

EBRO 2012

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AUDIT COMMITTEE REPORT

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REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

In pursuance of Supplementary Provision Eighteen to the Stock Market Act 24/1988 of 28 July and the recommendations of the National Securities Market Commission (CNMV), this report sets out the duties and activities performed by the Audit and Compliance Committee and its work as liaison between the Board and the Auditors during the year ended 31 December 2012.

The main activities performed during 2012 can be classified into two major groups, corresponding to the duties of the Commission:

- ❖ Checking of all financial information distributed by the company and coordination with the auditors.
- ❖ Analysis of the internal control systems and supervision of the Internal Audit Department.

CHECKING OF ALL FINANCIAL INFORMATION DISTRIBUTED BY THE COMPANY AND COORDINATION WITH THE EXTERNAL AUDITORS

The Audit and Compliance Committee has the following powers, in addition to those assigned to it in the Articles of Association or by law:

- a) Supervise and promote internal control of the company and the risk management systems and submit recommendations to the Board regarding the risk management and control policy, specifying at least:
 - ❖ The types of risk (operating, technological, financial, legal and reputational) to which the company is exposed;
 - ❖ The risk level that the company considers acceptable;
 - ❖ The measures for mitigating the impact of identified risks, should they actually occur;
 - ❖ The control and reporting systems used to control and manage those risks.
- b) Supervise and promote the policies, procedures and systems used for drawing up and control of the company's financial information, checking the services performed in this regard by the Internal Audit Department, the Financial Department and the Management Committee and making sure they are correctly distributed throughout the Group.
- c) Receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information.

- d) Ensure that the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be officially drawn up and authorised for issue in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company and make sure that any interim financial statements are drawn up according to the same accounting principles as the annual accounts, considering the possibility of asking the external auditors to make a limited audit if necessary.

In this respect, it shall also see that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the company's annual accounts, supervising the policies and procedures established to ensure due compliance with applicable legal provisions and internal regulations. The Committee shall, through its Chairman, obtain information and collaboration from both the Internal Audit Manager and the External Auditors to perform these duties. Furthermore, whenever the Committee so requests its Chairman, its meetings may be attended by any member of the company management, who may speak but not vote.

- e) Establish regular contact with the External Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the External Auditors in accordance with prevailing auditing standards and legislation.
- f) Be informed of the decisions adopted by the senior management according to recommendations made by the External Auditors in connection with the audit.
- g) Report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation.
- h) Implement a confidential whistle-blowing channel accessible to all Group employees and a protocol for establishing priority, processing, investigating and solving any issues reported through that channel according to their importance and nature, paying special attention to those involving possible falsehood or misrepresentation in financial or accounting documents and possible fraud.
- i) Supervise compliance with the internal codes of conduct and rules of corporate governance. In particular, oversee the implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems, both in general and in respect of the financial reporting publishing process.

During 2012 the Audit and Compliance Committee examined the contents of the financial information distributed to third parties at least at the following meetings:

- ❖ Review and analysis of the H2 2011 financial report (Committee meeting of 29 February 2012).
- ❖ Review and analysis of the separate and consolidated annual accounts 2011 and examination of the provisional report by the external auditors (Committee meeting of 28 March 2012).
- ❖ Review and analysis of the Q1 2012 financial report to be filed with the CNMV (Committee meeting of 25 April 2012).

- ❖ Review and analysis of the H1 2012 financial report to be filed with the CNMV (Committee meeting of 24 July 2012).
- ❖ Review and analysis of the economic and financial information for Q3 2012, together with the financial report to be filed with the CNMV (Committee meeting of 31 October 2012).

ANALYSIS OF THE INTERNAL CONTROL SYSTEMS BY THE INTERNAL AUDIT DEPARTMENT

One of the duties commissioned by the Regulations of the Board is to check the procedures and systems used for the Company's financial reporting, supervised by the internal audit services. The Internal Audit Department draws up an Annual Plan, which it submits to the Audit Committee for subsequent monitoring.

The work done by the Internal Audit Department includes audits of operations and procedures to analyse the internal control systems of the parent and its subsidiaries. The conclusions of these audits have been presented to the audited companies for discussion and to the Ebro Foods Audit and Compliance Committee.

Financial audits have also been made of some of the group's subsidiaries, to supplement the work done by the external auditors.

Some of the most important work done by the internal audit services and analysed at Committee meetings are listed below.

Financial audits:

- ❖ American Rice (Committee meeting of 31 January 2012)
- ❖ Herba Puerto Rico (Committee meeting of 25 April 2012)
- ❖ Stevens & Brotherton (Committee meeting of 24 July 2012)
- ❖ Herba Ricemills (Committee meeting of 24 July 2012)
- ❖ Panzani (Committee meeting of 18 December 2012)
- ❖ New World Pasta (Committee meeting of 18 December 2012)

Finally, the Audit and Compliance Committee also addressed the following issues during 2011:

- ❖ Amendment of internal regulations and Group Code of Conduct (Committee meeting of 29 February 2012).
- ❖ Analysis of related party transactions, conflicts of interest and risks (Committee meeting of 28 March 2012).
- ❖ Study of the proposed fees of the External Auditor for 2012 (Committee meeting of 29 May 2012).
- ❖ Status situation of the risk control and financial reporting system in the Ebro Group (Committee meeting of 31 October 2012).
- ❖ Report by the external auditor on the development of external audit work during the year and report on checking of the financial reporting internal control systems (Committee meeting of 18 December 2012).
- ❖ Dividend policy for 2012 (Committee meeting of 18 December 2012).
- ❖ Approval of the Annual Internal Audit Plan for 2013 (Committee meeting of 18 December 2012).