL REPORT OF THE FUNCTIONS AND THE ACTIVITIES OF THE
AUDIT AND CONTROL COMMITTEE
2016-2017***



TRANSLATION FOR INFORMATION PURPOSES ONLY. SPANISH VERSION PREVAILS

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

(THE COMPANY)

AUDIT AND CONTROL COMMITTEE

Report on functions and activities

Financial year 2015-2016

1.- REGULATION

The Company's Audit and Control Committee ("the Committee") was constituted by the Company's Board of Directors in the meeting held on 4 June 2014, before the shares were approved for listing on Spain's Official Stock Exchanges and the general aim is to assist the Board of Directors in the supervision of the financial statements, while exercising the function of controlling and ensuring good corporate governance.

The Committee is regulated in article 43 of the Articles of Association and in articles 15 and 17 of the Board of Directors' Regulations, Consolidated Text of 26 January 2016.

Pursuant to the aforementioned standards, the Board of Directors shall constitute an Audit and Control Committee, with a minimum of three and a maximum of seven non-Executive Directors, being the most of them Independent Directors, appointed by the Board of Directors, at the proposal of the Appointments and Remuneration Committee.

The members of the Audit and Control Committee shall choose a President from among the Independent Directors that form part thereof, who shall be replaced every four years and may be re-elected once a period of one year has elapsed since his/her stepped down.

The Secretary of the Committee shall be the Secretary of the Board of Directors or the Vice-secretary, if applicable.

The Board of Directors shall ensure that the members of the Audit and Control Committee and in particular its President, have knowledge and experience in relation to accounting, auditing or risk management in accordance with their functions, but they do not necessarily have to be experts.

Notwithstanding other roles assigned by the Board, the Audit and Control Committee shall have the following responsibilities:

- a) Inform at the Shareholders Meeting on the matters raised by the shareholders relating to the matters under its competence and, in particular, regarding the outcome of the audit,

explaining how it has contributed to the integrity of financial information and the role that the Committee has played during this process.

- b) Refer to the Board of Directors the proposals for selection, appointment, re-election and replacement of the auditor, assuming responsibility for the selection process pursuant to the provisions of the European regulations, as well as the conditions of the engagement thereof, and regularly gather information from it regarding the Audit Plan and its implementation, in addition to preserving its independence in the exercise of its functions.
- c) 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.

- d) Supervising the effectiveness of the internal control systems of the Logista Group, in particular those for financial information and the risk systems of the 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.

- e) Establish and supervise a procedure which allows employees from the Logista Group, in confidentially and, where possible, and if deemed appropriate, anonymously report

irregularities of potential importance, especially financial and accounting irregularities within the Company.

- f) 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.

- g) 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's 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.
- h) Ensure that the Company notifies any change of external auditor to the CNMV (Spanish Securities Market Commission) 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) Report to the Board of Directors regarding the Annual Accounts of the Logista Group, as well as the financial information the Logista Group is required to make public from time to time, to be submitted to the market supervisory or regulatory agencies.

- 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 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.
- n) Report in advance to the Board of Directors regarding transactions related to the creation or acquisition of interests in special-purpose entities, or entities domiciled in countries or territories treated as tax havens, and regarding obligations, actions, activities and transactions that imply or could imply conflicts of interest particularly with regard to related persons' transactions, and, in general, regarding the duties contemplated in chapter IX of the Company Board of Directors Regulations.

The Report, if any, issued by the Audit and Control Committee on related persons' transactions, shall be published in the Logista Group's website well in advance of the Annual General Meeting.

- o) Supervise compliance with corporate governance rules and the Internal Codes of Conduct of the Company. In particular, the Audit and Control Committee shall:
 - (i) Supervise compliance with the Internal Codes of Conduct of the Company, particularly with the Internal Securities Market Code of Conduct, these Regulations and the Logista Group's governance rules, as well as putting forward proposals for its improvement.
 - (ii) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
 - (iii) 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.
 - (iv) Evaluate all aspects of the non-financial risks the Company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
 - (v) Propose to the Board of Directors the approval of the Annual Corporate Governance Report.

- (vi) Previously report to the Board of Directors on any fundamental changes or corporate transactions the Company is planning, on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.
 - (vii) Gather information and, if applicable, issue a report on disciplinary measures for the Logista Group's senior managers.
- p) Supervise compliance with the corporate social responsibility policy of the Company. In particular, the Audit and Control Committee shall:
- (i) Review the Company's corporate social responsibility policy, ensuring that it is geared toward value creation.
 - (ii) Monitor corporate social responsibility strategies and practices and assess compliance in this respect.
 - (iii) Monitor and evaluate the Company's interaction with its stakeholder groups.
 - (iv) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.
 - (v) Supervise that the Company's corporate social responsibility policy includes the principles or commitments which 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 conduct.
 - 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.

The report issued by the Audit and Control Committee with regard to the Company’s corporate social responsibility shall be drafted using an internationally accepted methodology, and be published in the Logista Group’s website well in advance of the Annual General Meeting.

- q) Draft an Annual Report for the Board of Directors describing the activities of the Audit and Control Committee, on which the evaluation by the Board of Directors shall be based. The Report shall be published in the Logista Group’s website well in advance of the Annual General Meeting.
- r) Any other reporting and proposal function assigned to it by the Board of Directors, generally or specifically.
- s) Any other competence or function under the law, the By-Laws or these Regulations.

The Audit and Control Committee shall meet as regularly as established, whenever its President or two of its members request a meeting and, at least four times a year. One of the meetings will be convened specifically to assess the efficiency and compliance with the Company’s rules and governance procedures and to prepare the information to be approved by the Board of Directors and included in their annual public documentation.

All members of the management team or Company personnel required shall have to attend the Committee’s sessions and collaborate and provide any available information. The Committee may also request the attendance of the Accounts Auditors at the meetings.

In order to fulfil its functions, the Audit and Control Committee may request advice from external professionals.

2.-. COMPOSITION

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

Job Title:	Members	Date of Appointment	Nature
President	Ms Cristina Garmendia Mendizábal	09.06.2014	Independent
Member	Mr Gregorio Marañón y Bertrán de Lis	09.06.2014	Independent
	Mr David Resnekov	09.06.2014	Proprietary
	Mr Eduardo Zaplana Hernández-Soro	09.06.2014	Independent
Non-member Secretary	Mr Rafael de Juan López	09.06.2014	-----

3.- ACTIVITIES

During the 2016-2017 financial year, the Company's Audit and Control Committee held seven meetings:

1st SESSION – 25 OCTOBER 2016

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Members), and Mr. Rafael de Juan López (Secretary).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finance Director, (Mr Manuel Suárez Noriega), the Corporate Internal Audit Director, (Ms. Laura Templado), and the External Auditor (Deloitte) (Mr. Jose Luis Aller and Ms. Lucía Ortega Sande).

The Audit and Control Committee carried out the following activities:

- Review of the Annual Accounts of the Company (2015-2016)

- The Company's Individual and Consolidated Accounts were studied.
- The External Auditor informed that the Audit Report of the Individual and Consolidated Accounts, ended on 30-09-2016, would be unqualified.
- Being absent the CEO and the Corporate Finances Director, the Committee issued a report in favour of the drawing up, by the Board of Directors, of the Annual Individual and Consolidated Accounts for the financial year ending on 30-09-2016.
- The External Auditor indicated that, pursuant to the provisions established in the audit's technical standards, a review had been carried out of the Group's Internal Control System for the Financial Reporting (ICOFR) and that, as a result of this task, no significant weaknesses had been detected in this regard.
- In particular, the Committee received the Report from the External Auditor on the review that had been carried out, pursuant to the Group's instructions, of the information of the Internal Control System of the Financial Information (ICOFR) included in section F) of the Annual Corporate Governance Report (ACGR), resulting in no relevant inconsistencies or incidents that could affect it.
- The External Auditor stated that they had had no disagreements with the Group's Management which affected their audit work, and that they had received complete collaboration from the Group's Management in relation to the auditing of the annual accounts for the financial year ended on 30th September, 2016.

- New Model of Audit Report:

The external auditor informed the Committee on the new Model of Audit Report, to be applied from FY 2017 onwards, and which the auditor will have to include the most significant risks applicable to the audited entity (the KAM – Key Audit Matters).

- Annual Corporate Governance Report

A favourable opinion was issued with regard to the Annual Corporate Governance Report (2015-2016) and the approval thereof was proposed to the Board of Directors.

- Independence of the Auditor

The Committee approved the Report on the independence of the External Auditor (Deloitte) (report that was annexed to the Minutes of the meeting), with the end result being, in the opinion of the Committee, that Deloitte has acted independently in relation to the examination and verification of the 2015-2016 Individual and Consolidated Accounts of Compañía de Distribución Integral Logista Holdings, without this independence being affected, during the abovementioned period, by Deloitte providing services to the Company and its group of companies, in addition to those of the Account Auditing service.

- Report on Corporate Social Responsibility

The Committee unanimously approved the Logista Group's 2015-2016 Report on Corporate Social Responsibility, and submitted it to the Board for its information and validation.

- Report about the Activities of the Committee

The Report on its Functions and Activities for the 2015-2016 period was unanimously approved, and submitted to the Board of Directors, pursuant to article 17.2 of the Board's Regulation.

- Self-assessment of the Functioning and Composition of the Audit and Control Committee in Financial Year 2015-2016.

The Committee had heard the result of the assessment that was carried out by its Members, with external advice from KPMG, of its functioning and composition, and proposed improvement actions.

2nd SESSION – 29 NOVEMBER 2016

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis and Mr David Resnekov (Members), and Mr. Rafael de Juan López (Secretary). Mr Eduardo Zaplana Hernández-Soro (Member) apologized for his absence and delegated Mr. Marañón.

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finance Director, (Mr Manuel Suárez Noriega), the Corporate Internal Audit Director, (Ms. Laura Templado), and the External Auditor (Deloitte) (Mr. José Luis Aller and Ms. Lucía Ortega Sande).

The Audit and Control Committee carried out the following activities:

- New format of the Report on the Auditing of Consolidated Annual Accounts (Article 5 of Law 22/2015 of 20th July, governing Accounts Auditing) and of the Auditor's additional Report for the Audit and Control Committee.

Mr. Aller (Deloitte) reported this item to the Committee.

He first referred to the new regulations covering Accounts Auditing (Law 22/2015 of 20th July, and EU Regulation 537/2014), which are applicable to financial years beginning after 17th June, 2016 (the date when both came into force).

The *Instituto de Contabilidad y Auditoría de Cuentas* (Institute of Accounting and Accounts Auditing) had submitted for public information an amendment to the *Normas Internacionales de Auditoría* ("NIA") (International Auditing Standards), relating to the *Comunicación Comisión Auditoría* (Audit Committee Communication) (NIA ES 260) and the *Informe de Auditoría* (Auditor's Report) (NIA ES 201).

The latter lays down the Structure, Order and Content of the new Auditor's Report foreseen in Article 5 of the Law of Accounts Auditing.

The Structure of the Auditor's Report for Public-Interest Entities (PIEs) consists of the following sections:

NIA/IAS: Report on the Financial Statements

- ✓ Opinion
- ✓ Basis for the opinion
- ✓ Key Audit Matters
- ✓ Other information: Directors' Report

- ✓ Responsibilities of the Directors and of the Audit Committee for the Financial Statements
- ✓ The Auditor's responsibilities in the auditing of the Financial Statements

LAW: Report on Other Legal and Regulatory Requirements

- ✓ Additional Report to the Audit Committee
- ✓ Engagement Period
- ✓ Services Provided

Mr. Aller then referred to the most important innovations in the Auditor's Report:

- ✓ The first section of the Auditor's Report will be 'Opinion'.
- ✓ The 'Basis for Opinion' section will include the statement that the auditor is independent of the entity.
- ✓ The 'Key Account Matters' ('KAM') section is completely new. In it, the auditor must explain what a Key Matter is, and also the way in which the related work has been tackled. The auditor must also include references to the information about, and breakdown of, the key matters which appear in the Financial Statements.
- ✓ In the section 'Other Information: Directors' Report', the auditor should include an opinion on the degree of consistency of the director's report with the financial statements.
- ✓ In the section 'Responsibilities of the Directors and of the Audit Committee', the bodies responsible for overseeing the preparation and presentation of the financial statements should be identified, and it should be expressly stated that the Directors are responsible for assessing the Group's ability to continue as a "going concern".
- ✓ In the section 'The Auditor's Responsibilities', the auditor must make appropriate statements concerning:
 - The identification and assessment of the risks of material misstatement, whether due to fraud or to error.
 - The obtention of an understanding of internal control.
 - The evaluation of the accounting policies and the reasonableness of the estimates made.
 - The appropriateness of the use of the 'going concern' basis of accounting.

- The evaluation of the structure and presentation of the financial statements.
- The obtention of appropriate evidence for the financial information about the entities or activities within a group. The auditor remains solely responsible for the auditor's opinion.

The Auditor's Report must also contain information about the legal requirements in relation to: Additional Information for the Audit Committee; Period of Engagement of the Auditor, and Services Provided, other than auditing for the Group.

Mr. Aller then performed a simulation showing the Audit Report on the Logista Group's 2015-2016 Consolidated Accounts as it would have appeared if it had been applicable to that financial year.

The Key Audit Matters were the following:

- Recognition of revenue from tobacco sales (94.5% of the Group's total sales).
- Deferred taxes and provisions for tax contingencies.
- Impairment of Goodwill and Other Intangible Assets (tobacco distribution contracts in France).

He then explained the structure of the Audit Report for Non-PIEs.

He concluded his presentation by indicating the content of the Report of the Audit and Control Committee, established by Article 11 of EU Regulation 537/2014.

- Annual Report (2015-2016) on the Internal Auditing Activities.

The Director of Internal Auditing, Mrs. Laura Templado, presented the Annual Report on the 2015-2016 Internal Auditing Plan.

1. Internal Auditing Activities

1.1 Degree of Achievement of the 2015-2016 Internal Auditing Plan

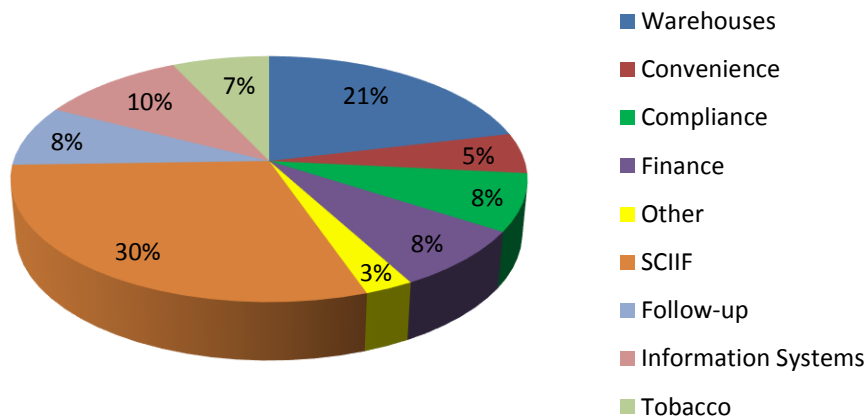
92% of the audit plan had been completed, most of the activities in draft form awaited replies – especially the System for the Internal Control of Financial Reporting (ICOFR) (SCIIF in Spanish).

- The completion of the ICOFR audits had been delayed because their review had taken longer than expected.

- The auditing of the accounts payable and accounts receivable management processes at Logista France, and of the cash management at Supergroup, had been delayed in order to perform the unplanned audit of Supergroup’s annual discounts, as requested by the management.
- The time which had been planned for the auditing of the vending machines in Portugal had been used to carry out the due diligence at José Costa & Asociados, Lda in August; this had not been foreseen in the plan.

1.2 Audit Coverage

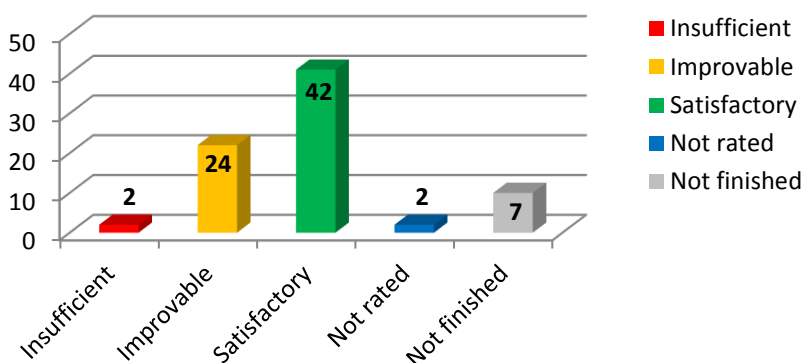
The audit coverage provided by the agreed plan had been orientated towards risks in the areas of strategy, operations and compliance with regulations, in the percentages shown below:



1.3 Results of the reviews

In fiscal year 2015-2016, 68 audits were performed, in 42 (60%) of which there was an adequate degree of control, as shown in the chart below:

Results of the audits



Generally speaking, no significant deficiencies were detected in internal control.

The limited review of the financial reporting in the first quarter of the fiscal year did not reveal any material adjustments or anything else affecting the reliability of the intermediate consolidated financial statements of the Compañía de Distribución Integral Logista Holdings, S.A.U. as at 31st December, 2015.

Within the framework of the ICOFR, there was a review of the processes of inventory purchases/accounts payable of the different companies and businesses, and also of the process of corporate consolidation. This review did not reveal any errors or adjustments which could have a significant impact on the Financial Statements. Nevertheless, certain areas were detected where improvement was required, notably in the effectiveness of the controls over purchasing operations, and in the design of the supporting documentation.

The audits of the information systems exposed certain improvement areas in the control of access to the datacentres, and improvements in the planned strategy for simulations of disaster recovery, because it is not possible to extrapolate it to a real disaster. Additionally, the audit of the segregation of duties model in PHARMASAP revealed the need to create a new supervisory framework.

In relation to all the actions agreed with the businesses, 80% have been implemented, which represents a significant improvement compared with the initial situation at the close of fiscal year 2014-2015.

2. Other activities carried out by the Management of Internal Auditing

2.1 Model for the Prevention of Risks from Crime

With regard to crime prevention, none of the audits carried out revealed any weakness in controls. The controls largely achieved their objective of mitigating the risks identified in the risk-and-control matrix of Corporate Defence, and the general objective of ensuring, in a reasonable manner, the prevention and detection of fraudulent acts and behaviour in the Logista Group in Spain.

We need to mention that the controls to prevent smuggling were tested in each of the delegations which received surprise visits, and that no aspect in critical need of improvement was detected.

Audit	Impact (*)	Design Conclusion	Operating efficiency	General conclusion
Corruption among private individuals	High	Satisfactory	Satisfactory	Satisfactory
Smuggling	High	Satisfactory	Satisfactory	Satisfactory
Abuse of inside information in Stock Markets	Moderate	Satisfactory	Satisfactory	Satisfactory
Accounting fraud	Moderate	Satisfactory	Satisfactory	Satisfactory
Damaging IT systems	Low	Satisfactory	Improvable	Satisfactory
Offence against natural resources or the environment	Low	Satisfactory	Improvable	Improvable
Industrial or intellectual property offence	Low	Satisfactory	Satisfactory	Satisfactory
Trade secrecy offence	Low	Satisfactory	Satisfactory	Satisfactory
Offence against personal privacy	Low	Satisfactory	Satisfactory	Satisfactory
Misleading advertising	Low	Improvable	Satisfactory	Satisfactory

(*) Depending on the event and its consequences.

- **Decree 231/01 (Italy)**

In relation to the compliance actions covered by Italian Legislative Decree 231/01 in the fiscal year in question, no weaknesses in control were revealed, nor anything which could jeopardise the prevention and detection of activities and behaviour with criminal impact.

These actions concentrated on the review of the following processes:

- environmental
- sponsoring and gifts
- selection and engagement of suppliers of Terzia
- management of transport contracts and contractors at Logesta.
- selection and engagement of staff
- fiscal management
- management of infrastructure and information security at Terzia
- development of computer applications for Terzia

2.2 Review of internal regulations

This year, the following policies and procedures have been reviewed:

- Policy and Procedures relating to Corporate Defence.
- Purchasing Policy and Procedure.
- 'Whistleblowing' Policy and Procedure.
- Instruction for Inventories and Instruction for Damaged Stock.
- Procedure for Prevention of Risks from Crime and Updating of the Risks and Controls Matrix.
- Policy and Procedure for Information Security.
- Policy on Corporate Social Responsibility.
- Policy on Corporate Governance.
- Risk Management Procedure.

The Internal Auditing Policy was modified during the first quarter of the year to align it with the new Corporate Defence model, and was approved by the Audit Committee.

Apart from the reviews of the offences covered by the model of Corporate Defence, the Internal Audit Department collaborated with the Legal Department and the Human Resources Department in work on the Policy on the Prevention of Risks from Crime in Spain and on the Code of Conduct. The work involved the launching, the definition of the communications systems, and training activities.

2.3 Map of Risks

The annual updating of the Group's Register and Map of Risks had been completed, and was approved by the Audit and Control Committee in its meeting of 27th September, 2016.

During the final quarter of the fiscal year, no information was received about any significant changes to the Map of Risks, nor about the appearance of any significant new risks.

2.4 External Auditor

The scope of the External Auditing for FY 2015-2016 had been reviewed and its planning had been co-ordinated, in order to guarantee a proper coverage of the financial statements audited by the external auditor and to obtain a reasonable assurance about the accounts of the Group's

various companies, and also to ensure that the Group complies with the legal obligation in relation to the auditing of accounts.

The annual accounts of all the Group's companies were reviewed before their formulation and deposit in the Commercial Registry, to ensure that they did not contain errors and that no mandatory information had been omitted.

Together with the Financial Management and the external auditor, a preliminary assessment was made of the impacts of IFRS 15 'Revenue Recognition' and IFRS 16 'Leases'.

2.5 'Whistleblowing' channel

No notifications of malpractice were received during the financial year.

2.6 Other

The Internal Control Committee and the Corporate Defence Unit held meetings in October and, November, 2015, and in March, July and September, 2016.

The Internal Audit Department was represented at the quarterly inventories at the Leganes Regional Warehouse and at the year-end inventories at the main regional and central warehouses of the different businesses and countries, in order to provide assurance to the stocktaking process.

In the third quarter of the financial year, members of the Internal Audit Department took part in the transfer of ownership of the regional warehouse of Andújar, carrying out inventory procedures and physical counts, and reviews of accounts receivable and guarantees, it being impossible for the Internal Control Department to perform that review on that occasion.

In Italy, in the first quarter of the year, the Internal Audit Department participated in the migration of the system of recording and paying 'Synergy' invoices from ERP to SAP.

3rd SESSION - 24 JANUARY 2017

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Members), and Mr. Rafael de Juan López (Secretary).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finances Director, (Mr Manuel Suárez Noriega), and the Corporate Internal Audit Director, (Ms. Laura Templado).

The Audit and Control Committee carried out the following activities:

- Quarterly Financial Report

- The Corporate Finance Director presented the Committee the Quarterly Financial Report (first quarter of the financial year – 1 October to 31 December 2016), which shall be sent to the CNMV and to the markets. The Report included among others, the sale of the participation that Logista Italia S.p.A. had in Banca ITB.
- It received a report from the Corporate Internal Audit Director concerning the abovementioned Financial Report (the materiality was 8 million euros).
- It unanimously agreed to issue a favourable report on the abovementioned Financial Report and to submit a proposal to the Board to prepare and send it to the CNMV and disseminate it via the Company's website.

- Report/Proposal on the renewed engagement of the Accounts Auditor of the Company and of its Consolidated Group.

The Board Secretary informed the Committee of the conclusion of the initial period of engagement of Deloitte, S.L. as the Accounts Auditor of the Company and of its Consolidated Group, who had been appointed by the Extraordinary and Universal General Meeting of 4th June, 2014, for a period of three fiscal years which ended on 30th September, 2016.

The Committee's Chairperson reported on the agreements reached in the Working Group, created by agreement of the Board.

The Working Group had proposed that the Company call for a tender, so that the Audit and Control Committee could recommend to the Board the appointment of two reputable auditing companies, which would work jointly, as co-auditors, on the Company's individual and consolidated accounts for the next three fiscal years.

Finally, the Audit and Control Committee unanimously agreed:

- i) Not to recommend the renewal of the appointment of Deloitte as the accounts auditor of the Company and its Consolidated Group, as the sole auditor of the Company's individual and consolidated annual accounts.
- ii) In accordance with current legislation, to call the appropriate tender in order to be able to recommend to the Board of Directors the appointment of two reputable auditing companies, that would jointly act as joint auditors of the Company and its Consolidated Group, for the fiscal years ending 30 September 2017, 30 September 2018 and 30 September 2019.

Once the tender has been concluded, the Committee will accordingly recommend to the Board the two auditing companies that will act as joint auditors.

If the Board of Directors accepts the Audit and Control Committee's recommendation, it will have to submit the relevant proposed resolution to the General Shareholders' Meeting, planned to be held on March 21st.

The Corporate Directorate of Finances:

- i) Will prepare the relevant set of conditions, in accordance with (EU) Regulation 537/2014 of 16th April, and the Law of Accounts Auditing of 20th July, 2015.
- ii) Will conduct the selection process.
- iii) Will negotiate directly with the auditing firms which are invited as candidates in the selection process.
- iv) Will formulate, for the Audit and Control Committee, the proposal for the award to the selected auditing firms.
- v) Will prepare a report containing the conditions attached to the selection process (including the names of the two auditing firms initially proposed for appointment as joint auditors), for ratification by the Audit and Control Committee.

4th – RESOLUTION OF 15 FEBRUARY 2017

- Report/Proposal of the Committee of 15 February 2017

The report, referred to below, was unanimously agreed by the Committee, following the procedure of written voting, performed, according to the provisions of Article 248.2 of the Capital Companies Act, Article 37 of the Articles of Association and Article 15.3, in relation to Article 20.4 of the Board of Directors Regulations.

Report-Proposal on the Appointment of the Accounts Auditors of the Company and of its Consolidated Group, for the Fiscal Years ending September 30th 2017, 2018 and 2019.

All members (personally or through their representation by another member), have issued, in writing, their vote in favour of the following agreement:

The members of the Committee have received a Report to the referenced subject, issued by the Corporate Finances Directorate, that has conducted the selection process of the Auditors of the Individual and Consolidated Accounts of the Company, for the next three fiscal years, in accordance to the set of conditions prepared, that all members declare to know and ratify, in what may be appropriate.

The Report contains, among others, the invitations sent to different auditing firms, the technical and economic bids received by the Company, an evaluation of such offers, and finally, a recommendation for the appointment of Deloitte, S.L. and PricewaterhouseCoopers Auditores, S.L., as joint Auditors of the Individual and Consolidated Accounts of the Company, for the fiscal years ending September 30, 2017, 2018 and 2019.

A copy of the Report is attached to the present Minutes as Annexe 1.

The Audit and Control Committee, in accordance to the provisions of Article 43rd 4th of the By-Laws, and Article 17.2 b) of the Regulations of the Board of Directors, unanimously agreed to recommend and propose to the Board of Directors, for its submission to the General Shareholders Meeting, the appointment of Deloitte, S.L. and PricewaterhouseCoopers Auditores, S.L., as Auditors - who will jointly act - of the Individual and Consolidated Annual Accounts of the Company, for the fiscal years ending September 30, 2017, 2018 and 2019.

5th SESSION - 25 APRIL 2017

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Members), and Mr. Rafael de Juan (Secretary).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finances Director, (Mr Manuel Suárez Noriega), the Corporate Internal Audit Director (Ms Laura Templado), and the External Auditors (Mr. Jose Luis Aller (Deloitte) and Mr. Raúl Llorente (PricewaterhouseCoopers)).

The Audit and Control Committee analysed the following subjects:

- Financial Report for the First Half Term of the Financial Year (1 October 2016 to 31 March 2017).

With regard to this issue, the Committee:

- i) Was informed by the Corporate Finance Director of the exact content of the Financial Report for the First Half Year Period.
- ii) Was informed by the external joint Auditors about the verification tasks on this Half-Yearly Financial Report, which was carried out pursuant to Standard IAS 34 "Intermediate Financial Information".

After highlighting issues deemed to be relevant, the joint auditors concluded, as a result of the limited review, that *"they were not aware of anything which led them to conclude that the consolidated, condensed, interim financial statements corresponding to the period 1st October, 2016 to 31st March, 2017 had not been prepared in accordance with the*

requirements of the International Accounting Standards (IAS 34), adopted by the European Union in accordance with Article 12 of Royal Decree 1362/2017, for the preparation of consolidated, condensed, interim financial statements.”

- iii) A unanimous favourable opinion was issued on the abovementioned Financial Report and a proposal was put to the Board to prepare and send it to the CNMV and disseminate it via the corporate website.

- Report and, if appropriate, proposal to the Board of Directors on the Logista Group General Policy on Internal Control

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

On 8th February, 2012, the Logista Group - which parent Company was, at that time, Logista SAU - issued its General Internal Control Policy, for the purpose of designing, organising and supervising an internal control framework for the whole Group.

The Logista Group (or “the Group”) is currently composed of Logista Holdings, S.A. (or “the Company”), as the parent company, and all the subsidiary companies which are directly or indirectly dependent on it.

Article 529 ter of the Spanish Capital Companies Act includes among the non-transferable powers of the Board of Directors of listed companies:

“the establishment of the risks management and control policy, including fiscal risks, and the supervision of the internal systems of information and control.”

The Rules of the Board of Directors of Logista Holdings, of 26th January, 2016, include the same powers among the non-transferable powers of the Board of Directors, which assumes the function of supervising the effectiveness of the Logista Group’s internal control, through its Audit and Control Committee.

In the same way, the Code of Good Governance of Listed Companies, published by the *Comisión Nacional del Mercado de Valores* (National Securities Market Commission) on 18th February, 2015, requires companies to have the role of controlling and managing risks, exercised by an internal unit or department, under the supervision of the Audit and Control Committee.

The Board of Directors of Logista Holdings had previously formulated a General Risks Management Policy in the Group, on the basis of which this General Internal Control Policy has been designed and formulated.

The set of regulatory changes which have taken place in recent years, together with the changes in the best practices in Corporate Governance, especially in the field of Internal Control, have made it necessary to revise the Group’s Internal Control Policy.

The Corporate Director of Finances stated that the basic content of this Policy had already been analysed by the Extraordinary Board Meeting on 21st February this year.

The Committee therefore acknowledged that it had been informed of that content.

The Audit and Control Committee unanimously reported in favour of the Logista Group's Internal Control Policy, with the content shown as Appendix 1 to these minutes, and proposed that the Board of Directors approve it.

- Approval, if appropriate, of the Logista Group's Procedure for Internal Control.

The Corporate Director of Finances, Mr. Suárez, presented this item of the agenda.

The Audit and Control Committee had reported in favour of the Logista Group's Internal Control Policy, and had proposed that the Board of Directors approve it.

In pursuance of that Policy, the Committee was invited to approve the Logista Group's Internal Control Procedure ("the Procedure").

The Procedure regulates:

- i) the manner and method which the Group uses to identify and adequately manage the main risks which could affect it;
- ii) the competent bodies in the Logista Group's Internal Control System;
- iii) the conceptual framework of the Logista Group's Internal Control System.

The Procedure describes the process of the Internal Control System, which is carried out in the following phases:

- Defining the context or environment in which the Group carries on its activities in order to develop an Internal Control System which will enable the Risks to which it is exposed to be adequately managed.
- Identifying and describing the Processes and Sub-Processes related to the Group's operations, activities and financial information.
- Identifying, analysing and assessing the Risks which affect the Organisation and which prevent its objectives from being achieved, and the determination of the possible positive and/or negative effects of the materialisation of the identified Risks, the Probability of their materialisation, and the level of Risk which the Group can accept in the exercise of its activities.

- Identifying the Control Activities and the specific measures and actions which must be taken in response to the Risks
- Analysing the design, implementation and effectiveness of the Control Activities: The checking of the effectiveness of the Control Activities designed to avoid or mitigate the Risks detected by the Group.
- Monitoring, reviewing and proposing improvements: The monitoring and updating of the results of implementing the Internal Control System, ensuring that it functions correctly and that incidents are detected.
- Informing and communicating: Communication (consultation, information and training) to incorporate the Internal Control System at all levels of the Organisation.
- Supervising: The checking of the effectiveness of the Internal Control System, and in particular, of the existing Control Activities.

The Procedure also describes the functions, composition and mode of operation of the Logista Group's Internal Control Committee, which will report to the Audit and Control Committee.

Finally, it describes the organisation of the Internal Control System, structuring Processes and Sub-Processes which are common to all the Group's activities, Businesses and Corporate Directorates, which are grouped into three categories.

- General, Strategic and/or Organisational Processes
- Operational Processes
- Functional and Corporate Service Processes

Finally, the Audit and Control Committee unanimously approved, subject to the Board's approval of the Logista Group's Internal Control Policy, the indicated Procedure, which was annexed to the Minutes of the meeting.

- Half-Year Report on Internal Auditing (1st October, 2016, to 31st March, 2017).

The Director of Internal Auditing, Mrs. Laura Templado, first referred, in general, to the internal auditing work which had been carried out in the First Half-Year of the fiscal year, and particularly to the ICOFR audits, with the result that no significant effects in the Group's consolidated accounts have been deducted.

- Corporate Defence

Besides the auditing of the fraud against the Social Security, in December the on-line training in the Code of Conduct was co-ordinated for all the Group's active employees who had not already completed it.

Audit	Impact (*)	Conclusion - design	Operational effectiveness	Conclusion - general
Fraud against Social Security	High	Adequate	Adequate	Adequate
Smuggling offence (**)	High	Adequate	Adequate	Adequate

(*) Risk depending on the occurrence and its consequences

(**) It should be noted that checks on smuggling were carried out at each of the delegations that were visited by surprise, and no critical areas requiring improvement were detected.

- Legislative Decree 231/01

In Italy, planned reviews of Legislative Decree 231/01 have been carried out. The effectiveness of the controls described in model 231 has been reviewed, with satisfactory results. For the three Italian companies, 36 controls during Q1 related to the following processes: Legal management, Human Resources and IT applications, and 49 controls during Q2 related to financial reporting, inter-company relationships, tax, communication with Public Administrations, Public Relations management, and handling management companies.

- Map of Risks

During the first quarter of the year risks materialized in litigation. In particular, on November 23rd the National High Court issued a ruling relating to the complementary amounts received by Tabacalera's employees as bonus tobacco, resulting in the payment to the employees of the amounts not received as a consequence of the elimination of that right by Logista. The financial impact, based on actuarial studies, amounted to 6,8 million euros, and has been fully recorded in the financial statements for the first quarter of the year, at Logista SAU.

On November 20th, the plain packaging regulation came into force in France, and in Italy the transposition of the European Regulation on packaging has started, with a negative impact on the volumes sold in those countries during the quarter.

Last March, the *Comisión Nacional de los Mercados y la Competencia* (Spain's competition supervisor) conducted an inspection at Logista's office in Leganés, within an investigation of possible anti-competition practices in cigarette manufacturing, distribution and marketing. Logista wants to make clear that it has not carried out any anti-competition activity and has no

relationship with the aforementioned alleged activities subject to investigation, and that it has always acted in full observance of current legislation when carrying out its operations.

From a fiscal perspective, no new risks have been identified in relation to tax inspections.

- Complaints Channel

During the period, no notification of malpractice was received by the bodies competent to receive such complaints.

- The Group's External Auditor's fees for fiscal year 2015-2016

The Corporate Director of Internal Auditing informed the Committee, for the purposes of Article 37 of the Board's Rules, Consolidated Text of 26th January, 2016, that the amount charged for the auditing services and other services contracted by the Group with Deloitte in fiscal year 2015-2016 had risen to 1,542 (thousands of euros), which represents 0.0037% of the annual income published by Deloitte Global in the same year.

- The External Auditor fees 2016-2017

- The Committee was informed by the Corporate Director of Internal Audit on the hypothesis and variations that were taken into account in the negotiation of external audit fees 2016-2017.
- The General Shareholders meeting of last March, appointed Deloitte and PricewaterhouseCoopers ("PwC") as joint-auditors of the Individual and Consolidated Accounts of the Company.

The distribution between the two companies of the Group's audit works have been negotiated with them. This way, Deloitte will audit the Individual Accounts of Logista España, the Publicaciones Sub-Group, and the rest of the Spanish Companies, and will jointly audit with PwC the Individual and Consolidated Accounts of the Company.

PwC will audit the Individual Accounts of Logista France and Logista Italia, and will jointly audit with Deloitte the Individual and Consolidated Accounts of the Company.

PwC will also audit the consolidations reporting that is included in the Consolidated Accounts of IB.

- Finally, she proposed to the Committee, which unanimously approved, the engagement of the above mentioned Audit Firms by the mentioned Companies, and the audit fees for the fiscal year 2016-2017, which amounted, for the whole Group, to 1,671,953 €.

- Minutes of the meeting of the Internal Control Committee of 21st April, 2017

The Director of Internal Auditing handed these minutes over to the Committee members. They recorded the subjects dealt with in the meeting (Report on the Group's General Internal Control Policy, Degree of implementation of the Internal Auditing Department's Recommendations, Control of Physical Counting of Stocks in Warehouses).

6th SESSION - 27th JULY 2017

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Members), and Mr. Rafael de Juan (Secretary).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finance Director, (Mr Manuel Suárez Noriega), the Corporate Internal Audit Director (Ms Laura Templado) and the External Auditors (Mr. Jose Luis Aller (Deloitte) and Mr. Raúl Llorente (PwC)).

The Audit and Control Committee analysed the following subjects:

- The Company's Financial Report for the Third Quarter of the financial period.

- With regard to this issue:
 - i) The Corporate Finance Director disclosed to the Committee the exact content of the Company's Financial Report and that of its subsidiary companies for the third quarter of the financial period, which was sent to the CNMV on 28 July.
 - ii) Mr. Aller (Deloitte) and Mr. Llorente (PwC) informed the Committee of, among other things, the actions taken by the External Auditors and the next steps which had to be taken in order to formulate the Annual Accounts for the Board Meeting of 31st October.

Regarding the auditing procedures carried out on 30th June, 2017 they reported:

- Scope

The main aim of the procedures applied to the financial information on 30th June was to update relevant aspects which had been identified previously and to anticipate aspects relevant to the closure of 30th September. In particular:

- A substantial part of the evaluation of the internal control and information systems was carried out, and would be completed as a final task.
- Significant events occurring during Q3 were identified and analysed, as was the monitoring of subjects previously reported on.

- A lot of work was done in specific areas.
- Reviewing procedures were applied to Logista's consolidation package for the nine-month period ended on 30th June, 2017, for Imperial Brands, PLC Group, which had been carried out entirely by PWC.

- Result

Although the purpose of the procedures on 30th June had not been to obtain assurance of the accuracy of the financial information on that date, in the course of the review no relevant aspects were identified as not having been communicated to the Audit and Control Committee.

- Independence

To the best of their knowledge, they had been independent, in accordance with the requirements of the Law of Accounts Auditing.

- iii) The Committee issued a unanimous favourable opinion on the abovementioned Financial Report and a proposal was put to the Board to prepare and send it to the CNMV and disseminate it via the corporate website.

- Interim Dividend for Financial Year 2016-2017

- The Corporate Finances Director informed that, according to the Policy on Dividends, it was proposed to distribute an interim dividend against the results of the 2017 fiscal year, and which, if approved, would be paid through the Banco Santander on 30th August, 2017.

The amount of the proposed interim dividend was 0.30 euros per share.

The Audit and Control Committee unanimously reported in favour of the proposal to distribute an interim dividend of 0.30 euros per share, and suggested that the Board approve it.

- Monitoring of the Internal Auditing Plan – Third Quarter of the Financial Year

- The Group's Director of Internal Auditing, Mrs. Laura Templado, presented to the Committee a report on this subject.

✓ Audits carried out

She said that in the third quarter 37 audits had been carried out, and that, as at today's date, 59% of the actions envisaged in the 2016-2017 Internal Auditing Plan had already been completed.

✓ Internal Control of Financial Reporting

She reported on the degree of progress in the work of Internal Control System of the Financial Reporting (determination and evaluation of the risks and control matrix, narratives and flowcharts).

✓ Corporate Defence

She stated that the audits carried out on the Prevention of Risks from Crime, and from smuggling in particular, had not revealed any weaknesses in the controls.

✓ Legislative Decree no. 231/01

In Italy, the planned reviews to ensure compliance with Legislative Decree no. 231/01 had been completed. In the first quarter of the year the functioning of the controls laid down for the prevention model had been satisfactorily checked. For the three Italian companies, 25 controls were included, covering the processes of defining and managing the contracts with DFL, the management of orders for, and deliveries of, tobacco, and the HR Department's management of contracting and remunerating.

✓ Map of Risks

The Group's Map of Risks had been brought up to date.

✓ Complaints ('Whistleblowing') Channel

No complaint had been received in this period.

✓ External Auditing

Work had been done to fix the timing of accounts closure and accounts auditing in fiscal year 2017. In addition, visits had been made, together with members of the Finance Department and the accounts auditors, to both France and Italy, to meet the new auditing teams, to agree on the timing of the local closures, the scope of the reviews, and the manner in which the businesses would evolve.

- Accounts Auditing Plan for the Financial Year

Deloitte and PwC, the Consolidated Group's joint auditors, summarised the auditing plan for financial year 2016-2017, the most significant auditing risks and the auditing procedures and strategies employed by the auditors to eliminate or attenuate them, and explained the automatic controls which the Group had established for the most critical processes (Sales, Supplies, Stocks and Excise Duties).

They also identified the companies which are included in the Group's consolidation, and the way in which the work on each of the individual accounts of the companies in the Group is divided between the joint auditors.

With regard to the materiality to be applied, they indicated the following:

- It had been calculated as 5% of the Group's consolidated before-tax result that had been forecast for the closure of the financial year (between 9 and 10 million euros).
- Qualitative parameters had also been taken into account.
- Where breakdowns of the annual accounts were involved, any omissions would be reported.
- For the purpose of reporting on subsidiaries, the auditors of the components would have to report all adjustments which exceeded 450,000 euros, even though the figure would be reviewed at the close of the financial year.

Finally, they referred to the planning of the work and the timetable for the auditing up to the close of the financial year.

- New Model of Audit Report: 'Key Audit Matters'

The Audit and Control Committee again examined the model for the new Audit Report.

Deloitte and PwC highlighted the main innovations in the new Audit Report, which were the following:

- ✓ The 'Opinion' paragraph will now be the first paragraph of the Audit Report. It will reflect the regulatory framework of the relevant financial reporting and there will be no changes in its wording.
- ✓ The 'Basis of Opinion' paragraph will include a declaration of the auditor's independence.
- ✓ The 'Key Audit Matters' paragraph is the principal innovation in the new model Audit Report, and here the auditors have to include the most serious risks for the Group, a summary of those risks, and if applicable, appropriate observations.

They identified the Logista Group's Key Audit Matters as the following:

- Recognition of income from sales of tobacco.

This represents 94.5% of the Group's sales.

There is an inherent risk associated with the moment of recognition of this income.

- Deferred taxes and provisions for fiscal risks.

The amount involved is large.

There are fiscal risks associated with the inspections carried out by the Department of Excise Duty on Tobacco Products, by the Customs authorities, and by others.

The specific fiscal regulations are also complex because of the different geographical areas to which they apply.

The calculations of these taxes are complicated, as are the fiscal regulations in force in the different jurisdictions, and the high degree of judgement required for the Group to estimate the relevant provisions.

- Deterioration of goodwill and of other intangible assets.

The amount is large.

There is an annual test of deterioration, which is a complicated process involving a high level of estimation, judgement and supposition.

Messrs. Aller and Llorente also informed the Committee of the most important regulatory innovations:

1) Additional report for the Audit Committee.

In accordance with European Regulation nº. 537/2014 (EUR) for 'public-interest entities', when the audit is completed the auditor is required to issue an Additional Report for the Audit Committee.

Article 36 of the Law of Auditing lays down, for audits of annual accounts corresponding to financial years beginning from 17.6.16, the obligation for accounts auditors or companies auditing 'public-interest entities' to prepare and present a report additional to that on the auditing of the annual accounts, in accordance with Article 11 of the EUR. The said article lays down that, in the case of an audit of consolidated annual accounts, the auditor of the group has to prepare this additional report for delivery to the parent company.

This report has to comply with Article 11 of the EUR, and to regard it as the applicable technical standard for auditing, which is the Revised IAS-ES 260, and has to contain at least the following:

- Declaration of Independence
- Identification of the principal partners entrusted with the assignment.

- Confirmation of the independence of any third-party auditors who have worked on the assignment.
- The nature, frequency and scope of the communications with the Audit Committee, and the dates of those communications.
- The timetable for the audit.
- The auditing method used.
- Materiality.
- Opinions about facts or circumstances which could question the principle of a going concern.
- Significant deficiencies in internal control.
- Significant breaches of legal or regulatory provisions.
- Methods of evaluation which are applied to the main items of the financial statements, including the effects of any modification to those methods.
- For consolidated annual accounts: extent of the consolidation and, if other auditors are involved, identification of the part of the work done by them.
- Confirmation that all the explanations and documentation required by the Company have been received.
- A record of all the important questions arising from the audit, and which have been discussed with the management.

2) Article 5.4 of the EU Regulations relating to the need for authorisation by the Audit Committees for services other than auditing services.

This Article states: "*Statutory auditors or auditing companies that carry out legal audits of public-interest entities and, where the statutory auditor or auditing company belongs to a network, every member of that network, will be able to provide the audited entity, its parent company or the company which it controls, with services other than auditing, provided that they are not the prohibited services referred to in sections 1 and 2, subject to authorisation by the Audit Committee, after having adequately assessed the threats to independence and the protective measures applied under Article 22 ter of Directive 2006/43/CE. When appropriate, the Audit Committee will formulate directives in connection with the services referred to in section 3.*"

In relation to this Article, the ICAC (*Instituto de Contabilidad y Auditoría de Cuentas*: Institute of Accounting and Accounts Auditing) has issued a consultation paper (BOICAC nº109/2017

Consulta 1) on the action to be taken by an auditor with respect to the Audit Committee of a Spanish public-interest entity with a view to the provision of services other than auditing, and other than those which are prohibited, by the accounts auditor of that entity, and with a view to obtaining the authorisation of the said Audit Committee.

The public-interest entities are in the process of implementing the necessary mechanisms to comply with this new requirement.

3) Technical Guide to Audit Committees of Public-Interest Entities

On 27th June, 2017, and following a report from its Advisory Committee, the Board of the CNMV approved a Technical Guide to Audit Committees of Public-Interest Entities, in accordance with Articles 21.3 and 21.4 of the Consolidated Text of the Securities Market Law, approved by Royal Legislative Decree 4/2015, of 23rd October, which provides a number of principles, recommendations and criteria for the proper functioning of audit committees. There are two main sections in this Guide:

- Basic Principles
 1. Responsibility
 2. Scepticism
 3. Constructive dialogues which encourage members to express themselves freely.
 4. Continual dialogues with the Internal Audit Department, the Accounts Auditor and the management.
 5. Sufficient analytical ability (by using experts).
- The Performance of Audit Committees' Functions
 1. Composition.
 2. Functioning.
 3. Supervision of financial reporting.
 4. Supervision of risk management and control.
 5. Supervision of internal auditing.
 6. Connection with the accounts auditor.
 7. Other responsibilities.
 8. Evaluation and monitoring.
 9. Reporting to other bodies in the entity, and to its shareholders.

The public-interest entities are in the process of assessing the impact of this Guide.

4) Changes in the General Accounting Plan

On 28th February, 2017, the ICAC published on its website a preliminary public consultation on a proposal to modify the General Accounting Plan (GAP) so as to align it with international standards, by making changes to Standards for Valuation, 9. Financial Instruments and 14. Income from Sales and Provision of Services.

In practice, these modifications involve aligning the GAP with the international financial reporting standards (IFRS 9 – Financial Instruments and IFRS 15 – Recurring Revenue from Contracts with Clients) approved by the IASB.

The date envisaged for the coming into force of these modifications to the GAP would be 1st January, 2018 (for the Logista Group, the financial year beginning in October, 2018).

It was expected that IFRS 16 - Leases would be the next one to be adapted by the ICAC.

- Authorisation of the contract for the provision of the Intragroup Transfer Price service.

The Corporate Director of Finances submitted for the approval of the Audit and Control Committee the contract with Deloitte for the provision of the intragroup transfer price service, the aim of which is to assist the Logista Group to fulfil its documentary obligations connected with transfer prices in the countries in which the Group was present in financial year 2016, at a cost of 120,000 €.

Based on the scope of the work, and on current legislation, the Accounts Auditor confirmed to the Internal Auditing Department that the provision of this service would not affect the independence of the accounts auditing service, because:

1. Accounts Auditors are allowed to provide transfer price services, according to the analysis of the European Contact Group (the working group which includes the six principal auditing firms), and according to Article 5 of EU Regulation 537/2015.
2. The service is not related to lawsuits, investigations or reviews by regulatory or supervisory bodies, matters under court proceedings or arbitration, or any conflict which Logista may have with third parties (suppliers, customers, employees, former directors, business partners, etc.).
3. The assignment will not include the preparation of a financial report, nor will it involve work with financial information serving to support the preparation of the annual accounts which will subsequently be reviewed by the auditing team. The work will be done with information from financial statements which are already closed (FY 2016).

4. There would be no impact on the Logista Group's financial reporting, since all the intergroup transactions are eliminated in the consolidation process.
5. The corresponding analysis of threats and safeguards had been prepared, and no significant threat had been identified. Even so, during the work, the following safeguards had been included:
 - To avoid the danger of familiarity, no member of the working group is a member of the auditing team;
 - The Logista Group's management is responsible for taking all decisions and for carrying out all the management functions. Logista is therefore the only body responsible for the final documentation of its policies on transfer pricing;
 - No powers or representation have been granted to Deloitte;
 - No supportive work will be done in disputes, and no assistance will be provided in inspections of policies on transfer pricing if these could involve an advocacy threat.

Additionally, Deloitte would deliver a letter of confirmation of independence relating specifically to this service.

Mr. Llorente (the joint accounts auditor from PricewaterhouseCoopers) also confirmed that Deloitte's provision of these services was not against the law, and did not affect the firm's independence as the Company's accounts auditor.

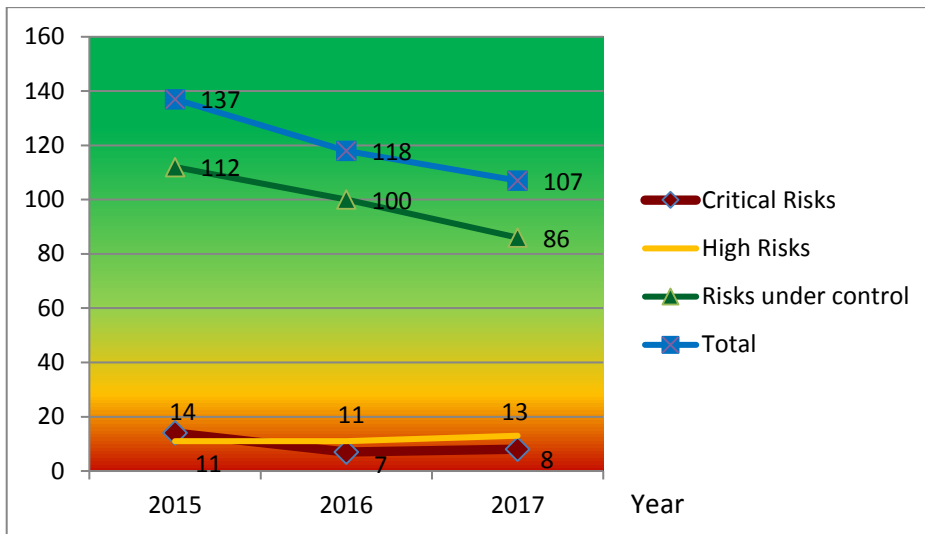
It falls to the Audit and Control Committee to authorise the accounts auditing company to provide the Company with services other than those which are prohibited, in accordance with Article 529 quaterdecies 4 e) of the Law of Capital Companies, with Article 5.4 of EU Regulation nº 537/214 of 16th April, and with section 3 ('Independence') of chapter IV of Heading I of Law 22/2015 of 16th April, governing the Auditing of Accounts.

The Audit and Control Committee unanimously concluded that Deloitte's provision of intragroup transfer price services worth 120,000 euros would not affect that firm's independence as Accounts Auditor, and consequently approved the making of the said contract.

- Updating of the Group's Map of Risks

This item of the agenda was presented by the Corporate Director of Internal Auditing, Mrs. Laura Templado.

The changes in the risks, and their distribution, are shown in the following graph:



The Corporate Director of Internal Auditing reported to the Committee on the changes in the Group's main risks, highlighting the following aspects:

- The Group was tending to reduce risks, and had eliminated 11 of them. Those which had arisen corresponded to the completion of tax assessments, the sanctions of which had been provided for, and to legislative changes without significant effect on the Group.
- The main risks to which the Group was exposed originated in external factors whose impact or probability of occurrence was difficult to deal with internally. The impact of these risks on reputation was similar to that in the previous fiscal year, though slightly higher.
- The current social and anti-smoking policies in France acquire more significance on the map of risks, and highlight the introduction of a tax on tobacco distributors, the impact of which has been approximately 120M€, which we must pass on to the manufacturers.
- In gross terms, the risks remain unchanged from last year, except for the risk corresponding to Plain Packaging, which has arisen without significant impact.
- In net terms, the critical risks remain unchanged, and represent 7.5% of the total number of risks. The risk of fluctuations in tobacco prices has been split in two: fluctuations due to changes in taxation and due to prices increase, in order to differentiate between the possible effects of these factors.

- Minutes of the Internal Control Committee

The Director of Internal Auditing informed the Committee that the Internal Control Committee had approved, in writing and without a meeting, the Procedure for the Management of the Logista Group's Cash-Flow Financing and of its Collections and Payments.

7th SESSION - 26 SEPTEMBER 2017

Present at this session were Ms Cristina Garmendia Mendizábal (President), Mr Gregorio Marañón y Bertrán de Lis, Mr David Resnekov and Mr Eduardo Zaplana Hernández-Soro (Board Members), and Mr. Rafael de Juan López (Secretary).

Also present were the Chief Executive Officer of the Company, (Mr Luis Egido Gálvez), the Corporate Finance Director, (Mr Manuel Suárez Noriega), and the Corporate Internal Audit Director (Ms Laura Templado).

The Audit and Control Committee analysed the following subjects:

- Annual Corporate Governance Report 2016-2017

- The Committee analysed a first draft of the Annual Corporate Governance Report 2016-2017.

- Approval of the Group's Internal Audit Plan 2017-2018

- The Committee analysed and finally unanimously approved, the content of the Logista Group Internal Auditing Plan for 2017-2018, presented by the Director of Internal Auditing.

The Plan was based on:

- ✓ the requirements of the CNMV in relation to the system of internal control over financial reporting (ICOFR);
- ✓ legal requirements, especially those relating to the supervision of the Model for Crime Prevention;
- ✓ various conversations with Management;
- ✓ the Logista Group's internal regulations, which assign certain reviewing and supervisory activities to the Internal Auditing Department.

The regulations of the CNMV covering the review of the ICOFR allowed a rotation system to be set up, ensuring that it would be reviewed every three years. The Plan presented the activities programmed for fiscal year 2017-2018, which would be the last year of the three-year plan that had been defined in FY 2015-2016.

With regard to crime prevention, the review continued of all the crimes committed in the three-year period which began last year. The same approach was being used to review the crimes covered by the Italian Legislative Decree no. 231/01, and would be part of the three-year plan that had been defined in FY 2015-2016.

She then gave details of the Internal Auditing activities that were planned for FY 2017-2018 by process, and the objectives for Iberia, Italy, France and Information Systems:

1. IBERIA

- Process of Order to Cash

A review of the degree of adequacy and effectiveness of the controls described in the ICOFR documentation covering the process of Order to Cash for tobacco (Logista, SAU) and transport (Dronas).

- Corporate Processes-ICOFR

In order to conclude the three-year plan, set up in 2015, there would also be a review of the ICOFR documentation covering the following corporate processes:

- ✓ Taxes.
- ✓ Purchases of non-inventory goods (an activity initially planned in FY1516, but postponed because of the automation of the process).
- ✓ The HR Department's Payroll process.

- Model for the Prevention of Risks from Crime (Spain)

A review of the degree of compliance with the controls defined in the Model for the Prevention of Risks from Crime, and of their adequacy and effectiveness for the Group's companies in Spain.

Specifically, in this fiscal year the following offences would be reviewed:

- ✓ Defrauding the Tax Administration.
- ✓ Offences against public health.
- ✓ Bribery.
- ✓ Violation of workers' rights.
- ✓ Money laundering.
- ✓ Subsidy fraud.

2. ITALY

- Process of Order to Cash - ICOFR

A review of the degree of adequacy and effectiveness of the controls described in the ICOFR documentation covering the process of Order to Cash for the Tobacco Business (Logista Italy) and the Convenience Business (Terzia).

- Warehouses and Surprise Visits

The aim was to check the stock in the various warehouses by means of physical stocktaking, and to review the stock-management process in those centres to ensure that the internal controls are sufficient to guarantee accurate recording of stock levels.

- Destruction of Stocks

Ensuring that the procedure for damaged stock that must be destroyed is in accordance with the Group's Policies and Procedures and is carried out efficiently.

- Compliance with Legislative Decree no.231/01

A review of the degree of compliance by the Group's companies in Italy, and of the adequacy of the internal controls set up to ensure compliance, in accordance with the aforementioned plan for their complete review over a period of three years.

3. FRANCE

- Process of Order to Cash - ICOFR

Review of the degree of adequacy and effectiveness of the controls described in the ICOFR documentation covering the process of Order to Cash for the Tobacco Business (Logista France) and the Convenience Business (SAF and Supergroup).

- SAF- Loyalty Programme

- Stocks and Surprise Visits

4. INFORMATION SYSTEMS

- Data Centres

Data Centres are installations which incorporate a great variety of systems, and whose ultimate purpose is to conserve and administer the information stored in them. Consequently, their security is essential in order to minimise the impact on the Businesses of any security incident or of any failure in the infrastructure.

The purpose of the audit was therefore to decide what was the appropriate level of security for a selection of centres, from the perspective both of controlling access (to prevent unauthorised access) and of guarding against threats to the environment. When the management is from outside, the service provider's management will be evaluated.

For the current fiscal year, it was intended to review a selection of data centres which had been chosen on the basis of the criticality of their functions.

- Security, Functionality and Communications in the tool used for the management of stocks of Convenience Products at Logista Dis (ADAIA)

Ensuring that the tool is secure enough to safeguard the data contained in it, and that the tool's configuration guarantees the accuracy of the information which it generates. Deciding about the effectiveness of the existing controls in minimising the risks and strengthening the tool's control.

- Security, Functionality and Communications in the tool used for the management of Logesta's transport (TESEO)

Ensuring that the tool is secure enough to safeguard the data contained in it, and that the tool's configuration guarantees the accuracy of the information which it generates. Deciding about the effectiveness of the existing controls in minimising the risks and strengthening the tool's control.

5. CONSULTANCY ACTIVITIES

- Review of the 'LOGISAP' model for the segregation of functions.
- Updating of Crime Prevention Model no.231/01 (Italy)

As a result of legislative changes in Italy, the matrices of risks and controls in Crime Prevention Model no.231/01 would be updated.

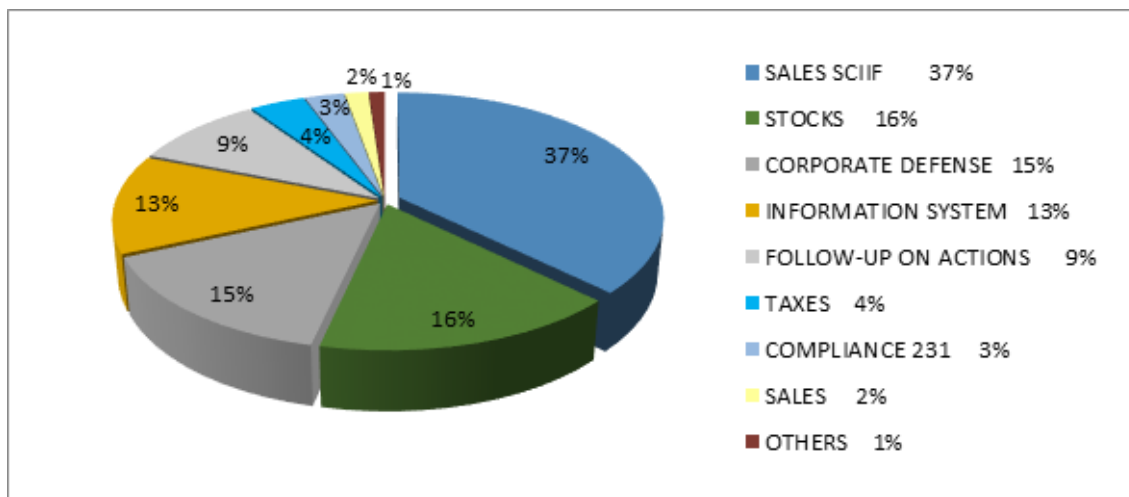
6. OTHER ACTIVITIES

With regard to the Internal Auditing Department's own workings, a series of actions would be carried out during fiscal year 2017-2018, with the aim of contributing to an improvement in processes and areas, at the request of Management, while maintaining that objectivity and independence which is necessary for the correct performance of the functions of internal auditing:

- Regular monitoring of the implementation of actions called for by audit reports.
- Updating of the Register of Risks, and preparation of the Group's Map of Risks.

- Annual quality review of the annual accounts of the various companies and subsidiaries which constitute the Logista Group, prior to their formulation and deposit in the Mercantile Registry.
- Management of the external auditor (fees, planning, monitoring of recommendations).
- Contributing to the preparation of the Annual Report on Corporate Governance, in its sections 'E- System of Risk Management' and 'F- Internal Control over Financial Reporting'.
- Contributing to the definition and preparation/review of policies and procedures.
- Preparation of the Auditing Plan, quarterly monitoring reports to the Audit and Control Committee, giving information to the Internal Control Committee, the *Organismo di Vigilanza*, the Unit for the Prevention of Risks from Crime, etc.

The distribution of the Internal Auditing Plan, by area, is shown in the following chart:



- Self-Assessment of the functioning and composition of the Audit and Control Committee in Fiscal Year 2016-2017.

The Committee had heard the result of the assessment of the functioning and composition of the Audit and Control Committee that was carried out by the Board Members, and proposed improvement actions.

This Report has been unanimously approved by the Audit and Control Committee and the members thereof in the meeting held on 31 October 2017.

Leganés, 31 October 2017

The Secretary of this Committee,

Rafael de Juan López