

ANNUAL ACTIVITY REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE OF EBRO FOODS, S.A. FOR THE YEAR ENDED 31 DECEMBER 2018

1. Duties and responsibilities

The Audit and Compliance Committee was set up by virtue of a resolution adopted by the Board of Directors on 22 September 1998. As a delegated committee of the board it has the duties and responsibilities attributed to it by law, the Articles of Association and the Regulations of the Board of Directors of Ebro Foods, S.A. (the “Company”).

Following the amendments made by Act 31/2014 of 3 December, section 529 quaterdecies.4 of the Corporate Enterprises Act establishes that, *“Without prejudice to any other duties assigned in the Articles of Association or, in accordance therewith, in the Regulations of the Board, the Audit Committee shall have at least the following duties:*

- a) *Inform the general meeting of shareholders on any issues raised in connection with the matters falling within the competence of the committee, particularly the results of the audit, explaining how it has contributed to the integrity of the financial reporting and the role played by the committee in that process.*
- b) *Oversee the effectiveness of the internal control of the company, internal audit and risk management systems and discuss with the auditors any material weaknesses of the internal control system detected during their audit work, without jeopardising their independence. For this purpose, if appropriate, recommendations or proposals may be submitted to the board of directors, indicating the time for follow-up.*
- c) *Supervise the process of preparation and delivery of the mandatory financial reporting and submit recommendations or proposals to the board to protect its integrity.*
- d) *Submit to the board proposals for the selection, appointment, re-appointment and replacement of the external auditor(s), taking responsibility for the selection process, pursuant to Articles 16.2, 3 and 5 and 17.5 of Regulation (EU) No 537/2014 of 16 April. It shall also propose the terms of contract and regularly obtain information from the auditors on the audit plan and its fulfilment, while preserving their independence in the performance of their duties.*
- e) *Establish the appropriate relations with the external auditors to receive information on any issues that may threaten their independence, which shall be studied by the committee; any other issues related with the audit process and, where appropriate, the authorisation of non-audit services other than the prohibited non-audit services, pursuant to Articles 5.4 and 6.2(b) of Regulation (EU) No 537/2014 of 16 April, and Title I, Chapter IV, Section 3 of the Audit Act 22/2015 of 20 July, on independence, and any other communications contemplated in the audit laws and standards. In any case, the committee should receive each year from the external auditors a declaration of their independence from the company or any companies*

directly or indirectly related to it, and detailed information for each company of any additional services of whatsoever nature provided and the corresponding fees received from those companies by the external auditors or the persons or entities related to them, according to the laws and standards regulating audit activities.

- f) *Issue annually, prior to issuance of the auditors' report, a report expressing the committee's opinion on whether the independence of the auditors or audit firms is jeopardised. This report shall contain at least a reasoned assessment of the presentation of each and all of any additional services contemplated in the preceding paragraph, individually or altogether, other than the legal audit and in relation to the provisions on independence or those regulating audit activity.*
- g) *Inform the board in advance on all matters contemplated in the law, the articles of association and the regulations of the board and, in particular, on:*
- 1. The financial information that the company is obliged to publish periodically.*
 - 2. The creation or acquisition of shares in base companies or special purpose vehicles or companies domiciled in countries or territories considered tax havens.*
 - 3. Related party transactions.*

The Audit Committee will not perform the duties contemplated in this paragraph (g) if they are assigned in the articles of association to another committee and the members of that other committee are exclusively non-executive directors, at least two of them being independent directors, one of whom should be chairman.

The provisions of paragraphs 4(d), (e) and (f) shall be without prejudice to the audit laws, regulations and standards.”

Article 24.4 of the Regulations of the Board establishes the following: *“The Audit and Compliance Committee shall have the following powers, in addition to those assigned to it by law, regulations or the Articles of Association:*

- a) *Supervise and promote internal control of the company and the risk management systems and submit recommendations to the Board for a decision on the risk management and control policy, including tax risks, specifying at least:*
- The types of risk 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 controlling 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 (i) the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be 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; and (ii) the Board of Directors endeavours to submit the annual accounts to the General Meeting with an unqualified auditors' report.*
- e) *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.*
- f) *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.*
- g) *Be informed of the decisions adopted by the senior management according to recommendations made by the External Auditors in connection with the audit.*
- h) *Report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation.*
- i) *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.*
- j) *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 in general and the financial reporting process in particular.

- k) Submit to the Board, to be tabled at the General Meeting, proposals for the selection, appointment, re-appointment and replacement of the company's External Auditors and their terms of contract, the scope of their commission and the renewal or revocation of their engagement. The Committee shall ensure the independence of the External Auditors and the existence of a discussion procedure enabling the External Auditors, the Internal Audit Department and any other expert to inform the company of any significant weaknesses in its internal control detected while checking the annual accounts or any other processes in which they have worked. The Committee shall issue an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the External Auditors and any supplementary services they may have provided. It shall also inform the Board on the proposal submitted to the Board by the Company Chairman regarding the appointment of the Internal Audit Manager, who shall report directly to the Chairman of the Board.*
- l) Supervise and report to the Board on intragroup and related party transactions of the company or subsidiaries and settle any conflicts of interest that may arise between the company or the group and its directors, executives, significant shareholders and listed subsidiaries, if any.*

The Audit and Compliance Committee shall also report to the General Meeting on any issues raised by shareholders concerning matters within its competence.”

2. The Good Governance Code and the Technical Guide on Audit Committees in Public Interest Entities

In February 2015, the National Securities Market Commission (CNMV) published the current Good Governance Code for Listed Companies (the “Good Governance Code”), which included several recommendations for the Audit Committee. Some of those recommendations were developed in the “Technical Guide on Audit Committees in Public Interest Entities” (the “Technical Guide”), published by the CNMV in June 2017.

At the end of 2017, the Audit and Compliance Committee, counselled by an external expert, reviewed the degree of alignment of that Committee with the good practices indicated in the Technical Guide, analysing them in the light of the circumstances and characteristics of the company. The results of that work were set out in a report, which was presented to the Committee in June 2018.

In view of certain aspects mentioned in that report, the Committee adopted several decisions to establish the practices considered appropriate. This was done over 2018 and the practices in question will continue to be observed in the future.

3. Composition

Following the amendment of the Corporate Enterprises Act by the Accounts Audit Act 22/2015 of 20 July, section 529 quaterdecies establishes that, “*all the members of the Audit Committee shall be non-executive directors appointed by the Board and at least the*

majority of them shall be independent directors, one of whom shall be appointed on the basis of their experience and expertise in accounting, auditing or both.”

In the company’s internal regulations, the composition of the Audit and Compliance Committee is regulated in Article 28.2 of the Articles of Association and Article 24.1 of the Regulations of the Board.

Article 28.2 of the Articles of Association provides that: *“An Audit and Compliance Committee shall be set up within the Board, with no fewer than three nor more than five members appointed by the Board. All the members of this Committee shall be non-executive directors, at least the majority shall be independent directors and one of them shall be appointed on the basis of his experience and expertise in accounting, auditing or both.*

The Board shall appoint one of the independent directors on the Audit and Compliance Committee to chair that committee. The Committee Chairman shall be replaced every four years and will become eligible for re-election one year after his retirement as such. In the event of absence or temporary unavailability of the Chairman, he shall be substituted by a member of the Committee provisionally so nominated by the Board, or otherwise by the oldest Committee member.”

Article 24.1 and 2 of the Regulations of the Board establishes the following:

“An Audit and Compliance Committee shall be set up within the Board, with no fewer than three nor more than five directors. All the members of this Committee shall be non-executive directors, at least the majority shall be independent directors and one of them shall be appointed on the basis of his experience and expertise in accounting, auditing or both.

The Board shall appoint one of the independent directors on the Audit and Compliance Committee to chair that committee, subject to a report by the Nomination and Remuneration Committee. The Committee Chairman shall be replaced every four years and will become eligible for re-election one year after his retirement as such.”

The composition of the Audit and Compliance Committee remained unchanged from the beginning of the year up to November 2018, as follows:

- José Ignacio Comenge Sánchez-Real - Chairman (lead independent director)
- Fernando Castelló Clemente - Member (independent director)
- Mercedes Costa García - Member (independent director)
- Grupo Tradifín, S.L. (Blanca Hernández Rodríguez) - Member (proprietary director)
- Belén Barreiro Pérez-Pardo - Member (independent director).

As stipulated in the Regulations of the Board, Luis Peña Pazos, (non-director) Secretary of the Board, was (non-member) Secretary of the Audit and Compliance Committee.

On 22 November 2018, the Board of Directors reviewed the composition of the Committee, seeing that in pursuance of section 529 quaterdecies.2 of the Corporate Enterprises Act, José Ignacio Comenge Sánchez-Real, Chairman of the Committee up to that date, had to be replaced as he had been in office as such for four years. Mr Comenge Sánchez-Real also stepped down as member of the Audit and Compliance Committee as of the same date.

Accordingly, on 22 November 2018, following assessment and a favourable report by the Nomination and Remuneration Committee, the Board resolved to appoint the independent director Mercedes Costa García Chair of the Audit and Compliance Committee.

After a new director joined the Board and Belén Barreiro Pérez-Pardo stepped down from member of the Audit and Compliance Committee for personal reasons, the composition of the Audit and Compliance Committee was reviewed on 19 December 2018 and, following assessment and a favourable report by the Nomination and Remuneration Committee, the Board resolved to appoint the independent director Pedro Antonio Zorrero Camas and the proprietary director Corporación Financiera Alba, S.A. (represented by Javier Fernández Alonso) members of the Audit and Compliance Committee.

After the aforesaid resolutions and up to the date of issue of this annual report, the composition of the Audit and Compliance Committee has been as follows:

- Mercedes Costa García - Chair (lead independent director)
- Fernando Castelló Clemente - Member (independent director)
- Grupo Tradifín, S.L. (Blanca Hernández Rodríguez) - Member (proprietary director)
- Corporación Financiera Alba, S.A. (Javier Fernández Alonso) – Member (proprietary director)
- Pedro Antonio Zorrero Camas – Member (independent director)

Luis Peña Pazos, (non-director) Secretary of the Board, is (non-member) Secretary of the Audit and Compliance Committee.

In the opinion of the Committee and the Board, the members of the Committee during and at the end of the year had the necessary diversity of expertise required for its increasingly more complex remit. Apart from the members who are experts in accounting and auditing, there is a wide diversity of expertise and experience among the professional profiles of the Committee members.

The professional profiles of the members of the Audit and Compliance Committee can be consulted on the corporate website: www.ebrofoods.es.

4. Procedure

Article 28.2 of the Articles of Association provides as follows: *“The Audit and Compliance Committee shall meet with the frequency stipulated in the Regulations of the Board and as and when called by its Chairman, whenever so decided by at least two of its members or at the request of the Board. Committee meetings shall be held at the registered office or wheresoever else may be decided by the Chairman and indicated in the notice of call, and shall be quorate when attended, in person or by proxy, by the majority of its members. Resolutions shall be carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting Chairman, shall have the casting vote. The Secretary of the Committee shall be appointed by the Board and shall issue minutes of the resolutions adopted, which shall be reported to the Board.*

The Audit and Compliance Committee shall have the powers assigned to it by law, the Articles of Association and the Regulations of the Board. The Regulations of the Board may develop and complete the Committee’s powers and the rules for its organisation and procedure, in accordance with the relevant provisions of law and the Articles of Association.”

Article 22 of the Regulations of the Board contains general provisions applicable to all the Committees of the Board, including the Audit and Compliance Committee.

5. Summary of activities performed during 2018

The Audit and Compliance Committee held eight meetings in 2018, all attended by the Committee Chair.

The actions taken by the Audit and Compliance Committee during the year are summarised below:

- **Meeting on 28 February 2018:**
 - The external auditing (by EY) of the separate and consolidated annual accounts 2017 was monitored, ensuring that the auditors’ reports were unqualified, with some audit work pending completion at the date of the meeting.
 - Within the framework of the aforesaid work, the external auditors informed the Committee on the principal metrics at year-end 2017, the principal changes in respect of 2016 and the reasons for those changes, review of the internal financial control system (IFCS) and verification that the covenants of financing agreements were being met.
 - The committee checked and agreed to issue a favourable report to the Board on the H2 2017 financial report.
 - A report was received from the Risks Committee, which reports to the Audit and Compliance Committee, responsible for monitoring the Risk Control Policy and the internal financial control system, regarding the most important

aspects of management risk control, the internal financial control system (IFCS) and tax risks corresponding to H2 2017.

- An internal report was presented on a Group subsidiary, within the Internal Audit Plan 2017.
 - The related party transactions made by the company and its group with core shareholders, directors and their representatives (and parties related to them), checking that they are made in the normal course of the company's and group's business, on arm's length terms and within the constraints of the authorisation granted by the Board.
 - The internal audit plan for 2018 was presented and approved.
 - According to the Protocol on non-audit services provided by the external auditors (approved by the Committee in February 2017), the Committee was informed on potential non-audit services contracted with the external auditors, checking the conditions of those services and compliance with the Protocol.
- **Meeting on 21 March 2018:**
- The Committee checked and resolved to pass a favourable report to the Board of Directors on the separate and consolidated annual accounts for the year ended 31 December 2017. The external auditors of the company and its group presented their draft report on the accounts, which was unqualified.
 - The draft report by the auditors on the internal financial control system (IFCS) 2017 was reviewed; said report pointed to the absence of any material irregularities in the ICFR.
 - The external auditors presented the draft special report pursuant to Article 11 of Regulation 537/2014, pointing out that the draft included, as annexes thereto, the audits made by the external auditors regarding verification of compliance with the requirements established for the potential contracting to the external auditors of non-audit services, pursuant to Article 5(3) of that Regulation 537/2014.
 - After due examination, the information provided by the auditors in the above-mentioned report and the issuing by said auditors of a statement of independence, a favourable report was issued on the independence of the auditors of the company and its Group, to be submitted to the Board.
 - The Committee checked the information on related party transactions and potential conflicts of interest to be included in the Annual Corporate Governance Report 2017 and resolved to submit a favourable report to the Board.
 - The information on risk control included in the Annual Corporate Governance Report 2017 was checked and the Committee resolved to submit a favourable report to the Board.

- The Committee's Activity Report for 2017 was issued and approved for submission to the Board.
- The Chair of the Committee informed members that no grievances had been expressed through the whistle-blowing channel giving rise to internal investigations or the implementation of any measures.
- According to the Protocol on non-audit services provided by the external auditors (approved by the Committee in February 2017), the Committee put on record its pre-approval of potential non-audit services contracted with the external auditors. That pre-approval had previously been resolved through the procedure contemplated in the Protocol.

- **Meeting on 25 April 2018:**

- The committee checked and agreed to issue a favourable report to the Board on the Q1 2018 financial report.
- A report was received from the Compliance Unit, which reports to the Audit and Compliance Committee, responsible for monitoring the principal aspects of legal compliance, including the Crime Prevention Model, the Internal Code of Market Conduct and the Code of Conduct, corresponding to H2 2017.

The report included the results of the audit made on personal data protection in the Spanish companies of the Group and the definition of an action plan to bring the European companies in line with the new data protection regulation due to enter into force as of 25 May 2018.

- The external auditors presented their recommendations regarding the internal control processes established in the Group. Although no deficiencies had been detected in the existing control measures, recommendations were made to avoid certain inefficiencies and strengthen the controls over internal control processes. The Committee was also informed on the state of development of the reinforcement measures agreed during the previous year.
- At the request of the Committee, the manager of the Corporate Social Responsibility department gave a presentation on the progress of the Group's work in this area to date, particularly the work done with external experts to define the key issues on which Corporate Social Responsibility should focus in the future, in line with the interests expressed by stakeholders.

Based on this, the Committee set the guidelines to be followed in Corporate Social Responsibility in the future (based on the principles set out in the Corporate Social Responsibility Policy approved by the Board of Directors) and requested the preparation and presentation to the Committee of an action defining measurable targets, times and necessary resources.

- According to the Protocol on non-audit services provided by the external auditors (approved by the Committee in February 2017), the Committee put on record its pre-approval of potential non-audit services contracted with the external auditors. That pre-approval had previously been resolved through the

procedure contemplated in the Protocol. It was also informed of the contracting with the external auditors of other services of little importance not requiring pre-approval, pursuant to the Protocol.

- **Meeting on 5 June 2018:**

- In a single-theme meeting on Corporate Social Responsibility, the Committee reviewed and resolved to issue a favourable report to the Board on the Corporate Social Responsibility Report 2017.

- **Meeting on 27 June 2018:**

- The meeting was attended by the external expert who had counselled the company and its Spanish subsidiaries to define the work required in order to align them with the provisions of the General Data Protection Regulation (Regulation (EU) 2016/679).

The expert informed the Committee of the work done in all the Group's Spanish companies and in the Ebro Foods Foundations, and their conclusions.

- The Committee analysed the work done by an external consultant to adapt the procedures of the Committee to the recommendations set out in the CNMV Technical Guide on Audit Committees in Public-Interest Entities.

The conclusions of the external consultant's report were reviewed and the Committee adopted the decisions considered appropriate.

- The Secretary informed the Committee on the proposed services requested for reviewing the internal structure used for monitoring and control of the Crime Prevention Model, as requested by the Committee. The proposal considered most in line with present needs was selected.
- The Internal Audit reports on the Group's subsidiaries in India and Thailand were presented to the Committee.
- According to the Protocol on non-audit services provided by the external auditors (approved by the Committee in February 2017), the Committee was informed on potential non-audit services contracted with the external auditors, checking the conditions of those services and compliance with the Protocol.

- **Meeting on 25 July 2018:**

- The committee checked and agreed to issue a favourable report to the Board on the H1 2018 financial report.
- The external auditors presented their proposal for fees for auditing the separate and consolidated Annual Accounts 2018 and the appropriate resolutions were passed to submit their proposal to the Board with a favourable report.

- According to the Protocol on non-audit services provided by the external auditors (approved by the Committee in February 2017), the Committee was informed on potential non-audit services contracted with the external auditors, checking the conditions of those services and compliance with the Protocol.

- **Meeting on 22 October 2018:**

- The Committee checked and agreed to issue a favourable report to the Board on the Q3 2018 financial report.
- A report was received from the Risks Committee, which reports to the Audit and Compliance Committee, responsible for monitoring the Risk Control Policy and the internal financial control system, regarding the most important aspects of management risk control, the internal financial control system (IFCS) and tax risks corresponding to H1 2018.

The meeting was attended by the Group's Tax Manager to give a detailed presentation to the Committee on the progress of the tax inspection on the Group for the period 2012-2015.

- A report was received from the Compliance Unit, which reports to the Audit and Compliance Committee, responsible for monitoring the principal aspects of legal compliance, including the Crime Prevention Model, the Internal Code of Market Conduct and the Code of Conduct, corresponding to H1 2018.
- According to the Protocol on non-audit services provided by the external auditors (approved by the Committee in February 2017), the Committee was informed on potential non-audit services contracted with the external auditors, checking the conditions of those services and compliance with the Protocol.

- **Meeting on 17 December 2018:**

- The Annual Work Plan of the Committee for 2019 was approved.
- As agreed by the Committee in April, the Group's Corporate Social Responsibility action plan was presented and approved, identifying the targets to be pursued in this regard, the criteria for measuring the progress made, the action plans for reaching the targets set and the resources needed to reach them.
- The Internal Audit Department presented its reports on the financial audit made at two Group subsidiaries.
- The Committee assessed and resolved to submit a favourable report to the Board on the dividend 2019 (against 2018 profits).
- The external auditors of the Company and its Group informed on the progress of the preliminary audit work on the Annual Accounts 2018.

- According to the Protocol on non-audit services provided by the external auditors (approved by the Committee in February 2017), the Committee put on record its pre-approval of potential non-audit services contracted with the external auditors. That pre-approval had previously been resolved through the procedure contemplated in the Protocol. It was also informed of the contracting with the external auditors of other services of little importance not requiring pre-approval, pursuant to the Protocol.

The Audit and Compliance Committee informed the Board promptly on all issues discussed at its meetings during 2018.

6. Principal aspects of the Committee's actions

6.1. Supervision of financial reporting

The Audit and Compliance Committee supervised and checked during 2018 the process of preparing and presenting the statutory financial reporting (quarterly and half-year), prior to its assessment and approval by the Board of Directors. After supervision and review, the Committee submitted a proposal to the Board in this regard.

The Audit and Compliance Committee also supervised and checked the preparation of the separate and consolidated Annual Accounts 2017, which were subsequently approved for issue by the Board of Directors and approved by the General Meeting on Shareholders of the company. The Committee was assisted in this task by the finance department and, primarily, by the external auditors of the company and its Group, taking special care to ensure an unqualified auditors' report.

6.2. Scepticism and promotion of constructive dialogue. Relations with management

Since its meeting on 17 December 2018, the Committee has established a number of measures designed to reinforce the sceptical, critical approach by its members and constructive dialogue at meetings.

These measures include, among others: (i) setting in advance the agenda for meetings and the supporting documents for the business to be transacted (as per the Annual Work Plan); (ii) the participation of executives at meetings when so required by the business to be transacted; (iii) preparation and delivery to new Committee members of a "welcome pack" giving them a rapid insight into the structure of the Group and key aspects for the Committee (in view of its remit), so that their incorporation in the Committee is expeditious and effective; (iv) limitation of the participation by executives in Committee meetings, establishing in any case that all meetings will end with the exclusive presence of the Committee members (and Secretary) in order to reflect, without the presence of any member of the management, on the business transacted at the meeting or such other matters as it may deem fit.

6.3. Relations with the external auditors

During 2018, the Committee's relations with the external auditors have essentially be conducted through their attendance of Committee meetings where appropriate, according to the business to be transacted.

Every time the external auditors have attended Committee meetings, they have prepared and sent out to the Committee members (through the Secretary) the relevant supporting documents for the matters that they have presented. At the different meetings, the external auditors have answered any questions or requests raised by Committee members.

Dialogue with the external auditors is to be stepped up in 2019. The Annual Work Plan for 2019 contemplates attendance of Committee meetings by the external auditors whenever this is deemed fit in view of the planned agenda. In addition, the Committee will maintain direct contact with the external auditors through its Chair, to: (i) discuss any matters which, in the Committee's opinion, may require greater attendance by the auditors at its meetings; and (ii) monitor auditing aspects continuously and in greater detail.

In any case, the Committee members may contact the members of the external audit team directly should they so deem fit, to discuss any matter.

6.4. Independence of the external auditors

During 2018, the Committee monitored constantly and thoroughly any aspects that could potentially jeopardise the necessary independence of the external auditors.

In this regard:

- (i) Through the Protocol on non-audit services provided by the external auditors (approved by the Committee in February 2017), the Committee maintains permanent control over any potential contracting to the external auditors of non-audit services. That control is extended not only to those services which, under the laws and regulations currently in place, require pre-approval by the Audit Committee (pursuant to Article 5(3) of the Regulation (EU) 537/2014), but also any other non-audit services.
- (ii) At its meeting on 21 March 2018, the Committee checked the statement of independence made by the external auditors and issued a favourable report on their independence, to be submitted to the Board and made available to shareholders together with the notice of call to the AGM.

6.5. Relations with the internal auditors

During 2018, the Committee monitored the implementation of the Internal Audit Plan approved at the beginning of the year. The Chief Audit Officer informed the Committee on the different work done during the year, as required by the approved Plan.

The relations of the Audit Committee with the Internal Audit Department are channelled through the checking and approval of the Annual Internal Audit Plan and the Chief Audit Officer's attendance of Committee meetings.

In line with the decision to cut down the presence of executives and external personnel at Committee meetings, the Annual Work Plan of the Committee contemplates that the Chair of the Committee will maintain regular contact with the Chief Audit Officer in 2019, both for direct monitoring of the Internal Audit work and, where appropriate, to indicate aspects or issues, which the Committee believes ought to be monitored or controlled by the Internal Audit Department.

At a meeting of the Audit and Compliance Committee held on 28 February 2018, the Internal Audit Department submitted its Internal Audit Plan 2018 for approval and it was approved.

The Internal Audit Department presented its Internal Audit Plan 2019 to the Committee, which approved it, on 25 February 2019.

6.6. Assistance from external experts

During 2018, the Committee sought external advice on matters whenever it so deemed fit. In particular, in addition to the assistance provided by the external auditors on matters relating to accounting (impact of the new legal provisions on accounting) and auditing (Law on auditing of accounts and non-financial information), the Committee:

- (i) Requested an external expert to assess and issue a report on the degree of compliance of the Committee's duties and procedures with the guidelines and recommendations contained in the CNMV Technical Guide on Audit Committees in Public-Interest Entities, which was presented to the Committee on 27 June 2018. The Committee adopted certain decisions based on that report. Implementation commenced in 2018, but they are expected to be fully implemented during 2019 (for which purpose, as indicated above, it has approved the Annual Work Plan of the Audit and Compliance Committee for 2019).
- (ii) Requested external experts to assess the degree of adaptation of the Group's European companies to laws and regulations on personal data protection in order to establish an action plan to bring them into line with the new European regulation due to enter into force in May 2018.
- (iii) Obtained assistance from external experts to review the internal control structure and monitor the Crime Prevention Model.

Whenever assistance has been obtained from external advisors, the Committee has considered aspects that could jeopardise the work and independence of those providing the required services. Wherever appropriate, several bids have been requested to provide the services.

6.7. Risk control and the Internal Financial Control System

Within the measures implemented for monitoring and control of management risks and the internal financial control system (IFCS), during 2018 the Committee received the Risk Committee reports by the stipulated dates, ensuring that it had constant, adequate knowledge of the different risks and important aspects, as well as the measures taken to control and mitigate them. With regard to the IFCS, the Committee monitored the assessment and updates made during the year, receiving timely information on the progress of that work.

On 21 March 2018, the external auditors presented the Audit Committee with their draft audit report on the IFCS (the final report was issued in April) for 2018, revealing that the assessments had not detected any inconsistencies or irregularities that could affect the IFCS. This notwithstanding, in April 2018 the external auditors presented their letter of

recommendations regarding the internal control processes in place in the Group, intended to avoid any inefficiencies and strengthen the controls over the internal control processes.

For 2019, the Committee's Annual Work Plan contemplates two additional measures in this regard, to be implemented during the year, taking account of the recent incorporation of two new members:

- (i) To increase the Committee's knowledge of the monitoring and control of management risks, it has been decided that a detailed presentation should be made at the different Committee meetings scheduled during the year on the main risks identified in the Risk Map, the criteria followed for their management and the risk control or mitigation measures implemented by the Group.
- (ii) The Committee is to be given detailed information on the structure and functioning of the IFCS, thus enabling more efficient monitoring and control thereof.

6.8. Corporate Social Responsibility

During 2018, the Audit and Compliance Committee monitored the Corporate Social Responsibility actions and the extent to which they are aligned with the principles established in the Corporate Social Responsibility Policy and the Social Action Policy.

In this regard, the Committee analysed the work done in this regard at its meeting in April and the information contained in the Corporate Social Responsibility Report 2017. In addition, the main principles on which Corporate Social Responsibility should focus in the future were established. An action plan based on those principles was presented at the December meeting, defining the measurable targets, the actions planned and the resources required to achieve those targets. It was further agreed that the Corporate Social Responsibility Department would regularly inform the Committee on the progress made in implementing that plan.

6.9. Whistle-blowing channel

No grievances were reported in 2018 through the whistle-blowing channel established in the Code of Conduct.

6.10. Annual Work Plan of the Committee for 2019

Following the best corporate governance practices and the recommendations set out in the CNMV Technical Guide on Audit Committees in Public-Interest Entities, the Audit and Compliance Committee approved its Annual Work Plan for 2019 at its meeting on 17 December 2018.

That Annual Work Plan schedules the meetings planned for the year (without prejudice to any extraordinary meetings that may be considered necessary), setting the agenda for each one and the documents to be sent to the Committee members on the business to be discussed at each meeting.

The Annual Work Plan also defines the aspects within the Committee's remit on which it considers it advisable to conduct specific work during the year, and training for Committee members on any new or especially complex matters on which it is considered appropriate to boost the Committee members' knowledge.

The Annual Work Plan will enable the Committee, at the end of each year, to assess the degree of compliance with the provisions thereof and, where necessary, take such measures as it may deem fit in respect of any targets not met.

7. Assessment and performance

The Audit and Compliance Committee does not assess its own performance during the year, although the annual assessment of the Board of Directors, its Committees and the Executive Chairman includes aspects exclusively corresponding to the Audit and Compliance Committee. Those aspects are intended to assess both the internal procedures of the Committee (with questions aimed exclusively at its members) and its relations with and counselling of the Board of Directors in matters falling within its remit (with questions aimed at all Directors regarding their perception of the composition, powers, duties, procedures and reporting to the Board by the Audit and Compliance Committee).

In this regard, in the assessment made in 2018 (in respect of 2017), the assessment of both internal aspects of the Committee and the perception by other directors of its work were satisfactory.

Moreover, now that the Committee has an Annual Work Plan, as from 2019 it will be possible to make a year-end assessment of the degree of fulfilment of the targets established in the Plan.

8. Responsibility for the information contained in the Annual Activity Report of the Audit and Compliance Committee

The Audit and Compliance Committee assumes responsibility for the contents of this Report, approved by the Committee on 26 March 2019. This report will be made available to the company's shareholders and investors within the General Meeting section on the corporate website www.ebrofoods.es coinciding with publication of the notice of call to the forthcoming Annual General Meeting.

Issued in Madrid on 26 March 2019.

Mercedes Costa García
Chairman

Luis Peña Pazos
Secretary

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In the event of any discrepancy between the Spanish and English
versions of this document, the Spanish version will prevail.**

