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**VISCOFAN S.A. AUDIT COMMITTEE**

**ANNUAL REPORT ON ACTIVITIES AND OPERATIONS, RELATED-PARTY  
TRANSACTIONS AND ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR**

**YEAR 2022**

## **A. INTRODUCTION**

Viscofan S.A.'s Audit Committee (hereinafter "Committee") was created by agreement of the Board of Directors as a specialist body with the authority to provide information and advice and put forward proposals, facilitating performance of the general function of oversight and control that corresponds to the Board of Directors. The existence of a committee specialising in the area is currently required by Article 529 (15) of the Spanish Capital Companies Act and Article 33 of the company by-laws, and recommended by supervisory bodies and best corporate governance practices. In addition to the provisions in the company by-laws and current legislation, it is regulated by Article 15 of the Board of Directors' Regulations and implemented by the Audit Committee Regulations (available on the Company's website ([www.viscofan.com](http://www.viscofan.com))).

The Audit Committee prepares this Activity Report (the "**Report**") to be approved by the Board of Directors and made available to the General Shareholders' Meeting, pursuant to article 26 of the Committee Regulations. The Report also includes the report on related transactions and that of the independence of the external auditor, which will be published on the website sufficiently in advance of the General Shareholders' Meeting, under the terms set out in the aforementioned legislation and internal regulations.

## **B. ANNUAL REPORT ON ACTIVITIES.**

### **1. COMMITTEE FUNCTIONS AND SCOPE**

Chapter II of the Committee Regulations (Articles 5 to 11) contains the committee's functions and scope. Accordingly, the Committee will make (a) the proposal for the appointment, re-election or replacement of the auditors and it will supervise (b) the independence and effectiveness of the Internal Audit Department; (c) the process of preparation and supervision of mandatory financial and non-financial information, (d) the effectiveness of the internal control system of the Company and its Group and financial and non-financial risk management systems, and (e) the effectiveness and operation of the Ethics and Compliance Committee and of the whistleblower channel.

### **2. COMPOSITION OF THE COMMITTEE AND ATTENDANCE AT ITS MEETINGS IN 2022**

All Committee members have the status of external directors appointed as Board members in relation to their knowledge and experience in the areas under the Committee's purview, and any classified as "independent", which are most of the Committee, fulfil the independence requirements set out in the legislation.

In the 2022 financial year, the following changes occurred in its composition:

1. Effective as of 1 January 2022, Ignacio Marco-Gardoqui Ibáñez, director until the General Shareholders' Meeting of 29 April 2022, presented his resignation as a Committee member due attainment on said date of twelve years in the position and his losing the status of independent director.
2. At the meeting of the Board of Directors of 29 April 2022 following the 2022 General Shareholders' Meeting, the Board of Directors, at the proposal of the Appointments, Remuneration and Sustainability Committee (hereinafter the "ARSC"), resolved to reduce the number of members of the Committee from six to five, in accordance with the action plans arising from the evaluation process of the Board, Chairman and the Committees for the 2021 financial year.
3. On 23 June, and at the request of Corporación Financiera Alba S.A., a significant shareholder of the Company, the Board of Directors, following a favourable report from the Appointments, Remuneration and Sustainability Committee, resolved to appoint via co-option Mr Javier Fernández Alonso as an external nominee director. On the same date, Mr Santiago Domecq Bohórquez, an external nominee director, resigned at his own request as a member of the Committee and the Board of Directors, following a report from the ARSC, appointed Mr Javier Fernández Alonso as a member of the Committee to fill the vacancy.
4. On 16 November 2022, Mr Aldecoa, an independent external director, tendered his resignation and ceased to be a member of the Committee. He was replaced on the Committee by resolution of the Board of Directors at the proposal of the ARSC by Cristina Henríquez de Luna Basagoiti, also an independent external director, who was appointed as an independent external director by the General Shareholders' Meeting of 29 April 2022.

Consequently, at year-end 2022, the Board of Directors has five members on the Audit Committee, as follows:

Name	Position	Type
Ms Laura González-Molero	Chairman	External Independent
Ms Agatha Echevarría Canales	Member	Other external directors
Ms Carmen de Pablo Redondo	Member	External Independent
Mr Javier Fernández Alonso	Member	External nominee
Ms Cristina Henríquez de Luna Basagoiti	Member	External independent
Mr Jose Antonio Cortajarena	Non-member Secretary	N/A

The composition is compliant with the Corporate Enterprises Act, with a Chairman and a majority of independent members.

Notwithstanding the functions that are legally the responsibility of the Committee Secretary in relation to providing advice and support to the directors in exercising and better performing their duties, the committee regularly seeks the collaboration of the members of the Board of Directors under the terms set out in Article 31 of the Audit Committee Regulations. To better fulfil its functions, the Audit Committee may seek the advice of external professionals.

Information regarding the members of the Committee can be found on the Company's website: <https://www.viscofan.com/es/gobierno-corporativo/consejo-de-administracion/comisiones-del-consejo>.

### **3.- FUNCTIONING**

The Committee has performed its duties with full operational independence, under the direction of its Chairman, who has, in conjunction with the Secretary, called meetings, set the order of the day, directed debates and required the attendance of any directors, employees and members of the Company's management or third parties as necessary for it to better perform its functions.

In 2022, the Audit Committee met twelve times for the purpose of following up on the issues summarised in the following sections. All members attended all meetings either in person or telematically, with compliance of the legal and regulatory requirements of the necessary identification of the members of the Committee by the Secretary and the availability of the appropriate technical means. The Committee did not adopt any resolution without holding a meeting.

As is common on the Committee, several members of the management team, such as the Head of Internal Audit, the Corporate Chief Financial Officer and members of the Ethics and Compliance Committee, the Head of Strategy, Organisation and Systems and the Investor Relations and Communication Director took part in the different meetings, along with any other members of senior management, directors or employees, whose presence was deemed advisable by the Audit Committee, so that they could present aspects relating to their areas. Attendance at the meetings of executives and employees was limited to the matters on the Agenda in which their participation was required, after which they left the meeting.

The Committee has also requested the presence of the external auditor of financial information, PwC, S.L. at three of the meetings held, to monitor the different phases of the external audit process up to the definitive close of the same.

Likewise, the external verifiers of non-financial information, Deloitte, S.L., took part in a Committee meeting once, where they reported on the conclusions of the report presented.

The Committee members have had, in due time and form, the documentation and presentations necessary for them to form an opinion.

Pursuant to section 1, article 27, of the current Audit Committee Regulations, the Chairman of the Committee reports to the Board of Directors after every Committee meeting, and minutes were drawn up for each meeting, approved by the Committee members and signed by the Secretary with the approval of the Chairman. These minutes were made available to all directors once they were approved. Likewise, upon the request of the Chairman, in the cases in which it was considered advisable or necessary due to the complexity or extension of the matters dealt with, the documentation supporting the Committee's activities was made available to all Board members.

### **4. ACTIVITIES**

At the beginning of 2022, the Audit Committee approved and implemented a Work Plan during the year that covered all the functions attributed to the Committee. It set as its main objectives the supervision of financial and non-financial information, legal and regulatory compliance, risk management and the internal control model of the Viscofan Group, as well refresher courses and training in the most significant new developments.

#### **4.1. Account auditing**

The Audit Committee has established the appropriate relations with the external auditor, PricewaterhouseCoopers Auditores, S.L. (hereinafter “PwC”) which informed of the performance of their activity to reasonably ensure that the financial statements and the management report prepared by the Board are presented without qualifications in the audit report.

In relation to the 2022 accounts, three (3) meetings were held with the external auditor in order to report the schedule of actions, the most relevant aspects detected during the preliminary phase of the pre-closure review, and the final annual closure, which allowed PwC, S.L. and the Committee to identify and anticipate external audit work, as well as issues that, due to their uniqueness or accounting impact, could require a special mention or record in the company's financial statements.

Hence, in relation to conducting the audit work and the role played by the Committee in this process:

- ✓ It has supervised compliance with the audit contract, gathering information on the audit plan and ensuring that the opinion of the annual financial statements and the content of the audit report are drafted in a clear and precise manner.
- ✓ It has ensured that internal procedures are in place to guarantee that situations do not arise that could give rise to conflicts with the independence and objectivity required from the external auditor, including making sure that their remuneration does not compromise their quality or independence, and that the policy to pre-approve services to be provided by the external auditor is complied with, that the external auditor had access to all the information needed to conduct its work and that it received the greatest possible collaboration from each of the Group's subsidiaries.
- ✓ It has been informed of the result of the work performed during the preliminary phase, which involved reviewing pre-closure, and closure, to identify and plan the tasks that, given their uniqueness or impact on accounting, require special attention from the external auditor, such as:
  - Cybersecurity.
  - 2019-2021 three-year share-based incentive plan.
  - Implementation European Single Electronic Format (ESEF) in 2022.
  - Monitoring of the performance of the subsidiary Viscofan USA Inc.
  - Energy: long-term impacts and contracts.

The Committee has verified the statements made by the external auditor regarding its independence in relation to the entity or entities related to it, receiving their statement of independence and issuing the corresponding report on the independence of the auditor, which is contained in Section D of this document.

The Audit Committee has been informed and has monitored the recommendations made by the external auditor arising from its review of the main accounting processes of the Internal Control Over Financial Reporting System (ICFR) and specifically information technology (IT) and cybersecurity controls.

Lastly, after the assessment of PwC's performance, it was agreed to submit to the Board of Directors the proposal for its re-election as auditor for 31 December 2023, which the Board of Directors will submit to the approval of the 2023 General Shareholders' Meeting. Under Audit Law 22/2015, the audit signing party was rotated in 2022.

#### **4.2. Verifier of Non-Financial Information**

The Committee has monitored the work of the external auditor, Deloitte, S.L., in order to stay abreast of the work performed and to ensure that there is assurance that the information included in the individual and consolidated management reports, including the statement of non-financial information, is unqualified.

The Committee requested the presence of the external verifier on one occasion to be apprised of the main conclusions of the verification of the statement of non-financial information. In addition, the Director of Investor Relations and Communication attended on two occasions in order to present the work schedule of the external verifier and the progress of the preliminary work carried out and to report on the follow-up of the work and processes in this area.

The Committee has been informed of the independent external verifier's compliance with the independence and ethics requirements.

#### **4.3. Internal Audit**

Internal Audit reports functionally to the Audit Committee and, as a result of that relationship, the Committee has analysed and approved the 2022 work plan drawn up by the area, has regularly monitored execution of the same and has received direct reports on any incidents in its implementation.

In 2022, Internal Audit carried out audits on both the Group's global processes (data governance, business continuity, internal control model of sales offices, maintenance management and main investment projects) and audits on certain processes of subsidiaries in the different regions in which the Group is organised (EMEA, APAC, North America and South America), and it followed up the main risks and support for the extension of the risk model to subsidiaries, and completed the established annual plan. This year the "Continual Audit" project continued, involving the automation of detective (alerts) and corrective controls in the SAP management system environment for different Group processes, and in the development of a visualisation and analysis model. The financial information control system and the process of obtaining the main non-financial information indicators were also supervised.

Within the framework to supervise the effectiveness of Internal Audit, the Audit Committee was informed of the reports issued by the Group's Internal Audit Department upon completion of its activities, and of the follow-up to the recommendations and action plans included in these reports, and of its compliance, and it concluded that none of them reveal situations that indicate significant weaknesses.

The Audit Committee, as in prior years, assessed the performance of the Internal Audit Director and of the Internal Audit Department itself, in accordance with the objectives set for 2022, and whose compliance therewith was highly satisfactory.

#### **4.4. Financial and non-financial information**

As required, the Committee reviewed and analysed the financial statements of Viscofan S.A. and its Group prior to their presentation to the Board and communication to the CNMV and the securities markets, contained in the annual, half-yearly and quarterly reports, to confirm that this information is reliable, understandable and relevant and that accounting criteria consistent with the previous annual closing have been followed, for which it had the necessary support of the Group's senior management, especially from the Corporate Finance Division responsible for consolidation functions, as well as from the Group's Internal Audit area.

It has monitored the Group's corporate performance, but with an on-going quest for simplification and efficiency. There has been corporate restructuring in this regard consisting of:

- In June 2022, the company Supralon Liechtenstein was wound up and dissolved.
- On 31 December 2022, Viscofan Collagen Canada was dissolved.
- On 25 July 2022, the Italy representative office was registered.
- In 2022, the opening of a representative office in Philippines was begun, and remains to be completed.

The committee has supervised the correct application of the accounting principles and practices and the measurement criteria used in the process of drawing up and presenting the mandatory financial information and has also reviewed the appropriate delimitation of the scope of consolidation. In addition, the Committee has monitored the development of the main figures of the Group's balance sheet and income statement and has obtained the additional information it considered appropriate prior to its presentation to the Board of Directors.

Consequently, following the work of the external auditor, on 28 February 2023, the Audit Committee favourably informed Viscofan's Board of Directors on the preparation of the Group's individual and consolidated financial statements, under the same terms as they will be submitted to the General Shareholders' Meeting for voting, accompanied by the corresponding report issued by the accounts auditor, PwC, S.L., containing its favourable and unqualified opinion.

In relation to Directive 2014/95/EU and its implementing regulations in Spain, and Law 11/2018, amending the Code of Commerce, the Corporate Enterprises Act and the Audit Law in the area of non-financial information and diversity, the Audit Committee monitored the reporting of non-financial information, whose content forms part of the Management Report, which will be submitted for approval by the General Shareholders' Meeting and verified by Deloitte, S.L. without qualifications.



#### **4.5. Risk management and internal control systems**

Another of the responsibilities exercised by the Audit Committee was the review of the internal control systems set up by the Group, including the results of the review of the Internal Audit Division and the systems for risk management.

In specific terms and as regards risk management and internal control systems, the Audit Committee has supervised:

- ✓ The quarterly reports on internal control of financial information prepared internally by both Internal Audit.
- ✓ The Group's risk map, receiving information on the activity performed by the Global Risk Committee.
- ✓ The control activities carried out by the Investment Committee and the Credit Risk Committee.
- ✓ The monitoring of the tax principles and best practices contained in the Group's Tax Policy prior to its consideration by the Board of Directors.
- ✓ 2022–2024 Cybersecurity Master Plan risks.

#### **4.6. Ethics and Compliance Committee.**

The Committee also supervises the activities of the Ethics and Compliance Committee. Its function includes the management, monitoring and, where applicable, proposed updating of the Group's Ethics and Compliance system and, particularly, supervision of communications received via the Whistle-blowing Channel.

During the year, following a report from the Committee, the Board of Directors approved and implemented the 2022-2023 Compliance Plan, with a positive assessment highlighting the significant effort made in the initiatives to update compliance training as an essential pillar of the Group's model and ethical culture. Lastly, at its meetings of 22 June and 14 December 2022, the Committee received the half-yearly report of the Ethics and Compliance Committee and reported favourably on the level of monitoring of the 2022-2023 Compliance Plan, which affects the continuous improvement of the Compliance System in the areas of organisation, risk assessment, regulatory framework, controls and monitoring.

Throughout 2022, the Ethics and Compliance Committee met thirteen times and completed an investigation on eleven events reported, although only once was a breach of internal regulations and the Code of Conduct found, following the processing of the corresponding file, where the competent bodies proposed and adopted the necessary measures.



#### **4.7. Training sessions**

Under the Audit Committee's training plan, two training sessions were held on "IT/OT Risks" and "Non-financial risks (ESG)", which were extended to the other members of the Board of Directors. .

#### **4.8. Other functions**

In relation to other functions, it is worth noting:

- ✓ The monitoring of the tax principles and best practices contained in the Group's Tax Policy prior to its consideration by the Board of Directors.
- ✓ The issuance of the mandatory report required by current legislation and the Company's internal regulations, when related-party transactions have been submitted to the Board of Directors or with entities related to directors, although not expected for 2022 (a matter which is explained in detail below in section C).

#### **4.9. Assessment**

The quality and functioning of the Audit Committee was evaluated under the direction of the ARSC as part of the evaluation of the Board of Directors and the Committees, on the basis of the report issued by the external consultant who assisted the process in the 2022 financial year. It found compliance, with a high level of commitment, with the provisions of the law and internal regulations in terms of its organisation, functioning and activities to be covered, without prejudice to continuing with the process of continuous improvement in its activity.

### **C. REPORT ON RELATED-PARTY TRANSACTIONS**

The Audit Committee has prepared this report on related-party transactions for publication on the Company's website ([www.viscofan.com](http://www.viscofan.com)), in accordance with recommendation six of the Good Governance Code of Listed Companies.

Pursuant to the Board of Directors' Regulations and Audit Committee Regulations, one of the duties of the Audit Committee is to report to the Board of Directors, before adopting related party transactions in the cases and terms envisaged in the Corporate Enterprises Act. Likewise, and in accordance with internal regulations, it reports prior to the adoption by the Board of Directors of transactions with entities related to the directors.

Pursuant to article 231 of the Corporate Enterprises Act, none of the companies forming part of the Viscofan Group have performed transactions with related parties. In 2022, the 10 million euro loan that the Group had contracted with Banca March S.A. came to an end. (€10 million at 31 December 2021). In addition, the exchange rate hedges that the Group had contracted with Banca March S.A. have finalised. (in 2021, an asset amounting to 147 thousand euros). No additional services have been received by companies related to this shareholder in 2022 or 2021. The Committee verified that these transactions were performed on an arm's length basis and no additional services were received by companies related to this shareholder in 2022 or 2021.

## D. REPORT ON THE INDEPENDENCE OF THE AUDITOR

The Audit Committee issues this report in compliance with its duty to express its opinion on the independence of the accounts auditor included in Article 15 of the Board of Directors Regulations and Article 26.3 of the Committee Regulations.

As the external auditors of Viscofan S.A., PwC, S.L. and its subsidiaries have audited the accounts for 2022, which is the sixth year in which they have provided this service.

During 2022, the Audit Committee supervised and monitored the arrangement of non-audit or audit-related services at all Group companies, as specified in the pre-approval policy on external audit services. The following table is derived from this monitoring and will be contained in the notes to the financial statements.

FY 2022	Thousands of euros		
	In the parent company	In the rest of the companies	Total
PwC Auditores, S.L.	125	150	275
PwC Network	-	479	479
<b>Audit services</b>	<b>125</b>	<b>629</b>	<b>754</b>
PwC Auditores, S.L.	7	1	8
PwC Network	-	36	36
<b>Other audit-related services</b>	<b>7</b>	<b>37</b>	<b>44</b>
<b>Total as at 31 December 2022</b>	<b>132</b>	<b>666</b>	<b>798</b>

The Audit Committee has received a declaration of independence from PwC, Auditores S.L. They declare that they have complied with the requirements to guarantee their independence as external auditors with regard to the commission and performance of the audit, the audit services and other services, as well as the existence of the procedures aimed at identifying and evaluating threats that may arise from circumstances related to audited entities and that may pose a significant threat to their independence.

Therefore, the Audit Committee considers that the requirements to guarantee the independence of the PwC external auditors have been met and will inform the Board of Directors accordingly.

This report was unanimously approved by the Audit Committee at its meeting of 22 February 2023 and sent for the approval of the Board of Directors.