

## **ANNUAL ACTIVITY REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE OF EBRO FOODS, S.A. FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **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. Most of them were implemented in 2018.

### **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.”*

Throughout 2019 and up to the date of issue of this annual report, the Audit and Compliance Committee had the following composition:

- 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 have 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](http://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.”*

Article 24.3 of the Regulations of the Board provides as follows: *“The Audit and Compliance Committee shall meet as and when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.”*

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 2019**

The Audit and Compliance Committee held six (6) meetings in 2019, all attended by the Committee Chair.

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

- **Meeting on 25 February 2019:**

- The external auditing (by EY) of the separate and consolidated annual accounts 2018 was reviewed, ensuring that the auditors' reports were unqualified, with some audit work pending completion at the date of the meeting.
- Within that work, the external auditors informed the Committee on the principal metrics at year-end 2018, the principal changes in respect of 2017 and the reasons for those changes, review of the internal control over the financial reporting system (ICFR) 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 2018 (cumulative) financial report.
- A report was received from the Risks Committee, operating within the Audit and Compliance Committee, responsible for monitoring the Risk Control Policy and the internal control over the financial reporting system, regarding the most important aspects of management risk control, the ICFR and tax risks corresponding to H2 2018.
- The Compliance Unit, operating within the Committee, responsible for monitoring the main aspects of legal compliance, including the Crime Prevention Model, the Internal Code of Market Conduct and the Code of Conduct, also presented its report on H2 2018, which included the results of reporting under the Crime Prevention Model, among other aspects.
- The related party transactions made by the company and its group with core shareholders, directors and their representatives (and parties related to them) were reviewed, checking that they were 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 2019 was presented and approved.
- A report was presented by the Internal Audit Department on the subsidiary S&B Herba Foods, Ltd. (UK), according to the audit schedule established for the year.
- Within programme for increasing its understanding and monitoring business risks, the Committee was informed specifically on the "cybersecurity" risk, describing both the potential impact of any risk that may materialise and the means implemented to mitigate and control it.

- **Meeting on 26 March 2019:**

- 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 2018. 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 control over the financial reporting system (ICFR) 2018 was reviewed, indicating the absence of any material irregularities in the ICFR.
- The favourable report by the external auditors on the Statement of Non-Financial Information was also reviewed, 2018 being the first year that said Statement was audited.
- The external auditors also presented the draft special report required by Article 11 of Regulation (EU) No 537/2014, pointing out that the audits made by the external auditors to verify compliance with the requirements established for the potential contracting to the external auditors of non-audit services, pursuant to Article 5(3) of Regulation 537/2014, were annexed thereto.
- After due examination of the information provided by the auditors in the above-mentioned report and the issuing by said auditors of a declaration 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 received a technical training session in the principal changes in accounting principles and practices. In particular, the external auditors EY ran a technical training session on IFRS 15 (Revenue) and IFRS 16 (Leases), focusing on the implications of the new regulations and the foreseeable impacts thereof on the Ebro Group.
- The Committee verified the information on related party transactions, potential conflicts of interest and risk control (falling within the remit of the Committee) to be included in the Annual Corporate Governance Report 2018 and resolved to submit a favourable report to the Board.
- The Committee's Activity Report for 2018 was issued and approved for submission to the Board.
- The Finance Manager informed the Committee in detail on the structure and functioning of the ICFR, explaining the structuring of the Group for this purpose, the policy documents and the standards regulating the process of preparing and reporting the financial information.
- Within programme for increasing its understanding and monitoring business risks, the Committee was informed specifically on the "currency and foreign exchange" risk, describing both the potential impact of any risk that may materialise and the means implemented to mitigate and control it.

- The Committee was informed on the functioning of the complaints channel in 2018, through which no complaints had been filed during the year.
- 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 29 April 2019:**

- The committee checked and agreed to issue a favourable report to the Board on the Q1 2019 financial report.
- 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, as in previous years, to avoid certain inefficiencies and strengthen the controls over internal control processes. They also reported on the state of development of the reinforcement measures agreed during the previous year.
- In pursuance of the current audit laws and standards, the Committee was informed of a change in the EY partner responsible for internal audit of the company and its Group.
- The Communication and Corporate Social Responsibility Manager entered the meeting to inform on the most important aspects regarding CSR and sustainability, since one of the duties of the Audit and Compliance Committee is to monitor the Group's CSR Policy. The Committee was also informed of the need to take measures to improve the reporting and verification of Non-Financial Information indicators, in view of the experience of the previous year.
- As the Audit and Compliance Committee is responsible for monitoring the Policy on Communication and Relations with Shareholders and Investors, the Investor Relations Manager gave a presentation on the structure and functioning of his department and a detailed explanation on the impact of the new MiFID II Directive on the department's work.
- A report was presented by the Internal Audit Department on the subsidiary Vegetalia, according to the audit schedule established for the year.
- Within programme for increasing its understanding and monitoring business risks, the Committee was informed specifically on the "tax" risk, describing both the potential impact of any risk that may materialise and the means implemented to mitigate and control it.

- The Committee resolved to put in place, through the contracting of external specialists: (i) an audit of the Criminal Risk Map (within the Crime Prevention Model) and (ii) a data protection audit of the Spanish companies in the Group.
- **Meeting on 25 July 2019:**
- The committee checked and agreed to issue a favourable report to the Board on the H1 2019 financial report.
  - The external auditors submitted their proposed fees for auditing the separate and consolidated Annual Accounts 2019 and the appropriate resolutions were passed to submit their proposal to the Board with a favourable report.
  - The action plan defined to solve by year-end the inefficiencies revealed in the reporting, collection and verification of the Non-Financial Information to be included in the Annual Accounts was presented to and approved by the Committee.
  - A report was presented by the Internal Audit Department on the associate Riso Scotti, according to the audit schedule established for the year.
  - Within programme for increasing its understanding and monitoring business risks, the Committee was informed specifically on the “food” risk, describing both the potential impact of any risk that may materialise and the means implemented to mitigate and control it.
  - 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 non-audit services contracted with the external auditors, checking the conditions of those services and compliance with the Protocol.
- **Meeting on 30 October 2019:**
- The Committee checked and agreed to issue a favourable report to the Board on the Q3 2019 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 control over the financial reporting system (ICFR) and tax risks corresponding to H1 2019.
  - 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 2019.

- A report was presented by the Internal Audit Department on Riso Danubio, Risi and ENAC (all subsidiaries of the associate Riso Scotti) and the subsidiary Lassie, according to the audit schedule established for the year.
  - Within programme for increasing its understanding and monitoring business risks, the Committee was informed specifically on the “raw material sourcing” risk, describing both the potential impact of any risk that may materialise and the means implemented to mitigate and control it.
  - 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.
  - The first draft of the Committee’s Annual Work Plan for 2020 was handed out to Committee members at that meeting.
  - The Committee was informed of the request received from the National Securities Market Committee for clarifications regarding the Annual Accounts 2018, referring to mainly technical accounting issues. The terms of the request and reply were explained.
- **Meeting on 16 December 2019:**
- The external auditors of the Company and its Group informed on the progress of the preliminary audit work on the Annual Accounts 2019.
  - The Committee assessed and agreed to submit a favourable report to the Board on the 2020 dividend (against the 2019 profits).
  - The Committee assessed the degree of fulfilment of its Annual Work Plan 2019 and approved the Plan for 2020.
  - The Committee was informed on and assessed the actions taken during the year in the area of the Group’s Corporate Social Responsibility, especially the long-term Sustainability Plan “*Rumbo a 2030*” [“Heading for 2030”]. The Committee was also informed on the extent of implementation of the action plan for improvement of the Non-Financial Information reporting and verification system.
  - The Internal Audit Department reported to the Committee on the pilot project of ICFR control testing, as contemplated in the Annual Work Plan 2019. In view of the results, the Committee resolved to include further actions in this area in the Annual Work Plan 2020.
  - A report was presented by the Internal Audit Department on the subsidiary Mundi Riso, according to the audit schedule established for the year.

- The Committee reviewed the degree of fulfilment of the Internal Audit Plan 2019.
- 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. The Committee was also informed of other insignificant services contracted with the external auditors that did not require pre-approval, according to the Protocol.

The Audit and Compliance Committee informed the Board promptly on all issues discussed at its meetings during 2019.

## **6. Principal aspects of the Committee's actions**

### **6.1. Supervision of financial reporting**

The Audit and Compliance Committee supervised and checked during 2019 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 2018, 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, as recommended in the analysis of the degree of compliance of the Committee's duties and procedures with the CNMV Technical Guide on Audit Committees in Public-Interest Entities, which had been commissioned to an external expert in 2018.

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), to make their incorporation in the Committee 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; and (v) the holding of meetings prior to the dates scheduled for Board meetings to give members a chance to reflect after the Committee meeting, should they consider this necessary.

### **6.3. Relations with the external auditors**

During 2019, 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.

During 2019, certain measures contemplated in the Annual Work Plan were put in place to strengthen dialogue and relations between the external auditors and the Committee. In particular, regular direct contact was established between the Committee Chair and representatives of the external auditor, enabling the Chair to inform the auditors of any special concerns or requests of Committee members so that they could be addressed specifically at meetings.

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 2019, 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) No 537/2014), but also any other non-audit services.
- (ii) At its meeting on 26 March 2019, the Committee checked the declaration 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.
- (iii) At the same meeting, the external auditors presented their special report required by Article 11 under Regulation (EU) No 537/2014.

### **6.5. Relations with the internal auditors**

During 2019, 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 whenever this is considered necessary or convenient.

Furthermore, in 2019 it was suggested that the Internal Audit Department should take measures to enable more direct monitoring of the consequences of its work, particularly of the adjustments proposed in the financial audits made of the Group's subsidiaries each year. Accordingly, on presenting a brief account of its work at year-end, the Internal Audit Department informed the Committee on the actions taken in the wake of its audit work. The Committee is thus able to monitor the work done more specifically and directly.

At the meeting of the Audit and Compliance Committee on 25 February 2019, the Internal Audit Department presented the Internal Audit Plan 2019, which was approved.

The Internal Audit Department presented the Internal Audit Plan 2020 to the Committee on 26 February 2020, when it was approved.

### **6.6. Assistance from external experts**

During 2019, 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 external experts to conduct an audit of personal data protection in the Spanish companies of the Group in order to check the degree of compliance with the provisions set out in the status report made, also with external counselling, in 2018. That work is expected to be completed within the first half of 2020 and the Committee will decide on the implementation of action plans or such measures as may be deemed fit based on its results;
- (ii) Has contracted external experts to review and update, if necessary, the criminal risk map at the core of the Crime Prevention Model. This work, which is expected to be completed within the first half of 2020, and that done in 2018 to review the internal structure for control and monitoring of the Crime Prevention Model, will conclude the review and update of the 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 Control over the Financial Reporting System**

Within the measures implemented for monitoring and control of management risks and the internal control over the financial reporting system (ICFR), during 2019 the Committee received the Risk Committee report 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 ICFR, the Committee monitored the assessment and updates made during the year, receiving timely information on the progress of that work.

On 26 March 2019, the external auditors presented the Audit Committee with their draft audit report on the ICFR for 2019 (the final report was issued in April), revealing that the assessments had not detected any inconsistencies or irregularities that could affect the ICFR. This notwithstanding, on 29 April 2019 the external auditors presented their 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. The Committee discussed those recommendations and took measures to reinforce this area.

As decided in 2018, detailed accounts were given at the Committee meetings held in 2019 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. This is intended to ensure that the Committee has an even better knowledge of those risks and can thus reinforce its monitoring and control of the management risks. This practice will be continued in 2020, when the management risk map is also expected to be reviewed and updated.

Finally, a pilot project was started up by the Internal Audit Department in 2019 to test the ICFR controls. That pilot project, which has tested the controls of some of the main processes in the subsidiaries Herba and Panzani, has been considered highly satisfactory by the Committee, so it will continue to expand the work in this area over 2020.

## **6.8. Corporate Social Responsibility**

During 2019, 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 addition to checking and verifying the actions taken during the year with regard to Corporate Social Responsibility and sustainability (within the Sustainability Plan “Heading for 2030”), special attention has been paid to defining and implementing the necessary mechanisms to expedite and improve the collection, reporting and verification of the indicators contained in the Statement on Non-Financial Information, taking account of the experience obtained when preparing that Statement in 2018, the first year in which such information was audited by the external auditors.

### **6.9. Whistleblowing channel**

No grievances were reported in 2019 through the whistleblowing (complaints) channel established in the Code of Conduct.

### **6.10. Annual Work Plan of the Committee for 2020**

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 2020 at its meeting on 16 December 2019.

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 specific work is recommended 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 corresponding exclusively 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 2019 (in respect of 2018), the assessment of both internal aspects of the Committee and the perception by other directors of its work were satisfactory.

Moreover, the approval at the end of 2018 of the Committee's Annual Work Plan 2019 enabled the Committee, at its meeting of 16 December 2019, to take stock of the work done during the year and compare it with the targets set at the beginning of the year. The results of that assessment were very positive.

**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 24 March 2020. 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](http://www.ebrofoods.es) coinciding with publication of the notice of call to the forthcoming Annual General Meeting.

Issued in Madrid, on 24 March 2020.

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Mercedes Costa García  
Chair

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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.**