



ANNUAL REPORT ON CORPORATE GOVERNANCE **2014**



ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED PUBLIC LIMITED COMPANIES

Free translation from a report originally issued in Spanish.
Spanish version prevails over the English version

Issuer identification details

FISCAL YEAR-END DATE: 30/09/2014

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)

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 |

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

NO

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

| Name (person or company) of the shareholder | Number of direct voting rights | Number of indirect voting rights | % on total of share capital |
|---|--------------------------------|----------------------------------|-----------------------------|
| ALTADIS SAU | 92,925,001 | 0 | 70.00% |
| HSBC HOLDINGS PLC | 0 | 5,210,303 | 3.92% |
| KAMES CAPITAL PLC | 0 | 5,300,000 | 3.99% |

| Name (person or company) of indirect owner of shareholding | Through: Name (person or company) of direct owner of shareholding | Number of voting rights |
|--|---|-------------------------|
| HSBC HOLDINGS PLC | HSBC HOLDINGS PLC | 5,210,303 |
| KAMES CAPITAL PLC | KAMES CAPITAL PLC | 5,300,000 |

Indicate the most significant movements in shareholding structure that have taken place over the fiscal year:

| Name (person or company) of the shareholder | Transaction date | Transaction Description |
|---|------------------|--|
| ALTADIS SAU | 14/07/2014 | Lowered the 75% share capital threshold |
| HSBC HOLDINGS PLC | 14/07/2014 | Surpassed the 3% share capital threshold |
| KAMES CAPITAL PLC | 14/07/2014 | Surpassed the 3% 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:

| | |
|--|--------------|
| Total % of voting rights held by the Board of Directors | 0.00% |
|--|--------------|

Complete the following tables on the members of the Board of Directors who have rights over shares in the company:

A.4 Indicate, 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:

A.5 Indicate, 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 of the related person or company

IMPERIAL TOBACCO GROUP PLC

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, SA

Kind of relationship: Contractual

Description: "ITG-LOGISTA HOLDINGS RELATIONSHIP FRAMEWORK AGREEMENT", dated June 12, 2014.

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.

The Framework Agreement also regulates related transactions between both companies, and the government and administration of the Company.

Name of the related person or company

IMPERIAL TOBACCO ENTERPRISE FINANCE LIMITED

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA SAU

Kind of relationship: Contractual

Description: "INTRA GROUP LOAN FACILITY AGREEMENT", dated June 12, 2014

Agreement on a reciprocal credit facility, for five years (with a yearly tacit renewal), with a maximum disposal limit of two thousand million euros.

According to this agreement, Compañía de Distribución Integral Logista SAU (100% subsidiary of the Company) will daily lend to ITG FINANCE 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 ITG FINANCE.

A.6 Indicate whether the company has been informed of any parasocial agreements affecting the company pursuant to the provisions of sections 530 and 531 of the Act on Capital Companies ("Ley de Sociedades de Capital"). If so, describe them briefly and list the shareholders bound by the agreement:

NO

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

NO

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

NO

A.7 Indicate if there is any legal or natural person who exerts control or could exert control over the company in accordance with section 4 of the Stock Exchange Act. If so, identify it/them:

YES

Name (person or company)

IMPERIAL TOBACCO GROUP PLC

Remarks

INDIRECT PARTICIPATION OF 70% THROUGH ALTADIS SAU

A.8 Complete the following tables on the treasury stock of the company:**At fiscal year-end closing**

| Number of direct shares | Number of indirect shares(*) | Total % on share capital |
|-------------------------|------------------------------|--------------------------|
| 0 | 0 | 0.0% |

(*) Through:

List the significant variations, in accordance with the provisions of *Real Decreto 1362/2007*, occurred during the fiscal year:

A.9 Give details of the conditions and term of the current mandate given by the General Meeting of Shareholders to the Board of Directors to issue, acquire or transfer company's 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.10 Indicate 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.

NO

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

NO

If applicable, describe any measures that have been approved and the terms on which any restrictions will become ineffective.

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

NO

If applicable, indicate the different share classes and the rights and obligations conferred by each.

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.

NO

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:

NO

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

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.

The rules applicable are the ones provided in articles 285 to 294 of the Act on Capital Companies (Royal –Law Decree of July 2, 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 in person | % attendance by proxy | Attendance data | | Total |
|------------|------------------------|-----------------------|-------------------|--------|---------|
| | | | % distance voting | | |
| | | | Electronic Vote | Others | |
| 04/06/2014 | 0.00% | 100.00% | 0.00% | 0.00% | 100.00% |

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

NO

B.6 Indicate whether it has been resolved that certain resolutions entailing a structural change of the company ("subsidiarization", trading of core operational assets, transactions equivalent to the liquidation of the company, etc.,) must be put to the approval of the general meeting, even if not expressly required by commercial laws.

YES

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 section "Shareholders and Investors", included in chapter "Corporate Governance", sub-chapter "Annual Corporate Governance Reports", of the corporate website (<http://www.grupologista.com>), provides the most relevant information on the Company's corporate governance and General Meeting of Shareholders.

The web address is www.grupologista.com. Access to information on corporate governance and to other information on general meetings is made through the section "Shareholders and Investors", in chapter "Corporate Governance", sub-chapter "Annual Corporate Governance Reports".

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 | Post on the Board | Date of first appointment | Date of latest appointment | Election procedure |
|--|----------------|--------------------|---------------------------|----------------------------|--------------------|
| GREGORIO MARAÑÓN Y BERTRÁN DE LIS | | CHAIRMAN | 13/05/2014 | 13/05/2014 | GMS |
| LUIS EGIDO GÁLVEZ | | CEO | 13/05/2014 | 13/05/2014 | GMS |
| RAFAEL DE JUAN LÓPEZ | | SECRETARY DIRECTOR | 13/05/2014 | 13/05/2014 | GMS |
| CRISTINA GARMENDIA MENDIZÁBAL | | DIRECTOR | 04/06/2014 | 04/06/2014 | GMS |
| EDUARDO ZAPLANA HERNÁNDEZ- SORO | | DIRECTOR | 13/05/2014 | 13/05/2014 | GMS |
| STÉPHANE LISSNER | | DIRECTOR | 13/05/2014 | 13/05/2014 | GMS |
| ADAM BRITNER | | DIRECTOR | 13/05/2014 | 13/05/2014 | GMS |
| DAVID IAN RESNEKOV | | DIRECTOR | 13/05/2014 | 13/05/2014 | GMS |
| JOHN MATTHEW DOWNING | | DIRECTOR | 13/05/2014 | 13/05/2014 | GMS |
| NICHOLAS JAMES KEVETH | | DIRECTOR | 13/05/2014 | 13/05/2014 | GMS |
| Total number of Directors | | | | | 10 |

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 leave |
|--|---|---------------|
| MIGUEL ÁNGEL BARROSO AYATS | Independent | 04/06/2014 |

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 | Committee which proposed that member's appointment | Position in the organisational chart of the Company |
|--|--|---|
| LUIS EGIDO GÁLVEZ | APPOINTMENTS AND REMUNERATION | CEO |
| RAFAEL DE JUAN LÓPEZ | APPOINTMENTS AND REMUNERATION | SECRETARY |
| Total number of executive Directors | | 2 |
| % on total Board members | | 20.00% |

EXTERNAL PROPRIETARY DIRECTORS

| Name (person or company) of the Director | Committee which proposed that member's appointment | Name (person or company) of the significant shareholder being represented or who has proposed the appointment |
|--|--|---|
| ADAM BRITNER | APPOINTMENTS AND REMUNERATION | IMPERIAL TOBACCO GROUP PLC |
| DAVID IAN RESNEKOV | APPOINTMENTS AND REMUNERATION | IMPERIAL TOBACCO GROUP PLC |
| JOHN MATTHEW DOWNING | APPOINTMENTS AND REMUNERATION | IMPERIAL TOBACCO GROUP PLC |
| NICHOLAS JAMES KEVETH | APPOINTMENTS AND REMUNERATION | IMPERIAL TOBACCO GROUP PLC |
| Total number of external proprietary Directors | | 4 |
| % on total Board members | | 40.00% |

EXTERNAL INDEPENDENT DIRECTORS

Name (person or company) of the Director

CRISTINA GARMENDIA MENDIZÁBAL

Profile

Ms. Garmendia is a Director of Compañía de Distribución Integral Logista Holdings S.A. Partner and Founder of Ysios Capital Partners; Chairwoman of SYGNIS, a German-Spanish listed company; Founder of international advisory firm Science & Innovation Link Office (SILO); Board member of the companies Everis, Seguros Pelayo and Corporación Financiera Alba ; President of Grupo Genetrix; Advisory Board member of ISS World; Advisory Board member of Broseta Attorneys; Advisory Board member of the Professional Council of ESADE Business School; Advisory Board member of the Foundation for Women in Africa; and Advisory Board member of the NGO ONGAWA Engineering for Human Development. She is also a Board Member of the University of Sevilla, a patron of Antonio de Nebrija University and the SEPI Foundation (2014), a Board member of the Spain-Colombia

Business Partnership (AEEC) and serves as an advisor on the International Advisory Committee to the Productive Transformation Program (PTP) for the government of Colombia. She served as Minister of Science and Innovation for the Spanish Government (2008-2011). She has a Doctoral degree in Biological Sciences, with a specialization in Genetics and her MBA from IESE Business School, University of Navarra.

Name (person or company) of the Director

EDUARDO ZAPLANA HERNÁNDEZ-SORO

Profile

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.

Name (person or company) of the Director

STÉPHANE LISSNER

Profile

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 | 3 |
| Total % of Board members | 30.00% |

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.

N/A

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.

OTHER EXTERNAL DIRECTORS

| Name of director (person or company) | Committee which proposed that member's appointment |
|--|--|
| GREGORIO MARAÑÓN Y BERTRÁN DE LIS | APPOINTMENTS AND REMUNERATION |
| Total number of other external Directors | 1 |
| Total % of Board members | 10.00% |

List the reasons why they cannot be considered proprietary or independent, as well as their ties, whether with the company or its management or with its shareholders:

Name (person or company) of the Director

GREGORIO MARAÑÓN Y BERTRÁN DE LIS

Company, officer or shareholder with whom the director has ties

ALTADIS SAU

Reasons:

He was a Director of ALTADIS SAU until June 4, 2014

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

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 2014 | Fiscal year 2013 | Fiscal year 2012 | Fiscal year 2011 | Fiscal year 2014 | Fiscal year 2013 | Fiscal year 2012 | Fiscal year 2011 |
| Executive | 0 | N.A. | N.A. | N.A. | 0.00% | N.A. | N.A. | N.A. |
| Proprietary | 0 | N.A. | N.A. | N.A. | 0.00% | N.A. | N.A. | N.A. |
| Independent | 1 | N.A. | N.A. | N.A. | 10.00% | N.A. | N.A. | N.A. |
| Other external | 0 | N.A. | N.A. | N.A. | 0.00% | N.A. | N.A. | N.A. |
| Total: | 1 | N.A. | N.A. | N.A. | 10.00% | N.A. | N.A. | 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 measures

As stated in section h) 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 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 measures

The Company was incorporated on May 13th 2014, being appointed as Directors the majority of the Board of Directors of Compañía de Distribución Integral Logista S.A.U. (currently, 100% owned subsidiary of the Company). On June 4th 2014, a Member of the Board was withdrawn by the General Meeting of Shareholders and the unique current female Director was appointed.

C.1.7 Explain the form of representation of the board of shareholders with significant stakes:

Imperial Tobacco Group PLC is represented at the Board by four directors (Messrs. Britner, Downing, Keveth y Resnekov), in accordance with the Framework Agreement of June 12, 2014, which rules the relations between Imperial Tobacco Group 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:

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:

NO

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:

Director Name

MIGUEL ÁNGEL BARROSO AYATS

Reasons:

Appointment of a female director

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:

LUIS EGIDO GÁLVEZ

Description:

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 |
|---|---|--------------------|
| LUIS EGIDO GÁLVEZ | COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA SAU | CEO |
| LUIS EGIDO GÁLVEZ | LOGISTA ITALIA SpA | DIRECTOR |
| LUIS EGIDO GÁLVEZ | BANCA ITB SpA | DIRECTOR |
| LUIS EGIDO GÁLVEZ | DRONAS 2002, SLU | DIRECTOR |
| RAFAEL DE JUAN LÓPEZ | COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA SAU | SECRETARY DIRECTOR |
| RAFAEL DE JUAN LÓPEZ | LOGISTA PHARMA | DIRECTOR |
| RAFAEL DE JUAN LÓPEZ | LOGISTA ITALIA, SPA | DIRECTOR |
| RAFAEL DE JUAN LÓPEZ | COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL DE PUBLICACIONES LOGISTA S.L. | CHAIRMAN |
| RAFAEL DE JUAN LÓPEZ | DRONAS 2002, SLU | DIRECTOR |

C.1.12 List in detail, where appropriate, the directors of your company that are members of the Boards of Director 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 |
|---|----------------------------------|-----------------|
| GREGORIO MARAÑÓN Y BERTRÁN DE LIS | PROMOTORA DE INFORMACIONES, S.A. | DIRECTOR |
| CRISTINA GARMENDIA MENDIZÁBAL | CORPORACIÓN FINANCIERA ALBA | DIRECTOR |
| GREGORIO MARAÑÓN Y BERTRÁN DE LIS | VISCOFAN | DIRECTOR |
| CRISTINA GARMENDIA MENDIZÁBAL | SYGNIS AG | CHAIRWOMAN |

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

YES

Explanation of the rules

Persons involved in prohibition or legal incompatibility processes may not be appointed as Directors of GRUPO LOGISTA. Moreover, the Directors of GRUPO LOGISTA 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 GRUPO LOGISTA.

C.1.14 State the Company's general policies and strategies over which the Board in plenary session has approval rights:

| | |
|---|-----|
| The investment and financial policy | YES |
| The definition of the structure of the group of companies | YES |
| The corporate governance policy | YES |
| The corporate social responsibility policy | YES |
| The strategic or business Plan, as well as management goals and annual budgets | YES |
| The policy regarding compensation and assessment of performance of senior managers | YES |
| The enterprise risk management and control policy as well as the periodic monitoring of the internal information and control systems. | YES |
| The dividends policy as well as the treasury stock policy and especially the limits thereto | YES |

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

| | |
|---|-------|
| Remuneration of the Board of Directors (thousand euros) | 2,929 |
| Amount of overall remuneration corresponding to the rights accumulated by directors with respect to pensions (thousand euros) | 0 |
| Overall remuneration (thousand euros) | 2,929 |

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 |
| LUIS ÁLVAREZ SABUGAL | INTERNATIONAL TOBACCO DIRECTOR |
| 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 |
| FRANCISCO PASTRANA PÉREZ | GENERAL MANAGER - TOBACCO AND CONVENIENCE IBERIA |
| PABLO REBOLLO PERICOT | GENERAL MANAGER - NACEX & INTEGRA 2 |
| LUIS RODRÍGUEZ CUBEROS | GENERAL MANAGER – LOGISTA ITALIA |
| MANUEL SUÁREZ NORIEGA | CORPORATE FINANCE DIRECTOR |
| Total remuneration senior managers (thousand euros) | 5,136 |

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 (person or company) | Name (person or company) of the significant shareholder | Position |
|---------------------------------|--|--------------------|
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO GROUP PLC | SECRETARY DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO FINANCE PLC | SECRETARY DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO HOLDINGS (2007) LIMITED | SECRETARY DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO HOLDINGS LIMITED | SECRETARY DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO LIMITED | SECRETARY DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO OVERSEAS HOLDINGS (3) LIMITED | SECRETARY DIRECTOR |
| JOHN MATTHEW DOWNING | ATTENDFRIEND LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | BRITISH TOBACCO COMPANY LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO ALTADIS LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO CAPITAL ASSETS (1) | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO CAPITAL ASSETS (2) | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO CAPITAL ASSETS (3) | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO CAPITAL ASSETS (4) | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO ENTERPRISE FINANCE LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO HOLDINGS (1) LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | ITG BRANDS LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO INITIATIVES | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO IRELAND | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO LACROIX LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO MANAGEMENT (1) LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO MANAGEMENT (2) LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO OVERSEAS (POLSKA) LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO OVERSEAS HOLDINGS (1) LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO OVERSEAS HOLDINGS (2) LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO OVERSEAS HOLDINGS LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO OVERSEAS LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO RESOURCES B.V. | DIRECTOR |
| JOHN MATTHEW DOWNING | IMPERIAL TOBACCO TRADING LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | JOSEPH & HENRY WILSON LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | NEWGLADE INTERNATIONAL | DIRECTOR |
| JOHN MATTHEW DOWNING | PARK LANE TOBACCO COMPANY LIMITED | DIRECTOR |
| JOHN MATTHEW DOWNING | RIZLA UK LIMITED | DIRECTOR |

| Name (person or company) | Name (person or company) of the significant shareholder | Position |
|---------------------------------|--|-----------------|
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO SOUTH AFRICA | CHAIRMAN |
| DAVID IAN RESNEKOV | ATTENDFRIEND LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | BRITISH TOBACCO COMPANY LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | CONGAR INTERNATIONAL UK LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO ALTADIS LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO CAPITAL ASSETS (1) | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO CAPITAL ASSETS (2) | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO CAPITAL ASSETS (3) | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO CAPITAL ASSETS (4) | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO ENTERPRISE FINANCE LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO FINANCE PLC | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO HOLDINGS (1) LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | ITG BRANDS LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO HOLDINGS (2007) LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO HOLDINGS LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO INITIATIVES | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO LACROIX LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO OVERSEAS (POLSKA) LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO OVERSEAS HOLDINGS (1) LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO OVERSEAS HOLDINGS (2) LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO OVERSEAS HOLDINGS (3) LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO OVERSEAS HOLDINGS LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO OVERSEAS LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO PENSION TRUSTEES LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | IMPERIAL TOBACCO TRADING LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | JOSEPH & HENRY WILSON LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | LA FLOR DE COPAN UK LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | PARK LANE TOBACCO COMPANY LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | RIZLA UK LIMITED | DIRECTOR |
| DAVID IAN RESNEKOV | TABACALERA DE GARCIA UK LIMITED | DIRECTOR |
| NICHOLAS JAMES KEVETH | IMPERIAL TOBACCO HOLDINGS LIMITED | DIRECTOR |
| NICHOLAS JAMES KEVETH | ITG BRANDS LIMITED | DIRECTOR |
| NICHOLAS JAMES KEVETH | IMPERIAL TOBACCO FINANCE PLC | DIRECTOR |
| NICHOLAS JAMES KEVETH | IMPERIAL TOBACCO LIMITED | DIRECTOR |
| NICHOLAS JAMES KEVETH | IMPERIAL TOBACCO HOLDINGS (2007) LIMITED | DIRECTOR |
| NICHOLAS JAMES KEVETH | IMPERIAL TOBACCO OVERSEAS HOLDINGS (3) LIMITED | DIRECTOR |

| Name (person or company) | Name (person or company) of the significant shareholder | Position |
|---------------------------------|--|-----------------|
| NICHOLAS JAMES KEVETH | IMPERIAL TOBACCO SOUTH AFRICA | DIRECTOR |
| NICHOLAS JAMES KEVETH | IMPERIAL TOBACCO INTERNATIONAL 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:

ADAM BRITNER

Name (person or company) of the related significant shareholder:

IMPERIAL TOBACCO GROUP PLC

Relationship description:

HEAD OF BUSINESS DEVELOPMENT OF IMPERIAL TOBACCO GROUP

Name (person or company) of the related Board member:

JOHN MATTHEW DOWNING

Name (person or company) of the related significant shareholder:

IMPERIAL TOBACCO GROUP PLC

Relationship description:

COMPANY SECRETARY

Name (person or company) of the related significant shareholder:

NICHOLAS JAMES KEVETH

Name (person or company) of the related significant shareholder:

IMPERIAL TOBACCO GROUP PLC

Relationship description:

DIRECTOR OF FINANCE AND PLANNING DEPARTMENT OF IMPERIAL TOBACCO GROUP

Name (person or company) of the related significant shareholder:

DAVID IAN RESNEKOV

Name (person or company) of the related significant shareholder:

IMPERIAL TOBACCO GROUP PLC

Relationship description:

IMPERIAL TOBACCO GROUP FINANCIAL CONTROLLER

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

YES

Description of the amendments

The Regulations of the Board of Directors were approved by resolution of the Board of Directors meeting of June 4, 2014, due to the Offer of Sale of Company Shares and admission to listing.

C.1.19 Indicate the procedures for the selection, appointment, reelection, 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' Appointment

The Article 22.1 of the Board of Directors' Regulations states that the appointment, the re-election and the removal of the members of the Board and the determination of their number shall correspond to the General Meeting of Shareholders, without prejudice to the power of the Board to fill vacancies in the Board of Directors by co-option as set out below, and for the shareholders by direct appointment of directors exercising their right of proportional representation.

If, during the period for which a Director was appointed, that Director ceases, for any reason, to be a Director of the Company and there were no substitute:

- a) If that Director were an External Proprietary Director, the Board of Directors may propose to the General Meeting of Shareholders to appoint an Executive Director to the Board of Directors, or may resolve to appoint that director directly by means of the co-option system, in both cases following the report of the Appointment and Remuneration Committee.
- b) If that Director were an External Proprietary Director, the Board of Directors may propose to the General Meeting of Shareholders to appoint an External Director nominated by the significant shareholder, or may resolve to appoint that director directly by means of the co-opting system, in both cases following the report of the Appointment and Remuneration Committee.
- c) If that Director were an External Independent Director, the Board of Directors may propose to the General Meeting of Shareholders to appoint an External Independent Director to the Board of Directors, or may resolve to appoint that director directly by means of the co-opting system, in both cases on a proposal from the Appointment and Remuneration Committee. In each case, when the director is appointed by means of the co-opting system in accordance with the Law, such appointment will be effective until the next General Meeting of Shareholders, in which the appointment must be ratified or another person must be designated to act as Director from that moment.

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

Assessing the necessary competencies, knowledge and experience on the Board of Directors and defining, as a consequence of the above, the necessary skills that the candidates require to fulfil the vacant posts, as well as assessing the time and dedication necessary to perform their duties satisfactorily.

Propose the appointment, ratification, reappointment and removal of External Independent Directors, and report the appointment, ratification, reappointment and removal of the other 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. Inform about the proposals for the appointment and removals of the Chairman, Vice-Chairman, Secretary and Deputy-Secretary of the Board of Directors.

Appointment of External Directors. Incompatibilities

The Board of Directors and the Appointment 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 Appointment 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, 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 Indicate whether the Board of Directors has proceeded to assess its activity during the year:

NO

If so, explain to what degree the self-assessment has led to significant changes in its internal organization and the procedures applicable to its activities:

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 Explain if the function of chief executive of the company is incumbent on the office of chairman of the Board. Where appropriate, indicate the measures that have been adopted to limit the risks of the accumulation of power in a single person:

NO

Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the assessment by the Board of Directors:

YES

Explanation of the Rules

According to the provisions of Article 32 of the Board of Directors' Regulations, a Director can urge those people with the ability to summon meetings to call an extraordinary Board meeting or include the items in the agenda of the first meeting that they deem appropriate to be discussed by the Board.

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

YES

Explanation 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 the Company, other than a security interest created by operation of law as a result of the ordinary course of business of the 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:

NO

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

NO

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

NO

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

| | |
|------------------------|----|
| Maximum term of office | 12 |
|------------------------|----|

C.1.28 Indicate 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 have and whether it is mandatory to grant proxy to a director of the same type. If so, briefly give details on such rules.

According to the provisions of Article 37 of the By-Laws and Article 20 of the Board of Directors’ Regulations, when Directors are unable to personally attend a Board meeting, they shall endeavour to arrange for their representation and vote to be granted in favour of another Board member who belongs to the same group, and to include appropriate instructions. The delegation may be made by letter, fax, telegram or e-mail.

The number of delegations is not limited, excepting for the fact that only Directors of the same category can be delegated.

C.1.29 Indicate the number of meetings that the Board of Directors has held during the fiscal year. Likewise, state, where appropriate, the times that the Board has met without its Chairman being present. In calculating this number, proxies granted with specific instructions will be counted as attendances:

| | |
|---|---|
| Number of Board meetings | 6 |
| Number of Board meetings without the presence of the Chairman | 0 |

Indicate the number of meetings held over the fiscal year by the different committees of the Board:

| Committee | Number of meetings |
|---|--------------------|
| APPOINTMENTS AND REMUNERATION COMMITTEE | 3 |
| AUDIT AND CONTROL COMMITTEE | 3 |

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:

| | |
|--|---------|
| Attendance of Directors | 6 |
| % of attendance over the total votes during the present year | 100.00% |

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

NO

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

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 General Meeting of Shareholders with qualifications in the auditors' report:

In accordance with the provisions of Article 46.4 of the Board of Directors' Regulations, the Board of Directors will ensure accounts are prepared in such a way that there is no place for qualifications on the auditor's behalf. Nevertheless, when the Board considers that it must uphold its criterion, it shall publicly explain the nature and scope of the discrepancy.

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

YES

C.1.34 Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Appointments and Remuneration Committee and approved by the Board in plenary session.

Procedures

According to the provision of article 13.1 of the Board of Directors' Regulations, the Board of Directors, following the proposal by the Chairman and the report of the Appointment and Remuneration Committee will appoint a Secretary who need not be a Director. The same procedure will be followed to agree the removal of the Secretary.

| | |
|--|-----|
| Does the Appointments Committee report on the appointment? | YES |
| Does the Appointments Committee report on removal? | YES |
| Does the Board in plenary session approve the appointment? | YES |
| Does the Board in plenary session approve removal? | YES |

Is the secretary of the Board responsible for especially ensuring compliance with good governance recommendations?

YES

Remarks

As well as the functions assigned by Law and the By-Laws, the Regulation of the General Meeting of Shareholders or by the Regulations of the Board of Directors, and the Internal Conduct Regulation of the Company in matters relative to securities markets, the Secretary will be entrusted with the following duties: Supervision of formal and material legal compliance of the actions of the Board of Directors, their statutory and regulatory regularity, as well as ensuring observance by the Company of Corporate Governance principles or criteria and the provisions of the Regulations of the Board of Directors (Article 13).

C.1.35 Indicate, where appropriate, the mechanisms established by the company to preserve the independence of the external 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:

To establish appropriate relationships with external auditors or audit firms to gather information on those matters which may put their independence at risk, for examination by the Committee, and any other matters relative to the development of Account auditing, as well as any other communications schedules in Account auditing legislation and Auditing technical regulations. In any event it must receive from the auditors or audit firms written confirmation on an annual basis of their independence against the Company or entities directly or indirectly related thereto, as well as information on additional services of any kind provided to such entities by such auditors or persons or entities related thereto, pursuant to the Accounting Audit Law ("Ley de Auditoría de Cuentas).

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:

NO

If there have been any disagreements with the outgoing auditor, explain what they were about:

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

| | Company | Group | Total |
|--|---------|---------|---------|
| Amount of work other than auditing (thousand euros) | 0 | 674 | 674 |
| Amount of work other than that of auditing / total amount charged by the audit firm (in %) | 0.00% | 100.00% | 100.00% |

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:

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:

| | Company | Group |
|--|---------|---------|
| Number of consecutive years | 1 | 13 |
| Number of years audited by the present audit firm / Number of years that the company has been audited (%) | 100.00% | 100.00% |

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

YES

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

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. The call will include an agenda for the meeting and will be accompanied by a summary of all relevant information, unless the requirement may be dispensed with upon duly justified grounds.

Furthermore, Article 32 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 right to gather information on any aspects concerning the Company, and to gather additional information about issues which are within the competence of the Board, to fulfil their functions. 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

Explain the rules

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:

- 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, infringing their duties and obligations as Directors;
- d) When their presence on the Board could jeopardise the interests of the Company or cause serious damage its 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.1.43 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:

NO

Indicate whether the Board of Directors has considered the matter. If so, give a reasoned explanation of the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or planned to be taken by the Board of Directors as at the date of this report.

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

Category of beneficiaries:

CERTAIN SENIOR MANAGERS

Agreement description:

- Compensation in the case of wrongful dismissal (13 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): 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.

All these agreements were executed before the admission to listing of the Company's shares.

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

| | Board of Directors | The General Meeting |
|--|---------------------------|----------------------------|
| Decision-making body approving the provisions | Yes | No |
| Is information about these clauses provided to the General Meeting of Shareholders? | | No |

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:

APPOINTMENTS AND REMUNERATION COMMITTEE

| Name | Office | Category |
|-----------------------------------|----------|-------------------------|
| GREGORIO MARAÑÓN Y BERTRÁN DE LIS | CHAIRMAN | Other External Director |
| JOHN MATTHEW DOWNING | MEMBER | Proprietary Director |
| STÉPHANE LISSNER | MEMBER | Independent Director |
| EDUARDO ZAPLANA HERNÁNDEZ-SORO | MEMBER | Independent Director |
| % of executive directors | | 0.00% |
| % of proprietary directors | | 25.00% |
| % of independent directors | | 50.00% |
| % of other external directors | | 25.00% |

AUDIT AND CONTROL COMMITTEE

| Name | Office | Category |
|-----------------------------------|----------|-------------------------|
| GREGORIO MARAÑÓN Y BERTRÁN DE LIS | CHAIRMAN | Other External Director |
| DAVID IAN RESNEKOV | MEMBER | Proprietary Director |
| CRISTINA GARMENDIA MENDIZÁBAL | MEMBER | Independent Director |
| EDUARDO ZAPLANA HERNÁNDEZ-SORO | MEMBER | Independent Director |
| % of executive directors | | 0.00% |
| % of proprietary directors | | 25.00% |
| % of independent director | | 50.00% |
| % of other external directors | | 25.00% |

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 | | | | | | | |
|---|----------------------------|--------|--------|-------|--------|-------|--------|-------|
| | 2014 | | 2013 | | 2012 | | 2011 | |
| | Number | % | Number | % | Number | % | Number | % |
| APPOINTMENTS AND REMUNERATION COMMITTEE | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| AUDIT AND CONTROL COMMITTEE | 1 | 25.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |

C.2.3 State whether the Audit and Control Committee has the following duties:

| | |
|--|-----|
| Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles. | YES |
| Periodically review the internal control and risk management systems, in order for the main risks to be properly identified, managed and made known. | YES |
| Ensure the independence and effectiveness of the internal audit function; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit department; propose the budget for such area; receive periodic information regarding its activities; and verify that senior management takes into account the findings and recommendations contained in its reports. | YES |
| Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company. | YES |
| Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired. | YES |
| Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account. | YES |
| Ensure the independence of the external auditor. | YES |

C.2.4 Give a brief description of the organisational and working rules, as well as the responsibilities, attributed to each of the committees of the board.

The Company has created the Audit and Control Committee, in accordance with the provisions of Article 43 of the Company By-Laws, and the Appointments and Remuneration Committee.

Common rules

Appointment of members of the Audit and Control Committee and the Appointment and Remuneration Committee shall be performed by the Board of Directors and they all must fulfil the condition of being External Directors. The members of both Committees shall cease in their posts upon their removal as Directors or when the Board so decides.

The Secretary of the Board of Directors or a Deputy-Secretary where applicable, shall be the Secretary to said committees. The Audit and Control and the Appointments and Remuneration Committees shall appoint from among their members a Chairman and shall meet when convened by the Chairman. In all matters not specifically provided for, the rules of operation established by the Regulations of the Board in regard to the Board shall apply, provided they are compatible with the nature and function of the Committee.

Except in cases in which other majorities for adopting resolutions have been established, the Committees shall approve resolutions by the majority of its present or represented members.

The conclusions or proposals formulated in its meetings shall be reflected in minutes which shall be accounted for in a plenary session of the Board of Directors.

The Audit and Control Committee

The Board of Directors will ensure that the members of the Audit and Control Committee and, in particular, its Chairman have knowledge and experience in matters concerning accounting, auditing and risk management which are suited to their responsibilities, without needing to be experts in these matters.

Notwithstanding other duties the Board of Directors may entrust it, the Audit and Control Committee will have 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) Propose to the Board of Directors for submission to the General Meeting of Shareholders, the appointment of the external auditors, including the conditions of the engagements.
- c) Supervising internal audit services and activities and, in particular, the Annual Work 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 or audit firms.
- h) Inform the Board of Directors of the Company's Annual Financial Statements, as well as the regulated financial information.
- i) Supervise the preparation, integrity and fair presentation of the regulated financial information.
- j) Examining and previously reporting on the Corporate Governance Annual Report, compliance of the Internal Code of Conduct on Securities Market the Board Regulations and, in general, the Company's governance rules, as well as putting forward proposals for its improvement.
- k) Drafting an Annual Report for the Board of Directors describing the activities of the Audit and Control Committee.
- l) Any other reporting and proposal functions it is tasked with by the Board of Directors.
- m) 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.

The Appointments and Remuneration Committee will be comprised of external Directors, and the majority of its members must be Independent Directors. The Appointments and Remuneration Committee will have the following competencies:

- a) Assessing the necessary competencies, knowledge and experience on the Board of Directors.
- b) Propose the appointment, ratification, reappointment and removal of External Independent Directors, and report the appointment, ratification, reappointment and removal of the other Directors, as well as the appointment and removal of the Manager Director/s.
- c) Inform about the proposals for the appointment and removals of the Chairman, Vice-Chairman, Secretary and Deputy-Secretary of the Board of Directors.
- d) Examining or organising, in the manner deemed suitable, succession of the Chairman and the first executive.
- e) Reporting appointments and removals of Senior Managers which the first executive proposes to the Board of Directors.
- f) 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, which the Board shall submit to the General Meeting of Shareholders, on a consultative basis.
 - iii) Individual compensation for Executive Directors and any other conditions pertaining to their contracts.
 - iv) The basic conditions in the contracts of Senior Managers.

- g) Ensuring compliance with the Company's remuneration policies.
- h) Ensuring that selection processes are not implicitly biased in such a way that selecting female Directors is prevented.
- i) Any other competence or duty conferred by the Law, the By-Laws or Board Regulations.

The Appointment 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.

C.2.5 Indicate, 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 first year. In turn, please indicate if an annual report has voluntarily been prepared on the activities of each committee.

The By-Laws of the Company (Articles 41 to 43) and the Board of Directors' Regulations (Articles 15 to 18) contain the rules governing the Board Committees. See Section C.2.4 preceding.

A report about the activities carried out by the Audit and Control Committee from its creation until 30 September 2014 has been prepared and is available in the corporate web page of the Company (www.grupologista.com).

C.2.6 Indicate if the composition of the delegated or executive committee reflects the participation on the Board of the different directors in accordance with their categories:

NO

If not, explain the composition of its Delegated or Executive Committee

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

D RELATED PARTIES AND INTRA-GROUP TRANSACTIONS

D.1 Identify the competent body and explain the procedure, if any, to approve related- party and intra-group transactions:

Competent body for approving Related-Party Transactions

The Board of Directors, subject to prior approval of the Audit and Control Committee.

Procedure to approve Related-Party Transactions

Article 39 of the Board of Directors' Regulations states that the Board formally reserves the knowledge and authorization, previous report of the Audit and Control Committee, of Related-Party Transactions. To authorise, if appropriate, the Related-Party Transactions, the Board of Directors first and foremost shall serve the interests of GRUPO LOGISTA, 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, 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 related-party transaction mentioned in this article, in the Annual Report on Corporate Governance Report in the regulated financial information, and in the notes to the Financial Statements, to the extent by Law.

Likewise, Article 40 of the Board Regulations states that Directors infringe their duty of loyalty towards the Company if, with prior knowledge, they permit or do not reveal the transactions performed by stated party transactions in which they hold executive posts or significant stakes, and which have not been subjected to the conditions and controls outlined in the previous articles.

Also, the Framework Agreement dated 12 June 2014, signed between the Company and 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 ITG 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.

Explain whether the approval of Related-Party Transactions has been delegated, indicating the body or parties in which said approval has been delegated, if any.

It has not been delegated.

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, SAU | Commercial | Tobacco and related products purchase | 391,110 |
| ALTADIS SAU | LOGISTA-DIS, SA | Commercial | Tobacco and related products purchase | 5,862 |
| ALTADIS SAU | LOGISTA-DIS, SA | Commercial | Services Performance | 145 |
| ALTADIS SAU | COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, SAU | Commercial | Services Performance | 5,401 |
| ALTADIS SAU | DRONAS 2002, SLU | Commercial | Services Performance | 85 |
| ALTADIS SAU | COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, SAU | Commercial | Services Performance | 3,169 |
| ALTADIS SAU | COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, SAU | Contractual | Paid interests | 1,761 |

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:

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:

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

608,070 (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 35 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 8 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 Tobacco 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?

NO

Identify the subsidiaries listed in Spain:

Listed subsidiaries

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;

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

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

Mechanisms for resolving possible conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Describe the Risk Management System in place at the company.

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 Group, in accordance with the risk map in effect at all times in the achievement of its objectives, (Corporate Governance risks, market risks, regulatory risks, business risks, operational risks, penal risks and reputational risks, among others) ("the Internal Control System").

The Internal Control System, which forms an integral part of the Group risk management is a process designed in order to provide a reasonable degree of security in achieving the following objectives:

- 1) Reliability of Financial Reporting
- 2) Compliance with applicable group policies, plans, laws and standards
- 3) Safeguarding of assets
- 4) Economic and efficient use of resources
- 5) Effectiveness and efficiency of operations

The Group Internal Control Committee was set up in order to develop this policy. Among its responsibilities, the aforementioned Committee is intended to foster and coordinate the updating of the Group risk map.

E.2 Identify the bodies responsible for preparing and implementing the Risk Management System.

The Board of Directors

Among its non-delegable faculties, the Board of Directors has to approve the general policies and strategies of the Group, including the control and risk management policy, as well as the periodic monitoring of the information and control internal systems.

Audit and Control Committee

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

- i) Supervise the effectiveness of the internal control of the Group, related to relevant risks, review the appointment or removal of people in charge, as well as to discuss with the accounts auditors or audit companies, the significant weaknesses of the internal control system, detected during the auditing process
- ii) To inform the Board about the Annual Financial Statements as well as the financial information required by the applicable regulations, which have to be sent to the market regulating or supervisory bodies (before its delivery), monitor compliance with the legal requirements and the generally accepted accounting principles, as well as inform on proposals by the Management to modify accounting principles and criteria, and balance sheet and off-balance sheet risks.

Internal Control Committee

The Group's Internal Control Committee is comprised of the Corporate Financial Director, who acts as Chairman, the Group's Administration and 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, and by the Internal Auditor, who shall act as Secretary, without voting rights.

This Committee depends on the Audit and Control Committee of the Board of Directors, hierarchical and functionally. The Committee has the following basic functions:

- To promote and coordinate the work for annually updating the Group's risk map and propose approval to the competent bodies.
- Analysis and evaluation of Internal Audits results and plans for implementation of recommendations.
- To validate the proposals of the Internal Control Process Owners or Coordinators, or Business or Corporate Directors, for defining, updating and developing new processes or subprocesses, as well as the Control Objectives and Control Activities.
- To standardize the reporting the Chief Executive Officer, Corporate Managers and Business Managers wish to receive on a regular basis, in their respective areas.

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.

Process Manager or 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.

Corporate Finance Department

The Corporate Finance Director promotes risk management, requesting the completion of the risk assessment to the Control Owners and to the Business General Managers, on the basis of single methodology and instructions.

Internal Audit Department

The Internal Auditor, besides its functions as such, fosters, coordinates and documents the proceedings and Works of the Internal Control Committee.

E.3 Indicate the main risks which may prevent the company from achieving its targets.

The methodology applied by the Group classifies main risks in four main categories:

- Operational risks are those directly associated with the execution of transactions and its due administration and control including, among others, risks associated to information systems, human resources, compliance with industrial regulations, as well as penal risks.
- Project risks are those associated with major changes taking place in Businesses, including new systems implementations, changes of location to new warehouses and launch of new business or products initiatives, etc, having, basically, all of them in common, that at the end of the project the risk disappear.
- Strategic risks are those risks associated with developing activity in its specific sector, including exposure to regulatory changes and adaptation of strategy and business model to changes in its activity environment.
- Emerging risks are those derived from the political and macroeconomic situation, which affect many companies and organizations.

Particularly, in the Group Risk Map the following risks were identified, among others:

Operational risks:

- Theft of tobacco in facilities and during transport associated to increases in insurance premiums.
- Risk of impairment of fair value of assets, in relation with goodwill high carrying value or counterparty solvency risk (Financial institutions) mainly relating to an eventual default by Financial Institutions through which excise payment is made, at the time before the payment is made.
- Tobacco illicit trade and contraband impacting in distributed tobacco volumes.
- 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

Project risks:

- Delays or mistakes in implementation of new systems and business initiatives could lead to additional costs to the Group and to delay or even impede the achievement of the strategic objectives, due to the settlement of unrealistic or too ambitious deadlines, deficient planning and project management methodology that sets aside the risks arising throughout the project execution, etc.

Strategic risks

- Regulatory change risks:
 - The Group's 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 establishes tighter rules for tobacco products, that could affect the volume sold, related among others, to labeling, ingredients, track and trace and cross-border trade. The transposition period in their respective member States ends on May, 20th 2016.
 - Liberalization in the main markets where the Group operates as tobacco product 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.

Emerging 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).

E.4 Identify if the company has a risk tolerance level.

The current instructions and methodology for risk assessment requires the preparation of the individual risk maps, taking into account the local or business own relative importance based on the risk evaluation before and after considering the mitigating controls established, in order to obtain the net risk (mitigated or residual).

Risk owners categorize their risks based on valuation metrics on impact and likelihood (from 1 to 10), risks they are responsible for, according to previously described categories, ending up after considering any mitigating control and action plan, with the risk classification (Severe, High, Moderate or Low). The risk consolidation process in the Group's Corporate Risk Map follows an analogous rational process, so generally, risk tolerance is lower for those residual risks categorized as Severe and High, where the monitoring of the bodies intervening in the Corporate Risk Management Process detailed in the E.2 section is more intense, having a higher tolerance to the residual risks categorized with Moderate or Low importance.

E.5 Identify any 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 the Group's financial results, as they were properly provisioned in previous fiscal years.

E.6 Explain the response and monitoring plans for the main risks the company is exposed to.

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).

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

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:
 - o Follow up of maximum security standards.
 - o Insurance Policies.
- Technological risks regarding the lack of (or faulty) availability of the Information Systems, managed mainly by the following measures:
 - o Existence of contingency Plans periodically tested analyzed and monitored by the Information Security Committee.
 - o The Group Data Centers are permanently monitored
- Regarding the goodwill high carrying value, the Group undertakes impairment test according to the IFRS.
- The risk derived from a potential default of any of the Financial Institutions through which the payments of Excise Duties is made to the National Fiscal Authorities at the time before the payment is made is mitigated working only with those Financial Institutions with the best credit rating.
- 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.
- In relation to Compliance and Crime Prevention within the Group's companies, the following controls currently exist:
 - o The Group has a Code of Conduct and periodically asks employees to undertake training on its contents.
 - o The Group has an Internal Channel for denounces and irregularities, with policies and procedures available to every employee in the Group intranet.
 - o The Corporate Legal Department centralizes supervision of most significant contracts all across the Group.
 - o There are Policies for investment, expenditures, indebtedness and other transactions, that require a strict approval and communication workflow.
 - o 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.

- o 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.

Project risks

- The Group uses project management methodologies based on best practices, follow strict investment approval procedures and formally manages the available capacity and the change or migration risk.

Strategic risks

- Risk of regulatory changes
- o Compliance with applicable law and regulations affecting the Group is managed by the Regulatory Compliance Directorate, that, as Corporate Legal Counsel, centralizes the review of the relevant contracts signed in the Group, to ensure the inclusion of the required legal clauses.
- o 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.

Emerging 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.

F INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEMS RELATED TO FINANCIAL REPORTING PROCESS

Describe the mechanisms which comprise the internal control and risks management (ICFR) related to the financial reporting process at the company.

F.1 The entity's control environment.

Specify at least the following components with a description of their main characteristics:

F.1.1 The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The overall aim of the Board of Directors is to determine and review the Group's strategy plans and finance objectives. Regulations for the Board of Directors in article 5 states, among its faculties, the approval of general policies and strategies of the Group in particular, risks management and control policy as well as periodic monitoring the internal control and information systems. For these purposes it is supported and receives the advice of the Audit and Control Committee.

The Audit and Control Committee holds, among its competencies, according to Board Regulations' article 17.2, as well as the article 43 of the By Laws, the following: supervising the effectiveness of the internal control systems of the Group associated with relevant Group's risks, reviewing appointment and replacement of managers in charge, and discussing with the auditors or the auditing firms the weaknesses of the internal control system, detected during the audit. In addition, informing the Board of Directors of Group's Annual Financial Statements, as well as the regulated financial information, which should be reported to regulatory and market supervision authorities (in advance of such submissions). The Regulations of the Board as well establishes the function of overseeing compliance with legal requirements and the correct application of generally accepted accounting principles, as well as informing on proposals to modify accounting principles and criteria suggested by Management and the risks within and outside the balance. In addition to what is settled in the Regulations of the Board of Directors, during the last years, a number of internal rules have been elaborated, constructing the pillars of an adequate enterprise risk management framework and effective internal control. Among these it must be underlined the general policy of Internal Control and the Internal Rules for Composition and Functioning of the Internal Control Committee, defining that the Corporate Finance Directorate, as member of the Internal Control Committee, collaborates in the Group's global design, execution, supervision and monitoring of the internal control system over financial information, notwithstanding the following bodies' competencies.

For this purpose, it determines the applicable accounting policies over financial information and establishes related Internal Control procedures and supervises its compliance.

Audit and Control Committee, according to how is defined in the General Internal Control Policy counts on the following bodies for the supervision and monitoring of the Group's Internal Control and Corporate Risk Management:

- Internal Control Committee.
- The Unit for Controlling and Monitoring the Group's Crime Prevention Model (or Crime Prevention Committee).
- Internal Audit Function.

The Internal Control Department, pursues the development, creation and standardization of the Group's companies and businesses rules and procedures, including those relating the elaboration of financial information.

The Internal Audit Function provides reasonable assurance to the Board of Directors through the Audit and Control Committee and to the Group's Senior Management in the course of the Internal Control Committees, on whether the Group's policies and procedures are being met, controls are effective (including specific activities on the ICFR) and if the Organization is working as the Board of Directors and the Senior Management expect, as a result of the execution of the annual internal audit plan.

F.1.2 The existence of the following components, especially in connection with the financial reporting process:

- **The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.**

The Board of Directors' aim, according to article 6 of its Regulations, is to determine and review the business and financial objectives of the Group, and agree the strategy, plans and policies for its achievement, promoting and supervising the Group's management, as well as the achievement of established aims, and guaranteeing the existence of suitable management and organization, effectively under the supervision of the Board of Directors.

Nevertheless, it is the practice of the Board to delegate the daily management to the executive bodies and the entrusted managing team, except in the case of those subjects which, due to laws, Bylaws, or the Board's Regulations itself are not possible to be delegated.

General Policy of Internal Control specifies the risk identification process in the Group and, for risk assessment process purposes, a matrix of process and sub processes owners updated and approved by the Internal Control Director is available, including for all Group's countries and businesses.

On the other hand, Human Resources Department, among its responsibilities, have to review the organizational structure of each business units or corporate area, in order to identify needs, inefficiencies and improvements of its structure design, existing in this regard an intranet web site for internal communication for spreading policies, procedures and Group's instructions.

In accordance with the Framework Agreement dated June 12th, 2014 between the Company and Imperial Tobacco Group PLC, internal control systems in the Group, including the control over the financial information, as well as internal audit standards, are coordinated with the standards and systems in Imperial Tobacco Group, in order to, when appropriate, ease the preparation and communication of its own regulated financial information.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of assessing non-compliances and proposing corrective or disciplinary action.**

Imperial Tobacco PLC's Code of Conduct is the one adopted; there are available English, Italian, French, Polish and Portuguese versions of the Code to ensure its proper understanding and spreading throughout all the countries where the Group has activity. The content is aligned with requirements and standards of most important multinationals. The Code of Conduct is an ethics key element of the Internal Control System.

Fundamental values statements of the Code of Conduct are business and commercial integrity as well as corporate social responsibility. These general principles are developed in the Code of Conduct.

Particularly, relating financial information, the Code of Conduct states "We must;

- ensure all financial reports, disclosures, forecasts and analysis we are responsible for is submitted honestly and accurately
- comply with all laws, external requirements and company procedures for reporting financial and all other business information;
- co-operate fully with the Group compliance area and our external auditors;
- Make all efforts to identify any potential misrepresentation of accounts, data or records or any incidence of potential fraud or deception and raise any concerns about the accuracy or completeness of financial reports with local, regional or functional heads of Finance, the Group's Accounting, Tax or Compliance Managers.

Moreover, the Group counts on a Crime Risks Prevention Policy and General Principles of Behaviour to prevent Crime Risks, to define rules and policies of conduct and behaviour around the Group activities, and to identify control systems with the aim of avoiding the Spanish Penal Code crimes.

Specific codes of conduct adapted to Italian Group companies exist, according to the legal compliance requirements in connection

with crime risks, 231 Dcr. describing in detail all the processes of the Italian Group companies, including record and reporting financial information. Those processes are analyzed by legally requested Governance Bodies in Italy.

Employees must sign the confirmation recognizing reading and acceptance of contents of the Code of Conduct. Besides, Human Resources Department has defined within the Annual Training Plan, specific programs oriented to spread the Code of Conduct and Crime Prevention Model to the employees of Group's companies and business units, achieving high percentages of involvement.

Both, Code of Conduct and Crime Prevention Model are available from the Group's intranet web site.

- **'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organizations, stating whether reports made through this channel are confidential.**

Likewise, Whistleblowing Policy, is an instrument accessible to all Group employees allowing them to denounce any irregularity and non compliant behaviours in respect to ethics, legal framework and rules governing the Group, being guaranteed denounces' confidentiality.

Following this policy, employees are allowed to openly raise any concern or to address any communication or information about bad practices giving a confidential treatment to it.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.**

Human Resources Department is in charge of defining the Group's Annual Training Plan. In this way, training sessions are received by the employees involved in the process to record and review financial information, including training sessions to prevent the Group companies from financial fraud. With the aim of guarantying the consideration and application by the Group of every change or new law or regulation linked to the reliability of the financial information, the departments involved in recording and reporting financial information have received training about accounting rules, tax regulation and internal control.

Accordingly, they are permanently informed about any change effecting it, through subscription to information pills by the Group.

Specifically, Internal Audit Department and Internal Control Department, in charge of supervising the ICFR, have received seminars and training courses, among others, over financial information, conflicts of interest, control environment and compliance.

F.2 Risk assessment in financial reporting

Report at least:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether

- **The process exists and is documented.**

The Group has a specific General Policy of Internal Control for risks identification process within the Group, as an interactive and ongoing process, integrated in the strategy and planning.

Implemented risks analysis methodology has identified and prioritized those relevant internal and external risks threatening the Group businesses. Group and company-level Risk maps are annually prepared starting from the Risk Management Policy and this model's Operation Guidelines, the impact and likelihood assessment for each risk made by Process owners throughout the Group's companies.

Also, the Group has defined a matrix for the reliability of financial information over which is determined the annual scope of the ICFR for Group companies, following both quantitative and qualitative criteria and considering the risk of fraud or misstatement.

The Group has identified and documented main processes with impacts in the process to record and report financial information defined in the General Policy of Internal Control, such as (and among others) procurement management, sales, accounting and consolidation, treasury and fixed assets.

- **The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), is updated and with what frequency**

Instructions delivered for the elaboration of the ICFR matrix includes guide for the identification and description of risks and described processes, objectives of the financial information (financial assertions) assuring that transactions, facts and events comply with: existence and occurrence, integrity, valuation, presentation, breakdown and comparability as well as rights and obligations.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies. etc**

A procedure over Financial Statements Closing Process exists into force in the Group, as well as the Group Accounting Manual, and the Accounting Principles Procedure, to determine the Consolidation Rules for the Group. Also, through the Good Practices over Finance Internal Control, the Group remarks the importance of following up the key controls for finance risks prevention of ICFR.

At year end closing, within consolidated financial statements of a Sub-Group (where applicable), have been included, according to applicable consolidation methods, all companies in the subgroup, joint ventures and associated, according to IFRS contents. For this purpose Consolidation and Reporting Department keeps a detailed control of all Group companies, analyzing specific applicable consolidation criteria.

- **The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

Group Internal Control, as is detailed in the General Policy of Internal Control, in the chapter relating "Internal Control System Processes" considers inherent risks to the processes such as general, strategic, organization, operations, functional and corporate services risks, including specific finance, legal and information systems different types of risks.

The Group also has implemented a Crime Risks Prevention Model, covering legal risks in the Risks Prevention Manual or Corporate Defense.

- **Which of the company's governing bodies is responsible for overseeing the process.**

Internal Control Committee Chairman (the Corporate Finance Director) leads the process that is coordinated by the Internal Audit Function in collaboration with Finance Heads of different Group countries and Businesses.

Finally, according to Article 5 of the Board of Directors Regulations, the Board of Directors of the Company has the monitoring function of supervising the Group financial information.

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgments, estimates, evaluations and projections.

Among the faculties of the Board of Directors as per stated in article 5 of its Regulations, is included the responsibility of supervising financial information which is obliged to make public periodically due to its listed status.

Additionally, according to article 17.2 of the Board Regulations, is included within the responsibilities of the Audit and Control Committee, "to inform the Board of Directors of the Group's Annual Financial Statements, as well as the regulated financial information, which should be reported to regulatory and market supervision authorities (in advance of such submissions), overseeing compliance with legal requirements and the correct application of generally accepted accounting principles, as well as informing on proposals to modify accounting principles and criteria suggested by Management and the risks within and outside the balance.

Supervise the preparation, integrity and presentation of the regulated financial information, and prior reporting to the Board of Directors in relation to transactions involving or which may involve conflicts of interest and, in general, in relation to the duties regulated in chapter IX of these Regulations."

Regulated financial information to be communicated to financial markets fits the requirements of R.D. 1362/2007 Law and Circular 1/2008 of January 30th issued by the CNMV, it is prepared by the Corporate Finance Directorship of the Group, is verified by the external auditors, analyzed by the Audit and Control Committee which informs to the Board of Directors, the body with the ultimate responsibility to agree and approve the publication and communication to financial markets.

Practically all Areas and Organization Units structuring the Group contribute, to a greater or lesser extent, with relevant data to record and report financial information. The Control System defined into the General Policy of Internal Control is built of processes and sub-processes that are common to all activities and Businesses of the Group, and they are grouped in three categories:

1. General, Strategic and/or Organizational Aspects Processes
2. Operational Processes
3. Functional and Corporate Services Processes

Each Process is formed by several sub-processes described in such policy, disclosing related control objectives and control activities to prevent or mitigate finance risks behind the operations carried out by Group businesses and areas.

In general, control objectives over the ICFR in the Group are stated in the procedure issued by the Corporate Finance Directorship, called, "Good Practices over Finance Internal Control". Such procedure provides a diversity of applicable internal control measures compulsory for all Group Businesses and Corporate Areas and it formally contains the key checks to mitigate the risks of material misstatement in the financial information.

Likewise, the General Policy of Internal Control, describes more in detail, control objectives and control activities surrounding the main processes with impact over financial information recording and reporting, principally through the following annexes:

- Annex 5. Inventory Purchases
- Annex 6. Stock management and provision of logistics services
- Annex 7. Sales Management
- Annex 8. General Accounting Management

- Annex 9. Preparation and validation of management accounts
- Annex 10. Financial and Consolidation information management
- Annex 11. Affiliate Companies Control
- Annex 12. Fixed Assets Management
- Annex 13. Tax Management
- Annex 14. Treasury Management
- Annex 15. Collection and payment management, etc

Besides, Finance Heads and Business Controllers of the Group Businesses and/or companies, certifies quarterly a confirmation in writing of compliance with General Policy of Internal Control relating key accounts and controls. Also, they annually issue a statement certifying:

1. Their responsibility in preparing the reported financial statements at Year End, as well as any other reported information.
2. The Financial Statements have been obtained from the Company accounting records, which reflect all the transactions, assets and liabilities.
3. The Company accounting records match with the information reported in the consolidation tool, under Local GAAP. The Company adds all the corresponding adjustments to it in order to translate it into IFRS.
4. Concepts included in each account are in line with the requirements of the Group Accounting Manual.
5. Important estimations and decisions have been done taking into account the last available information in the Business and are well justified and documented.
6. Responsibility about the accuracy of the information contained in the Company's or Sub-group consolidated financial statements at Year End wherever applicable.

As already mentioned, Audit and Control Committee assists and advises the Board in their responsibility to supervise the effectiveness of the Group Internal Control System and informing the Board of Directors of Group's Annual Financial Statements, as well as the Regulated Financial Information, overseeing compliance of legal requirements and accurate application of the accepted accounting principles as well as the risks within and outside the balance.

Besides, it is the responsibility of the Audit and control Committee, among others, to supervise the process to record and report the regulated financial information, its integrity and presentation compliance.

F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The Information Systems Department, within the Resource Corporate Directorate, is responsible of the Group telecommunication and information systems. Among its responsibilities, the Information Systems Department has to develop the necessary policies and procedures regarding IT, as well as the technical and organizational measures to ensure the integrity, confidentiality and availability of the corporate information, including the financial information.

The General Policy of Internal Control establishes the guidelines regarding the management of IT-related risks, in particular those relative to access management, system change management, business continuity and segregation of duties. In addition to the General Policy of Internal Control, there are internal regulations that rule IT control objectives.

In the Group, the management of IT system is centralized. Access management is based on defined identity and authentication mechanisms, access profiles based on the principle of least privilege (each user has access only to the information and resources that are necessary for their job position) and regarding segregation of duties, through the definition of the existing incompatibilities

in functions developed by business areas and complementing activities. Furthermore, addition, modification and deletion of users and access profiles in the systems is managed by the necessary approvals.

Changes in the information systems and its subsequent operation are managed by an internal policy, stating the milestones, requirements and government bodies of the change management cycle, with the goal of ensuring the Group operating continuity, the integrity of the changes performed, and the information confidentiality. Information Systems availability and continuity in the event of incidents are ensured through a corporate business continuity plan. The business continuity plan ranks information systems (from more critical to less critical) based on both risk level and maximum recovery time, as defined by the Group. In case of incidents, the plan includes processes in order to decide whether the plan has to be triggered, the escalation procedures to the proper management and the processes to recover the business operation. Additionally, the plan is tested annually.

The Group has defined and implemented a segregation of duties matrix. This matrix ensures users access and privileges are based on the minimum access required as per job description. Besides, a number of measures complete the segregation of duties matrix, like the incorporation of super-users. When nature of business operations requires the use of super-users, there are controls in place, being those users fully monitored through access logs and audit trail, to ensure only valid transactions are processed.

The Group has established mechanisms to ensure corporate network is, at all times, monitored and protected against internal and external intrusions. In addition, the Information Systems Department conducts regular reviews with the objective of testing the robustness of the network control system as well as to ensure it adequately covers new threats.

All the Group employees are trained periodically on Good Information Security Practices through an in-house training program. These trainings include frequent email communications about information risks and controls, as well as updates and reminders about good information security practices.

Internal policies and procedures on Information Systems internal control, available for all employees through the Group's Intranet, are:

- Information Systems Strategic framework.
- Information Systems protection.
- Provision and use of Computer Technology and Communication Electronics (en).
- Security of the Information Systems.
- Procedure 03-2013 Information Systems Security.
- IS Standards Manual.
- Segregation of Duties Model. Maintenance procedure – SAP GRC System.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group has not relevant services outsourced connected to record and report financial information, being only few cases of subsidiaries with irrelevant of immaterial impact such as Logesta Polska, Logesta Alemania or Logesta Holland Branch. However, a Policy and Procedure of Purchasing exists to assure not only the fraud prevention and transparency during bidding processes launched but it considers as well counterparty risks for which mitigation, the Group usually keeps the right to review and audit the execution of the services or works outsourced.

Likewise, Group Accounting and Good Practices in Finance Internal Control Manuals have stated main requirements and validations necessary to evaluate criteria and outcome from the eventually outsourced activities which could affect significantly the Financial Statements.

F.4 Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1 A specific function in charge of defining and keeping updated accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.

Consolidation and Reporting Head of the Corporate Finance Department, has the faculty of defining and updating the Group accounting policies and solving any question about the application and interpretation of the accounting rules.

The Group has in addition to the Group Accounting Manual two specific Procedures issued by the Corporate Finance Directorate, applicable to all Businesses and Corporate Directors, "Good Practices over Financial Internal Control", which aim is to provide reasonable assurance over the reliability of the financial information covering the key risks (those with highest impact in the reported financial information) and the procedure of "Accounting Principles" which aim is to establish and portray an updated description of the accounting framework, the most relevant rules to record and value and the applicable accounts mapping.

According to the Accounting Principles procedure, which describes the Group accounting framework, the consolidation Record and Value rules and the Accounts Mapping, when arising doubts about the application of accounts, when to use or how to classify, the Group Controller could be consulted. In addition is the responsibility of the Group Controller to maintain properly updated the Group charter of accounts.

On the other hand, the Group follows a program to keep its employees dully updated through the periodical communication of informative communications about changes in rules and accounting regulation.

F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

SAP is the main ERP used in the Group. Besides, HFM is the consolidation and reporting application used by the Group in which the subsidiaries proceed to record and report the financial information for its aggregation, standardization and data analysis at both, individual and consolidated level.

Consolidation and Reporting Department is in charge of the design, development and implementation of all necessary tools and processes to record, control, report and consolidate the Group financial information.

Also, according to the Accounting Principles procedure, the Finance Heads and Controllers of the Group companies and Businesses, annually certify that reporting and communication to the Corporate Finance Department are uniform for controlling and follow up of Bussinesses management and adopting corporate decisions with uniform critery.

F.5 Monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1 The ICFR monitoring activities undertaken by the audit committee and an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying eventual corrective measures, and whether it has taken into consideration its potential impact on its financial information.

The Group has an Internal Audit Department.

The Internal Audit Department provides a third line of reasonable assurance on whether the Group policies and procedures are being met, controls are effective and the Organization is working as the Board of Directors and Senior Management really expect through the completion of the audit plan, communicating outcome to the Audit and Control Committee as well as to the Internal Control Committee.

Internal Audit Planning approved by the Audit and Control Committee, is built considering the conditions impacting the accounts' risks, to address those significant processes and related accounts, reporting assurance as well about the effectiveness of the ICFR to the Board through the reporting of the audit plan results.

Audit and Control Committee receives periodic information, at least twice a year, about progress and conclusions of the Internal Audit Plan execution, as well as the level of implemented recommendations.

Moreover, Audit and Control Committee receives reports prepared by the Corporate Finance Directorate before recording significant transactions, for instance, the allocation of a Purchase Price (PPA), or for the communication and approval of relevant internal policies, in advance of such submission, to protect and reinforce the ICFR.

As indicated by the Board Regulations, the Audit and Control Committee is responsible for establishing necessary relationship with the external auditors or audit companies to receive information about those questions jeopardizing their independence, to be analyzed by the Audit and Control Committee. The Audit and Control Committee must receive, annually, from the external auditors, their independence confirmation, as well as the details of any other additional services rendered to Group companies by them or their related parties, according to what is stated in the Audit Laws. External auditors, confirm their independence to the Audit and Control Committee and this committee eventually issues to the Board a report with opinion relating the independence of the external auditors,. This report, must be delivered before the reception of the external audit report of the Financial Statements, and must conclude, over the independence of external auditors and the details.

The Internal Control Committee has the following functions:

- Fostering and coordinating all necessary works to update, annually, the risk map proposing it for approval by the bodies accountable.
- Follow up the level of implementation of the Internal Audit recommendations.
- Follow up the level of implementation of the External Audit recommendations.
- Validating proposals related to the definition, updating and development of the new processes or sub-processes, as well as the validation of the objectives and control activities.
- Homologating the typology of report about the Internal Control that the Chief Executive Officer, Senior Management and Board of Directors wish to receive.
- Any other function assigned by the Audit and Control Committee.

On the other hand, it will provide control and follow up for crime risk prevention.

The General Policy of Internal Control sets forth the obligation to all employees with supervision faculties over a Department, Area, Organization, Plan, Project or Activity, to evaluate the effectiveness of its Internal Control System.

For this purpose, Internal Audit Department and Internal Control Department have available for employees, self assessment questionnaires to enable self-diagnosis and supervision.

Nevertheless, Internal Control Department and Controlling Department of Corporate Finance, in first and second lines of defence, respectively, review and inspect the execution of existing controls along the process to record and report the financial information.

Likewise, in the third line of defence, the Internal Audit Function, through the execution of the internal audit plan, provides to the owners of processes reviewed, recommendations to improve and diminish those risks which could be insufficiently mitigated, informing about them, including recommendations over the ICFR to the Audit and Control Committee (delegated by Board of Directors) and to the Internal Control Committee (formed by Senior Managers). Internal Audit informs to these bodies about main findings observed during the audits, quantifying impact over Financial Information, level of implementation and proposing action plans with responsible and dates for corrective actions.

F.5.2 A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

External auditors keep a line of communication with the Audit and Control Committee and they are present at all sessions analyzing and informing on Regulated Financial Information and the issuance of the Annual Financial Statements. In such meetings, external auditors inform to the Committee about important matters of audit and accounting, as well as the recommendations raised to improve the internal control system.

Relating the ICFR, the external auditor has issued the report referenced in section F.7.1.

The Internal Auditor presents to the Audit and Control Committee for approval the following aspects:

- 1) Internal Audit Team.
- 2) Internal Audits results.
- 3) Proposal for approval and follow up of the Internal Audit Plan for the year and for the 2014-2015 fiscal year.
- 4) Announcement of Financial results proposal.
- 5) Internal Control System on financial reporting (ICFR) and budget for the quality and transparency review of the regulated financial information.
- 6) Activity of the Internal Control Committee.

In addition, the Internal Audit function communicates periodically to the Senior Management (through the Internal Control Committee and Crime Prevention Committee) the results of the audits, percentage of implemented recommendations and execution progress, over the financial and not financial control weaknesses with potential impact in the Group Financial Statements.

With regard to the Crime Prevention Committee reporting, main subjects communicated during the year related:

- 1) Internal Audit activities carried out connected to Crime Prevention.
- 2) Training in crime prevention (activities coordinated by Internal Audit with Human Resources).

Internal Control Committee receives reporting from Internal Audit with regard to the execution status of the Group internal audit and main findings raised by both, Internal and External Audits in fiscal year 2013-2014, as well as the action and contingency plans to fix the issues observed.

Moreover, Internal Audit and Internal Control Departments are responsible to follow up the action plans implementation to correct the issues identified.

F.6 Other relevant information

N/A

F.7 External auditor review

State whether:

F.7.1 The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The Company has requested the External Auditor to review the information described in this document, and the corresponding report is attached as an annex. The scope of their work has been performed in accordance with the "Guidelines for Auditor's Action and Report Model on information related to the Internal Control System on Financial Reporting for listed companies" published by the CNMV on July of 2013.

G DEGREE TO WHICH THE GOOD GOVERNANCE RECOMMENDATIONS HAVE BEEN FOLLOWED

Indicate the degree of conformance of the company to the recommendations of the Unified Good Governance Code.

If any recommendation is not complied with or complied in part by the Company, a detailed explanation of the reasons should be included, providing shareholders, investors and the market in general with sufficient information to assess the company's course of action. General explanations will not be acceptable.

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.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

Complies

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.

See sections: D.4 and D.7

Not applicable

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Meeting of Shareholders for approval:

a) The transformation of listed companies into holding companies through "subsidiarization" or reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;

b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;

c) Transactions whose effect is tantamount to the liquidation of the Company.

See section: B.6

Complies

4. Detailed proposals of the resolutions to be adopted at the General Meeting of Shareholders, including the information to which recommendation 27 refers, are made public at the time of publication of the notice of the General Meeting of Shareholders.

Complies

5. Matters that are substantially independent are voted on separately at the General Meeting of Shareholders, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

a) To the appointment or ratification of Directors, issues which shall be voted on individually;

b) In the event of amendments of the Articles of Association, to each article or group of articles that is substantially independent of one another.

Complies

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for different clients can divide their votes in accordance with the instructions given by such clients.

Complies

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.

It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it operates and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies

8. The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to supervise and control that Management meets the goals set while pursuing the company's interest and corporate purpose. As such, the Board in plenary session reserves for itself the right to approve:

a) The company's policies and general lines of strategy, and in particular:

i) The strategic or business Plan as well as the management goals and annual budgets;

ii) The investment and financing policy;

iii) The design of the structure of the corporate Group;

iv) The corporate governance policy;

v) The corporate social responsibility policy;

vi) The policy for compensation and assessment of the performance of senior managers;

vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.

viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.

See sections: C.1.14, C.1.16 and E.2

b) The following decisions:

i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.

ii) The compensation of Directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.

iii) The financial information that the Company must periodically disclose publicly due to its status as listed company.

iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Meeting of Shareholders.

v) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the Group.

c) Transactions made by the company with Directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("Related-Party Transactions").

However, Board authorization need not be required in connection with Related-Party Transactions that simultaneously meet the following three conditions:

- 1st They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;
- 2nd They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;
- 3rd The amount thereof is not higher than 1% of the annual revenues of the Company.

It is recommended that Related-Party Transactions be approved by the Board after favourable report of the Audit and Control Committee or, where appropriate, such other committee handling the same function; and that the Directors affected thereby should neither exercise nor delegate their votes, and should be absent from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the Board in plenary session.

See sections: D.1 and D.6

Complies

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no less than five and no more than fifteen members.

See section: C.1.2

Complies

10. External proprietary and independent directors are a vast majority on the Board 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.

See sections: A.3 and C.1.3.

Complies

11. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1st In large cap companies, where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

2nd In case of companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: A.2, A.3 and C.1.3

Explain

Imperial Tobacco Group, indirect holder of 70% of the share capital of the Company, is represented at the Board by four directors, in accordance with the Framework Agreement dated 12 June 2014, that governs the relations between both Companies. The Framework Agreement establishes the following, regarding the Board composition:

- i) the number of members of the Board may not be less than ten nor greater than the maximum statutory limit of fifteen.
- ii) the maximum number of Executive directors will be two; and

iii) the number of Proprietary Directors representing Imperial Tobacco on the Company's Board of Directors will not exceed the number of Independent Directors by more than two, providing that other proprietary directors have not been appointed to represent shareholders other than Imperial Tobacco. Nevertheless, if there are proprietary directors on the Company Board other than the ones appointed by Imperial Tobacco, Imperial Tobacco reserves the right to appoint new directors, so that the number of the latter comprises the absolute majority of the members of the Board.

12. The number of independent directors represents at least one-third of the total number of directors.

See section: C.1.3

Explain

As at 30 September 2014, there are three independent directors, in a Board with 10 members. Mr. Gregorio Marañón y Bertrán de Lis was a member of Altadis SAU Board until 4 June 2014; that's why he has been included in the category of "Other External Directors".

After a year of his resignation from Altadis Board, and if all his other circumstances do not change, Mr. Gregorio Marañón will meet all the requirements to be considered an independent director, according to the Orden ECC/461/2013.

13. The status of each director is explained by the Board at the General Meeting of Shareholders at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the appointments committee. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

See sections: C.1.3 and C.1.8

Complies

14. Where female directors are few or non-existent, the appointments committee takes steps to ensure that, when new vacancies are filled:

a) Recruitment processes do not have an implied bias that hinders the recruitment of female directors;

b) The company deliberately seeks women with the target professional profile and includes them among the potential candidates.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complies

15. The Chairman, being responsible for the effective running of the Board, ensures that Directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of Directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular assessments of the Board and, where appropriate, of the Managing Director or Chief Executive Officer.

See sections: C.1.19 and C.1.41

Complies

16. Where the Chairman of the Board is also the chief executive officer, one of the independent Directors is authorized to request the calling of a Board meeting or the inclusion of new items on the agenda; to coordinate and echo the concerns of external Directors; and to lead the Board's assessment of the Chairman.

See section: C.1.22

Not applicable

17. The Secretary of the Board takes particular care to ensure that the Board's actions:

- a) Adhere to the letter and the spirit of Laws and their implementing regulations, including those approved by the regulatory authorities;
- b) Comply with the Articles of Association and the Regulations of the General Meeting of Shareholders, the Board of Directors' Regulations and other regulations of the company;
- c) Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his/her appointment and removal are reported by the Appointments Committee and approved by the Board in plenary session; and that such appointment and removal procedures are set forth in the Board's Regulations.

See section: C.1.34

Complies

18. The Board meets with the frequency required to perform its duties effectively, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.

See section: C.1.29

Complies

19. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.

See sections: C.1.28, C.1.29 and C.1.30

Complies

20. Where Directors or the Secretary express concerns about a proposal or, in the case of the Directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.

Complies

21. The Board in plenary session assesses the following on a yearly basis:

- a) The quality and efficiency of the running of the Board;
- b) On the basis of the report submitted by the Appointments Committee, the performance of their duties by the Chairman of the Board and by the chief executive officer;
- c) The running of its Committees, on the basis of the report they submit;

See sections: C.1.19 and C.1.20

Complies

22. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the Articles of Association or the Board's Regulations provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.

See section: C.1.41

Complies

23. All Directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.

See section: C.1.40

Complies

24. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programs when circumstances so advise.

Explain

The Board Regulations (Art. 22.3) state that the Company will provide necessary support to new Directors so that these may acquire swift and sufficient knowledge on the company as well as its corporate governance rules. Likewise, the Company may establish, if necessary, help programmes for Directors.

Until now, the Company has not established any help programme for Directors.

25. Companies require that Directors devote sufficient time and effort to perform their duties effectively, and, as such:

- a) Directors inform the Appointments Committee of their other professional duties, in case they might detract from the necessary dedication;
- b) Companies lay down rules about the number of boards on which their Directors may sit.

See sections: C.1.12, C.1.13 and C.1.17

Complies

26. The proposal for the appointment or re-election of Directors that the Board submits to the General Meeting of Shareholders, as well as their interim appointment through the co-opting system, are approved by the Board:

- a) On the proposal of the Appointments Committee, as regards independent Directors;
- b) After report of the Appointments Committee, as regards the remaining Directors.

See section: C.1.3

Complies

27. Companies post the following information regarding Directors on their websites, and keep such information updated:

- a) Professional and biographical profile;
- b) Other Boards of Directors of listed or unlisted companies on which they sit;
- c) Indication of the Director's category, stating, as regards proprietary Directors, the shareholder they represent or to whom they are related.
- d) Date of their first and subsequent appointments as a company Director; and
- e) Shares held in the company and options thereon held by them.

Complies

28. Proprietary Directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them does likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary Directors.

See sections: A.2 , A.3 and C.1.2

Complies

29. The Board of Directors does not propose the removal of any independent Director prior to the expiration of the term, set in the Articles of Association, for which he/she was appointed, except where good cause is found by the Board upon a prior report of the Appointments Committee. In particular, good cause shall be deemed to exist whenever the Director has failed to perform the duties inherent in his /her position or comes under any of the circumstances leading him/her to no longer being independent, pursuant to the provisions of Order EEC/461/2013.

The removal of independent Directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the share capital structure of the company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies

30. Companies establish rules obliging Directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.

If a Director is indicted or tried for any of the crimes described in Section 213 of the Act on Capital Companies, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the Director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.

See sections: C.1.42, C.1.43

Complies

31. All Directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.

Where the Board adopts material or reiterated resolutions about which a Director has expressed serious reservations, such director draws the pertinent conclusion and if he/she chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.

This Recommendation also applies to the Secretary of the Board, even if he/she is not a Director.

Complies

32. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a relevant fact, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

See section: C.1.9

Complies

33. Remuneration paid by means of delivery of shares in the company or companies that are members of the Group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company's performance or pension schemes is confined to executive directors.

This recommendation shall not apply to the delivery of shares when such delivery is subject to the condition that the Directors hold the shares until they cease to hold office as directors.

Complies

34. The remuneration of external Directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to jeopardize their independence.

Complies

35. The compensation linked to company results takes into account any qualifications included in the external auditor's report that reduce such earnings.

Explain

The Company does not have any internal rule in that sense, but in accordance with article 46.4 of the Board Regulations, the Board of Directors will ensure accounts are prepared in such a way that there is no place for exceptions on the auditor's behalf.

36. In the case of variable compensation, compensation policies include limits and technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Complies

37. Where there is an Executive Committee (hereinafter, the "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.

See sections: C.2.1 and C.2.6

Not applicable

38. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.

Not applicable

39. In addition to the Audit Committee mandatory under the Stock Exchange Act, the Board of Directors forms a single Appointments and Remuneration Committee, or an Appointments Committee and a Remuneration Committee.

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remuneration Committee or committees are set forth in the Board's Regulations, and include the following:

- a) The Board appoints the members of such Committees, taking into account the knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work.
- b) These Committees are formed exclusively of external Directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive Directors or senior managers, when expressly resolved by the members of the Committee.
- c) The Chairmen of the Committee are independent Directors.
- d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.
- e) Minutes are prepared of their meetings, and a copy sent to all Board members.

See sections: C.2.1 and C.2.4

Complies in part

The Company complies with above sections a), b), d) and e). Regarding section c), see Recommendation 12 above.

40. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Appointments Committee or, if they exist separately, to the Compliance or Corporate Governance Committee.

See sections: C.2.3 and C.2.4

Complies

41. The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their knowledge and experience in accounting, auditing or risk management matters.

Complies

42. Listed companies have an internal audit function which, under the supervision of the Audit Committee, ensures the smooth operation of the information and internal control systems.

See section: C.2.3

Complies

43. The head of internal audit submits to the Audit Committee his/her annual work plan; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.

Complies

44. Risk control and management policy specifies at least:

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.

b) The determination of the risk level the company sees as acceptable;

c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;

d) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.

See section: E

Complies

45. It is incumbent on the Audit Committee:

1st With respect to the internal control and reporting systems:

a) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.

b) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.

c) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.

2nd With respect to the external auditor:

a) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.

b) To monitor the independence of the external auditor, to which end:

i) The company reports a change of auditor to the CNMV as a relevant fact, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.

ii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies

46. The Audit Committee may cause any employee or officer of the company to appear before it, and even order their appearance without the presence of any other manager.

Complies

47. The Audit Committee reports to the Board, prior to the passing thereby of the relevant resolutions, on the following matters specified in Recommendation 8:

a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.

b) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control Committee.

See sections: C.2.3 and C.2.4

Complies

48. The Board of Directors endeavours to present the annual accounts to the General Meeting of Shareholders without reservations or qualifications in the auditor's report and, in the exceptional cases where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See section: C.1.38

Complies

49. The majority of the members of the Appointments Committee –or of the Appointments and Remuneration Committee, if one and the same– are independent directors.

See section: C.2.1

Explain

See Recommendation 12.

50. The Appointments and Remuneration Committee has the following duties, in addition to those stated in the earlier Recommendations:

- a) To assess the qualifications, knowledge and experience needed in the Board, to define, as a consequence, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive officer, and if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.
- c) To report on senior manager appointments and removals that the chief executive officer proposes to the Board.
- d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: C.2.4

Complies

51. The Appointments Committee consults with the Company's Chairman and chief executive officer, especially on matters relating to executive Directors.

And that any Director may request that the Appointments Committee consider possible candidates to fill vacancies for the position of Director, if it finds them suitably qualified.

Complies

52. The Remuneration Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:

- a) To propose to the Board of Directors:
 - i) The compensation policy for Directors and senior managers;
 - ii) The individual compensation of executive Directors and other terms of their contracts.
 - iii) The basic terms and conditions of the contracts with senior managers.
- b) To ensure compliance with the compensation policy set by the company.

See sections: C.2.4

Complies

53. The Remuneration Committee consults with the Chairman and chief executive officer of the Company, especially on matters relating to executive Directors and senior managers.

Complies

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, indicate 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 indicate 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.

The Company was incorporated in May 13, 2014, and its shares were admitted to trading on July 14, 2014 (the Informative Prospectus was filed with the CNMV in June 25, 2014).

Compañía de Distribución Integral Logista, S.A.U. (Logista), Logista Italia S.p.A., Logista France SAS (all of them 100% subsidiaries of Compañía de Distribución Integral Logista Holdings, S.A.) have adopted Imperial Tobacco Group PLC Code of Conduct in January 2011.

By virtue of the agreement taken last July 18, 2014, by the Board of Directors of the Company, all internal policies (including the Code of Conduct) applicable to Logista, is also applicable to the Company, and to all companies belonging to the Group of Compañía de Distribución Integral Logista Holdings, S.A.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of 19 November 2014

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

NO

