

Risk Management and Control Policy DEOLEO Group

April 2021



RISK MANAGEMENT AND CONTROL POLICY

1. Purpose and scope

The **purpose** of the Risk Control and Management Policy (the "Policy") is to establish the basic principles and the general framework of action to provide reasonable assurance that the risks that could affect the achievement of the objectives of the DEOLEO Group (the "Group") are systematically identified, analyzed, evaluated, managed and communicated, with uniform criteria and within the established risk levels, in order to contribute to the following general objectives:

- Achieve the Group's strategic objectives, maximizing the economic value generated.
- Guarantee business stability and financial soundness on a sustained basis over time.
- Provide an adequate level of guarantees to shareholders, other interest groups and the market in general.
- Protect the reputation of the DEOLEO Group.
- Comply with the laws, regulations, applicable standards and contracts.

This Policy is **applicable** to all the companies that make up the DEOLEO Group, regardless of their geographical location, and to all business and service areas.

The proper functioning of the risk management and control system requires the involvement of all DEOLEO Group personnel, without exceptions, having its starting point in the control environment, which influences the awareness of all employees about the level of risk tolerance.

The Risk Management and Control Policy is **complemented** by the specific policies, manuals and procedures that are issued and communicated internally.

2. Types of risk

Within the framework of this Policy, **risk** is understood to be any potential event or circumstance, motivated by internal or external factors, that could negatively affect the activity, the results, the financial situation or the achievement of the Group's objectives.

The risks that could affect the Group are grouped into the following categories:

1) **Business environment**

Correspond to those risks arising from external factors related to the Group's activity and the sector in which it operates are considered.

This category includes risks related to the difficulty of adapting to the environment or markets in which the Group is present, either due to the procurement processes or the product sales activities.

In this sense, the main factors that could affect the achievement of the Group's objectives are the risks related to the volatility of raw material prices and its availability, intense competition from, and increase in the market share of, private-label brands, changes in consumer preferences, and those risks related to macroeconomic factors that may influence consumer confidence and consumption patterns.

Also are considered the revenue concentration by business line, geography or customers, the establishment of erroneous commercial strategies with regard to prices, discounts, channels, markets, marketing and advertising, or the inability of the Group to carry out actions related to innovation and the launch of new products.

2) Financial risks

Correspond to those risks related to variables, processes or activities of a financial or accounting nature, including the identification, valuation and recording of potential contingent liabilities, as well as those associated with the Group's financing structure.

The main risks that could influence the achievement of the Group's objectives are those related to the impact of the exchange rate on the profitability of the businesses, variations in interest rates, as well as those derived from compliance with the contractual aspects of new external financing, such as compliance with financial covenants, with the obligations of "doing" and "not doing" established in said financing, those related to the new corporate configuration or to a potential change of control.

3) Business operations

Correspond to those events related to the efficiency and effectiveness of operations, in all processes and in all areas of the Group's activity. The main risks that could affect the achievement of the Group's objectives include:

- Those related to compliance with the legislation and regulations in force in the countries where the Group carries out its activities, such as risks related to regulations on food quality and safety, occupational health and safety, the environment, data protection, competition in the markets and corruption in the development of the Group's activity.
- Tax risks and customs risks, as a consequence of potential changes in national and international tax or customs legislation, the imposition of tariff policies that could affect the development of business in the countries in which the Group operates, as well as the related to potential claims in these matters.
- Risks related to the ability to maintain adequate inventory levels, to the management of outsourcing of the packaging activity, and to the purchasing or service contracting processes that are carried out without adequate transparency.
- The risks associated with the potential loss of value of intangible assets (trademarks and goodwill), taking into account the weight they have in the Group's assets, and with the maintenance of trademark use licenses, taking into account the vocation brand of the Group.
- The risks related to potential interruptions in the activity, production or distribution of the products. In this sense, the Group is exposed to:
 - Natural disasters, catastrophes, pandemics, epidemics, sabotage, technical problems or significant incidents that may affect the different activities of the Group (purchases of raw materials, packaging, sale or distribution of products).
 - Inadequate planning and management of the potential interruption of activities.

4) Reputation risk

Correspond to those risks that directly influence the perception of the Group by its stakeholders (customers, consumers, employees, shareholders and suppliers), and society in general.

They can be derived from the loss of image due to the lack of compliance with legal quality requirements, the regulation regarding the protection of confidential data, social and environmental responsibility issues, personal injury or property damage, corruption, employee fraud, among others.

The potential risks of contamination or adulteration of products associated with the food sector are also included, which could give rise to liabilities or claims that could negatively affect the Group's image, as well as the potential disclosure by third parties of fake news or dubious studies both in the news and social media.

5) Information

Correspond to those risks that pose a threat to the Group's information, the normal development of operations and communications, related to the technological infrastructure and its security against attacks.

The risks associated with the preparation and publication of management, accounting, financial and non-financial information are also included.

6) People management

Correspond to those risks related to the exercise of skills to influence, delegate, manage and motivate employees, with the management and retention of talent, with the possibility of strikes, with organizational coordination, or with the adequate definition of interdepartmental responsibilities.

3. Risk management and control model

3.1 Basic principles of action

The DEOLEO Group risk management and control model includes the activities related to the identification, assessment, control and management of the different risks based on the following principles of action:

- Establishment of a structure of policies, guidelines and limits, as well as the mechanisms for their approval and implementation.
- Continuous identification of relevant risks and threats, taking into account their possible impact on business objectives, financial statements, sustainability and continuity of operations.
- Risk analysis taking into account the acceptable risk level, taking into account its integrated effect on the Group as a whole.
- The evaluation of the impact, the probability and the degree of control establishing a corporate risk map that is periodically reviewed so that all the companies that make up the DEOLEO Group are in a position to take actions that mitigate, transfer, share and/or avoid risks and enhance the achievement of opportunities.
- Proactivity in risk management, incorporating controls in the design of processes that help to mitigate the potential impact.

- Measurement and control of risks following homogeneous and common procedures for the entire Group.
- Determination of the appropriate measures to mitigate the impact of the identified risks, should they materialize.
- Adoption of information, monitoring and control processes that allow for a periodic and transparent evaluation and communication of the results of the monitoring of risk control and management.
- Supervision of the effectiveness of risk management and control systems.

3.2 Levels of responsibility

- The Managers of the business and service units, who report functionally and / or hierarchically to the members of the Executive Committee that correspond according to their competencies, assume risks in the ordinary development of their activity, and have as main responsibilities:
 - Identify, communicate and manage the risks they face.
 - Implement the necessary mechanisms and controls so that the impact of the potential materialization of risks is the minimum possible, within their respective fields of action.
- The members of the Executive Committee have the responsibility, within their respective areas of action, to ensure that the risk management model is implemented and to keep it duly updated, for which they carry out the following activities:
 - Evaluate and analyze the key risks of the DEOLEO Group.
 - Consider the inclusion of new risks and / or the disappearance of any of the existing ones, including contingent liabilities and off-balance sheet risks.
 - Supervise the suitability of the existing control activities, in their respective areas, to maintain the risks within an acceptable tolerance level.
 - Recommend the development of specific action plans, monitor them and give continuity to existing plans.
 - Monitor the risks identified, especially those that are most critical or have materialized, reporting their consequences and their impact.

On an annual basis, the members of the Executive Committee define an action plan, within their respective areas of competence, for the implementation of new actions or improvement in existing processes, in order to reinforce the risk management system.

- The Managers of the business and service units together with the members of the Executive Committee, will incorporate and / or form part of the supervisory and control bodies and the interdepartmental committees that are considered necessary, in order to carry out the adequate risk management, control, monitoring and communication.
- All Group employees must comply with the action guidelines established in the Code of Conduct, with the provisions of the Group's policies, manuals and procedures, and with the measures implemented in the risk prevention and control systems, and, in where appropriate, inform through the ethical channel of those activities, practices or behaviors that they consider may pose a risk to the Group.

- The Internal Audit Department is responsible for:
 - Provide a global and homogeneous view of the Group's risk level by periodically reviewing and updating the corporate risk map.
 - Monitor the degree of implementation of action plans or improvements in processes within the framework of the risk management system established by the members of the Executive Committee.
 - As part of the audits and works established within the Annual activity plan to be carried out by the Internal Audit Department, ensure the proper functioning of the control and management systems of significant risks that affect the Group, assuring that risk control and management systems mitigate risks adequately within the framework of this Policy.

By reporting the above aspects to the Audit and Control Committee, the Internal Audit Department provides assurance regarding the operation and effectiveness of the risk management processes.

- The Audit and Control Committee is responsible for:
 - Supervise the effectiveness of the risk control and management system and, where appropriate, present recommendations or proposals to the board of directors and the corresponding deadline for their follow-up.
 - Know the financial information process and the internal control systems and, for this purpose, identify the types and levels of risks, the measures to mitigate the impact of the identified risks and the control, information and risk management systems.
- The Board of Directors is responsible for:
 - Determine, update and approve this Policy, and set the level of acceptable risk, being ultimately responsible for the existence and operation of an adequate and effective risk management and control system.

3.3 Information

The Board of Directors considers that for an adequate risk management and control it is essential to maintain the highest level of transparency in the information provided, both internally and externally.

In this sense, all personnel must bear in mind that the information associated with risk management must be:

- Complete, ensuring that all relevant information is transmitted for proper risk management and control.
- Correct and truthful, ensuring that the information transmitted does not contain errors.
- Value creator, fostering the development of a risk control and management culture.
- Communicated when it is known.

4. Level of acceptable risk

The DEOLEO Group's risk management and control model is based on the premise that risk appetite and risk tolerance, together with the setting of objectives, are necessary preconditions for the establishment of an effective internal control system.

Risk tolerance is defined as the maximum risk that the Group is willing to accept to achieve its objectives. Risk appetite is defined as the desired level of risk that the Group is willing to assume to achieve its objectives.

In determining the level of acceptable risk, the following are taken into account:

- Qualitative aspects, considering the specific risks that the Group is willing to accept in the development of its activity and that are linked to the mission, strategy and business plans of the Group.
- Quantitative aspects, which take into consideration the limits, thresholds or key indicators of the risks for their valuation, with the premise that not all risks are measurable.

The Group's general risk profile is aligned with a **medium-low risk tolerance**.

However, there are **“zero” tolerance risks** whose response strategy is to “avoid”, which implies not proceeding with the activity that causes the risk or changing the way of acting. The Group includes in this typology all risks related to legal, regulatory, criminal or fiscal breaches, those related to food safety, compliance with the conditions linked to financing contracts and shareholders agreements, risks related to any type of fraud of executives and employees, clients or suppliers of the Group, as well as all those related to illicit or criminal activities, such as bribery, corruption or money laundering.

5. Risk mitigation measures

The main response and supervision plans for the Group's main risks are:

1) Business environment

To reduce exposure to risk in this area, the Group focuses on achieving long-term purchasing relationships and commitments with raw material suppliers, signing contracts with stable prices and closing strategic agreements with producers. The olive oil price reference indices are those used to negotiate supply contracts in each of the countries.

The analysis and periodic monitoring of sales information and business evolution, the implementation of good practices to improve efficiency and coordination, the exploration of new business areas, and the implementation of actions and optimization levers, are the key action principles for managing the risks associated with the Group's income and market shares.

2) Financial risks

The management of financial risks is aimed at avoiding unwanted variations in the value of the Group, not having as its object speculative actions, to maintain flexibility in financing through the availability of contracted sources of financing, so that exposure is minimized to liquidity risk, and to reduce the impact of interest rate and exchange rate risk with hedging, when possible, and of credit risk with the contracting of insurance.

Additionally, the Group is committed to complying with the obligations established in the new financing contracts, mainly compliance with financial covenants, the obligations of “doing” and “not doing” related to the business, respecting the restrictions to the distribution of funds and making payments to shareholders (dividends or others), as well as compliance with the provisions contained in the shareholders' agreement, insofar as they can be managed by the Group.

3) Business operations

The main brands of the Group are brands with a lot of antiquity and notoriety, and they have a clear leadership position in most of the markets in which they are present, which allows a better positioning of prices compared to competitors. Additionally, the Group invests in advertising and promotions to minimize the potential impairment of its brands.

The measures implemented to mitigate business operations risks in the management of operative processes are based on their design, carried out with criteria of effectiveness, efficiency and including controls that mitigate risks; compliance with the internal policies and procedures established for this purpose; of a basic scheme of segregation of functions at the organizational level; and interdepartmental governance, coordination, information and control practices.

The Group maintains a stable raw material supplier base, made up of renowned vegetable oil cooperatives and operators deeply rooted in the market, with whom it maintains a solid commercial relationship. There is a process for the approval of certain suppliers, and the Group has in place approval flows for orders and invoices following the established authorization structure.

Coverages are contracted through insurance policies for certain risks or claims that could materialize.

The management of regulatory, tax and customs risks must be fundamentally anticipatory and proactive, ensuring strict compliance and observance of the applicable legislation in all the countries in which the Group operates, also focusing on collaboration with regulators, and taking into account the possible scenarios in an increasingly globalized environment.

The Group has defined and implemented product quality control plans in the various phases of the production process, monitoring processes and legislative updating of product and packaging regulations in all the countries where it operates, and maintains good practices in management systems of the factories by complying with international standards of reference, which are periodically certified by independent bodies, has established communication channels and management of customer and consumer complaints, and keeps the Group's transfer pricing documentation up-to-date.

Additionally, in order to mitigate regulatory risks of a criminal nature, the Group has implemented a crime prevention model, which is supervised by the internal bodies set up for this purpose.

4) Reputation risk

In the framework of the Group's risk management, the potential impacts that the development of the different activities could have on the Group's reputation are considered.

The Group always bottles with the maximum controls to ensure the same quality of its products, in all the countries in which it operates, according to European standards.

The Group actively implements internal processes to control the presence of its brands in the media and on social networks in order to quickly detect the potential dissemination of fake news or false rumors in relation to its products, analyzing the traceability of this information to find the source, to avoid its massive diffusion and mitigate, as far as possible, its potential negative consequences.

5) Information

The DEOLEO Group has procedures in place for the control and operation of computer systems based on access control and change control, for the monitoring and control of the operational continuity of systems and infrastructures, and for the recovery of the systems of communications

and critical business systems. Backup copies are made and periodic tests are carried out to verify that the operations and technologies that support the operational continuity, work and are suitably updated.

With regard to the risks that affect accounting and management information, the Group has processes in place that support the internal control system for financial information, and prepares and presents its annual non-financial information statements in accordance with the requirements that arise according to current legislation in Spain.

6) People management

The DEOLEO Group has designed a long-term human resources management strategy, which includes, among other aspects, the communication of the Group's strategy to the employees, promoting the participation of the personnel, internal communication and teamwork.

In the management of people related risks, measures aimed at managing performance and talent, the retention of key personnel, and the reconciliation of work and personal life, among others, are included.

6. Update

This updated Policy has been approved by the Board of Directors of DEOLEO, S.A., at the proposal of the Audit and Control Committee of DEOLEO, S.A.

Date	Version	Approval
29/03/2016	001	Board of Directors of DEOLEO, S.A.
27/04/2021	002	Board of Directors of DEOLEO, S.A.