

RISK MANAGEMENT AND CONTROL POLICY

deoleo



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The Board of Directors of Deoleo S.A. (hereinafter "Deoleo" or the "Company" and its group companies, the "Deoleo Group") holds the undelegatable responsibility to determine and approve the risk supervision and management policy of the Company and the periodic monitoring of internal information and control systems.

1. SCOPE AND OBJECTIVES

This Policy is applicable to all companies comprising the Deoleo Group.

The proper functioning of the risk management and control system requires the involvement of all Deoleo Group staff, without exceptions, starting from the control environment of the Organization, which influences the consciousness of all employees on the level of risk tolerance.

The purpose of this Policy consists in the establishment of principles and guidelines to provide reasonable assurance that the risks that may affect the achievement of the Deoleo Group's objectives are identified, analyzed, assessed, managed and controlled systematically with uniform criteria and within set risk levels, all for the purpose of contributing to the following general objectives:

- a) achieve the strategic objectives of the Deoleo Group, minimizing the volatility of profitability and therefore maximizing the generated economic value;
- b) provide an adequate level of assurance to shareholders, other stakeholders and the market in general;
- c) protect the reputation of the Deoleo Group; and
- d) comply with laws, regulations, applicable standards and contracts.

2. RISK FACTORS

Deoleo defines *risk* as any contingency, internal or external that, if it were to become a reality, would prevent or hinder the achievement of the objectives set by Management. Factors that may adversely affect the achievement of Deoleo Group's objectives include four general risk categories:

- a) **Strategic:** include all the risks associated with the strategy line and projects defined by the Deoleo Group's Management.
- b) **Financial:** include all the risks that affect the integrity, reliability and quality of the financial information issued to the markets, as well as the management information used internally within the Deoleo Group for decision-making.
- c) **Operational:** include the risks related to the efficiency and effectiveness of the operations in all processes and all areas of activity.
- d) **Compliance:** all the risks related to compliance with the legislation in force in the countries in which the Deoleo Group operates, as well as internal policies.

These four categories include all potential risks insofar as they affect business activities, including but not limited to financial or economic, fiscal, contingent liabilities and other off-balance sheet risks.

3. BASIC PRINCIPLES OF ACTION

Every action aimed at controlling and mitigating the risks shall adhere to the following basic principles:

- Risk management includes the identification, assessment, response, monitoring or follow-up and reporting of the risks in accordance with the procedures set up for this purpose. Periodically, a follow-up will be conducted and a report will be drafted regarding these activities.
- Ensuring that risk management is proactive, incorporating controls in the design of processes that help mitigate it, implementing contingency plans and establishing covers for said risks whenever possible. Risk responses must be consistent and fully suited to business conditions and the economic environment. Thus, in order to mitigate the impact of the different types of identified risks, should they become a reality, the following special guidelines or measures are established:
 - a) **Strategic:** risk assessment, different from regulatory, which can significantly affect business performance: economic cycle, competition, industry development, technological development, etc.
 - b) **Financial:** managing financial risks should be directed towards (i) avoiding unwanted changes in the value of Deoleo Group, not having speculation as an objective, (ii) maintaining flexibility in financing through the availability of sources of contractual funding, so that exposure to liquidity risk is minimized, and (iii) allowing to reduce the impact of the interest rate and exchange rate risks with hedges as well as credit risk with insurance contracts.
 - c) **Operational:** in the management of business processes, the following should be considered: (i) its design made with criteria of effectiveness and efficiency, contemplating controls that mitigate risks, (ii) its structure through management systems with international reference standards (best practices) and with periodical checks and improvement, (iii) the use of hedging through insurance policies for those losses that may occur and (iv) limiting the impact of significant fluctuations in raw material prices through mechanisms considered most suitable for each case.
 - d) **Compliance:** given the nature of these risks, their management should be fundamentally anticipative and proactive, ensuring strict compliance with and enforcement of applicable legislation, also oriented towards collaboration with regulators and taking into account possible scenarios in an increasingly globalized environment. Its management corresponds to each of the Group's companies with the support of Deoleo's corporate units.

4. ACCEPTABLE RISK LEVEL

The risk management and control model of the Deoleo Group is based on the premise that risk appetite and risk tolerance, in addition to the setting of objectives, are necessary preconditions for the establishment of an effective internal control system.

Risk appetite is defined as the desired risk level that Deoleo is willing to take to achieve its objectives.

Risk tolerance is defined as the acceptable level of change that Deoleo is willing to accept in terms of achieving its objectives. It is the specific maximum risk that Deoleo is willing to assume as defined by Management.

In determining risk appetite and the risk tolerance level, the Management should have sufficient information to make decisions properly.

Management approves specific policies, from which the risk levels it considers acceptable or the risk tolerance criteria are derived. These risk levels are consistent with the established business objectives and the market context in which Deoleo's activities are carried out.

In determining the level of risk tolerance, the following are held into account:

1. Qualitative measures that establish the specific risks the Deoleo Group is willing to accept depending on the risks inherent to the activity and linked to the business strategy and plans;
2. Quantitative measures that describe the limits, thresholds or key risk indicators, establishing how the risks and their benefits should be assessed and/or how to assess and monitor the aggregate impact of these risks, all this with the premise that not all risks are measurable.

The assessment scales used are determined in terms of (i) *probability of risk occurrence* or the number of times that the event has occurred during the year; and (ii) *impact/effect* of the occurrence of said risk on EBITDA, considering a financial variable such as the "reduction of income/increase of expenses".

3. "Zero" tolerance risks, ie risks whose response strategy is "avoid", which means not to proceed with the activity that generates the risk or change the action. The Deoleo Group includes in this typology all risks associated with legal, regulatory, criminal or fiscal violations, those associated with food quality and safety, with the compliance with conditions linked to financing agreements and risks associated with any type of fraud by the Group's management or employees, customers or suppliers.

5. RISK MANAGEMENT AND CONTROL MODEL

The risk management and control model shall be provided with the appropriate information and control systems in order to ensure the fulfillment of this policy.

These systems are based on a proper definition and allocation of roles and responsibilities at an operational level and on procedures, methodologies, support tools and information systems. It includes the set of activities associated with the identification, measurement, control and management of the various risks incurred by Deoleo, based on the following actions:

- a) Continuously identifying the relevant risks and threats according to their potential impact on business objections, financial statements, sustainability and continuity of operations.
- b) The analysis of such risks, taking into consideration the acceptable risk level, both at each corporate business division or function, as well as taking their integrated effect on the entire Deoleo Group. This analysis includes the risks associated with new investments as an essential element in decision-making with regard to risk-return.
- c) The assessment of the impact, probability and degree of control by establishing a map of corporate risks, which is reviewed periodically so that all companies comprising the Deoleo Group are able to take decisions that mitigate, transfer, share and/or avoid the risks and enhance the achievement of opportunities.
- d) The establishment of a framework of policies, guidelines and limits, as well as mechanisms for their approval and implementation.
- e) Risk management and control following uniform and common procedures to the entire Group.
- f) The determination of appropriate measures to mitigate the impact of the identifies risks, should they become a reality.
- g) The adoption of processes for informing, monitoring and control that allow for a periodic and transparent assessment and communication of the results of the risk management control.
- h) The monitoring of the effectiveness of the risk management and control.

6. LEVELS OF RESPONSIBILITY

The Risk Management and Control Policy develops a structured model whose responsibilities are articulated in **three lines of defense**:

- a) The Group's Business Units and Corporate Service Units (*first line of defense*), which assume risks in the ordinary course of their daily activities, are responsible for the identification, communication, quantification and management of the risks they face, as well as the implementation of the necessary mechanisms or controls in order to minimize the impact as much as possible within their scope of action.

All Deoleo Group employees must comply with the measures implemented by the risk control and prevention systems and, if necessary, report those practices or behaviors they consider may pose a risk to the Group.

- b) The Department of Risks and Internal Control (*second line of defense*) is responsible for the design, implementation, documentation and continuous operation of Deoleo Group's internal control systems and risk management. Its purpose is to guide, advise and support the Management in the administration of the risk management and control model, as well as provide a global and consistent vision of the Group's risk level. This department will be directly supervised by the Audit and Control Commission to which it will report at least twice a year in relation to the activities carried out in terms of risk management and internal control.

In addition, the Supervision and Control Body of the Prevention of Criminal Risks Program conducts regular supervision of the criminal risk prevention and control systems, so that the main criminal risks can be identified, managed and adequately disclosed to the staff.

- c) The Internal Audit Department (*third line of defense*), as a delegate of the Audit and Control Committee, is responsible for monitoring the effectiveness of the Group's internal control and, in particular, knowing the financial reporting process and the internal control systems and, for this purpose, identify the types and levels of risks, measures to mitigate the impact of the identified risks and the risk management, information and control systems.

7. RISK CONTROL POLICIES

The Risk Management and Control Policy is based on a structure of corporate policies and other specific business procedures or procedures pertaining to certain activities.

All current and most relevant published policies and procedures on the matter of control and risks are shown below:

CYCLE	POLICY / PROCEDURE
CONTROL ENVIRONMENT	Ethical Channel Procedure
	Mission, Vision, Values
	Code of Conduct
	Related-Party Transactions Control Procedure
	Internal Code of Conduct in the Securities Market
	Criminal Risks Prevention Manual and Annex
	Policy of adherence to best practices against corruption

CYCLE	POLICY / PROCEDURE
SALES / ACCOUNTS RECEIVABLE	Customer Management Reporting Procedure Debt Management Procedure, Doubtful Debts and Debts Commercial Risk Management Procedures
PURCHASES / ACCOUNTS PAYABLE	Services and Supplies Procurement Management Procedure
FIXED ASSETS	Procedure for Investments in Tangible Assets
PRODUCTION / STOCKS	Food Quality and Safety Policy Environmental Policy Environmental Emergency Procedure
HUMAN RESOURCES	Travel Management Procedure and other expenses Labor Risks Prevention Policy Procedure for Action in case of Harassment Procedure for the application of tax exemption for work performed outside of Spain
TREASURY	Petition, control and monitoring of Guarantees Claims management Procedure for the Update of Insured Sums
CLOSURE OF FINANCIAL STATEMENTS, ACCOUNTING AND REPORTING	Accounting Policy Manual
INFORMATION SYSTEMS	User Management Regulations Good Use of Information and Communication Technologies Regulations Procedure

This relationship of internal policies and procedures shall be constantly updated by those responsible for them, incorporating all those considered suitable and/or necessary for better documentation of the risk management and control model.

8. APPROVAL

This Policy has been approved by the Board of Directors of Deoleo S.A. Once published on the intranet and Deoleo's corporate web page, the necessary measures for the dissemination and compliance with this Policy shall be adopted by the Group.