



AZKOYEN.
GROUP

COMPLIANCE *MANUAL*

GENERAL PART

AZKOYEN GROUP



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I. INTRODUCTION

This Compliance Manual (hereinafter the "**Manual**") establishes the organisation, prevention, management and control model for criminal risks in GRUPO AZKOYEN, SA (hereinafter "**AZKOYEN**" or **the "Company"**).

In light of the regulatory changes in criminal matters, and in line with its culture of ethics and compliance, AZKOYEN has developed a compliance plan for the prevention crimes and has compiled existing the procedures and controls for the effective prevention and mitigation of this risks, especially criminal risks, culminating in the creation of **the Compliance Model**.

For this reason, in preparing this Manual, a detailed analysis has been carried out of the criminal risks that may arise in the different areas of AZKOYEN, taking into account on the one hand the existing policies and controls, and on the other the sensitivity to criminal risks detected in the specific processes, depending on AZKOYEN's sector and the activities.



II. CRIMINAL LIABILITY REGIME FOR LEGAL ENTITIES IN AZKOYEN

1. Regulatory Context

On 23 December the 2010, Spanish Organic Law 5/2010, on the reform of the Spanish Criminal Code, came into force. This regulates governs the **criminal liability of legal entities** with respect to **certain crimes**. This in light of numerous international legal instruments that required a clear criminal response to delimit this special responsibility, mainly related to crimes whose commission could be foreseen.

Subsequently, with the entry into force on 1 July 2015 of Spanish Organic Law 1/2015, on the reform of the Spanish Criminal Code (hereinafter, "**Spanish Criminal Code**"), significant changes and improvements were made to expand on legal entities' criminal liability. Article 31 bis of the Spanish Criminal Code excludes legal entities from criminal liability if they foster compliant conduct among their employees by developing an efficient organisational and management model.

The aforementioned **article 31.1 bis of the Spanish Criminal Code** regulates the liability of legal entities for:

- (i) Crimes committed in their name or on their behalf, and for their direct or indirect benefit, by their legal representatives or by those who, acting individually or a member of a body of the legal entity, are authorised to make decisions on behalf of the legal entity or have organisational and control powers within it.
- (ii) Offences committed when carrying out corporate activities on behalf of or for the direct or indirect benefit of the legal entity by persons who, being subject to the authority of the natural persons mentioned in the previous paragraph, by committing the offence, seriously breached the duties of oversight, monitor and control their work, depending on the specific circumstances of the case.

2. AZKOYEN and its Organisation

Azkoyen Group is a multinational company based in Navarra (Spain), specialised in designing, manufacturing, and marketing technological solutions for electronic payment methods, control and security systems, mechatronic solutions and vending machines.

AZKOYEN Group is present in more than 60 countries, the vast majority of its sales coming from foreign markets. It has a staff of approximately 850 people, 35% of whom are based in Spain.

AZKOYEN shares have been listed on the Spanish Stock Exchange since July 1988. More specifically, they are listed on the Madrid and Bilbao Stock Exchanges, as well as on the Stock Market Interconnection System (Continuous Market).



Due to its status as a listed company, Azkoyen's structure must adhere to certain legal requirements, including having an Audit Committee in charge i.e. of supervising the effectiveness of the Group's internal control.

3. Purpose of this Manual and the control measures adopted

3.1 Objectives of this Manual

The purpose of **this Manual** is to ensure **(i) an effective ethical and compliant culture within the Company, as well as (ii) the effectiveness of certain standards and control procedures that minimise the risk of illegal behaviour** by AZKOYEN managers and employees.

For this purpose, this Manual consists of:

- a) **General Part:** Covering the design and structure of the (i) control environment with regard to policies, procedures, and general controls implemented by AZKOYEN to prevent the commission of crimes, as well as the (ii) supervisory body, (iii) supervision and monitoring system, (iv) financial and material resources management system, (v) disciplinary system, (vi) whistleblowing channel, (viii) training, and (vii) verification.
- b) **Special Part:** Identifying criminal risks¹ that could hypothetically occur in AZKOYEN due to the activities it carries out, thus detailing said risks in annexes along with the control framework to mitigate them.²

More specifically, the fundamental objectives of this Manual are the following:

- Optimise and facilitate the continuous improvement of the Company's risk management system.
- Establish a structured and organic prevention and control system aimed at reducing the risk of crimes being committed.

¹ Types of crimes that are likely to generate criminal liability for legal entities under the current Spanish Criminal Code.

² The list of identified risks included in the Special Part of this *Compliance* Manual does not imply the detection of the commission of any crimes, but rather are simply risks intrinsic to the type of activities carried out by AZKOYEN and, therefore, have been the subject of special study and analysis for due prevention.



- Inform all AZKOYEN staff of the importance of adhering to the Compliance Model and the ethical principles contained in the internal Company rules.
- Inform all AZKOYEN employees that breaching the provisions of this Manual will result in disciplinary measures, and inform all other interest groups acting on behalf of or in some way in the interest of the Company, that breaching the Manual may result in the termination of the current relationship.
- Expressly and publicly record AZKOYEN's outright condemnation of any type of illegal behaviour, underscoring that, in addition to contravening the law, it is contrary to the ethical principles which are part of the Company's key values to achieve its business objectives.
- Adapt the existing control measures to the processes in order to enable AZKOYEN to prevent the commission of these crimes and to intervene immediately in the event that crimes do occur despite the controls.
- Sensitise and train all AZKOYEN employees on the importance of compliance.
- Monitor, in particular, the controls implemented in operations or processes that hypothetically could generate criminal risks.
- Supervise the operation of the system and this Manual, including periodic updates, either due to organisational changes within AZKOYEN or as a consequence of modifications in the current legislation.

3.2. Methodology and risk analysis

Regarding the criminal liability regime of legal entities, article 31 bis of the Spanish Criminal Code makes it possible to exempt the legal entity from legal responsibility in cases of crimes committed by representatives and directors, provided that the following conditions are met:

- a) The governing body has effectively adopted and executed, prior to the commission of the crime, organisational and management models that include the appropriate surveillance and control measures to prevent crimes of the nature in question or to significantly reduce the risk they will be committed;
- b) The supervision of the compliance and prevention model's operation and compliance has been entrusted to a body within the legal entity with autonomous powers of initiative and control, or that is legally entrusted with the role of supervising the effectiveness of the legal entity's internal controls.
- c) The individual perpetrators have committed the crime by fraudulently avoiding the organisation and prevention models; and



- d) There has been no omission or insufficient exercise of the supervisory, surveillance and control functions by the supervisory body.

Likewise, art. 31.bis.4 states that the legal entity must have effectively adopted and implemented an organisation and management model that is adequate to prevent crimes of the nature committed or to significantly reduce the risk they will be committed.

Thus, the Spanish Criminal Code requires that, for the organisation, management and prevention model to be effective, it must:

- a) Identify activities within the scope of which the offences to be prevented may be committed.
- b) Establish protocols or procedures specifying the process for shaping the legal entity's intentions, adopting decisions and implementing them in relation to the former.
- c) Have suitable financial resource management models to avoid the commission of the offences to be prevented.
- d) Impose the requirement to report possible risks and breaches to the body in charge of monitoring the operation and adhering to the Compliance Model.
- e) Have established a disciplinary system that adequately sanctions non-adherence to the measures established by the Model.
- f) A periodic verification of it and changes to it when relevant infringements of its provisions are revealed, or when there are changes in the organisation, in the control structure or in the activities carried out that make such changes necessary.

Specifically, an in-depth review of the Company's existing controls has been carried out to establish due control over AZKOYEN's business activities and to prepare this Manual. The review consisted of the following actions, some of which are developed throughout this Manual:

- (i) The **activities, processes, sub-processes and controls** implemented by AZKOYEN in Spain have been **examined**. For this purpose, interlocutors and managers have been appointed in each of the Company's areas to identify the activities in which the crimes to be prevented could be committed.
- (ii) The **hypothetical criminal risks** have been identified in the different activities AZKOYEN carries out, confirming the managers of the areas where the crimes could hypothetically be committed. To this end, an inventory of the criminal risks to which AZKOYEN is exposed as a result of its activity, a risk matrix, and an evaluation and prioritisation of the identified criminal risks have been developed.
- (iii) AZKOYEN's **most relevant manuals, policies, procedures and model contracts** have been **reviewed**.
- (iv) The **Audit Committee** has been appointed by the Board of Directors **as a key** element for the operation and adherence with the Compliance Model put in place in AZKOYEN.



- (v) The **policies and procedures on financial information** have been reviewed, **thus** verifying the financial resources provision **system** that makes it possible to control AZKOYEN's expenditure and thus to avoid cashflow being used for illicit activities.
- (vi) Likewise, the **provision of financial and material resources** necessary for the correct and effective operation of the compliance model has been verified.
- (vii) A supervision and monitoring system has been integrated into the control model, allowing AZKOYEN (i) to monitor the process of surveillance of the controls covering criminal risk, (ii) monitoring of changes in sub-processes, risks and controls, and (iii) proposals for improvements or, where appropriate, creation of new controls to reinforce risk coverage.
- (viii) A **process to notify and analyse breaches or infringements in behaviour**, called the whistleblowing channel, has been developed. It allows AZKOYEN to identify and react to possible irregular and/or unlawful situations.
- (ix) The **disciplinary regime** in case of non-adherence to the principles and obligations that make up the Compliance Model has been analysed.
- (x) The **regular verification of the Compliance Model** and any changes to it have been implemented when significant breaches of its provisions are revealed, or when changes occur in the organisation, in the control structure or in the activities carried out that make such changes necessary.

Likewise, in order to carry out the corresponding analysis, the best existing practices have been taken into account, in accordance with ISO 19,600 on Compliance Management Systems, the forthcoming UNE 19,601 on Criminal Compliance, and ISO 37,001 on Anti-Corruption Management Systems.

However, this Manual is a dynamic document. It will be reviewed to incorporate, where appropriate, new preventive controls, areas of activity or entities that may join the Company.

4. Adoption of the Manual by AZKOYEN: Scope of application

4.1 Scope of the Manual

This Manual covers the analysis of the (i) possible criminal risks that may affect AZKOYEN both as a consequence of its activities in Spanish territory, and the (ii) controls to mitigate those risks.



4.2 Recipients of the Manual: Subject persons

This Manual is applicable to all AZKOYEN employees and dependents, as well as their legal representatives and de facto or de jure directors (hereinafter jointly the “**Employees**”)³).

Within the field applicable to it, AZKOYEN promotes the adoption of appropriate preventive measures regarding companies and professionals with whom it may subcontract or collaborate.

III. ELEMENTS OF THE COMPLIANCE MODEL

This Manual establishes the organisation, prevention, management and control model for the Company's criminal risks in Spain. The present document is split into a **general part** and a **special part** featuring the control framework adopted by AZKOYEN in relation to the criminal risks identified in relation to its activities in Spain.

1. General Policies, Procedures and Controls

The AZKOYEN Compliance Model is structured into:

- (i) **General Controls** that constitute the basis for risk control and are effective in mitigating the generic risk of crimes being committed (hereinafter “**General Controls**”).
- (ii) **Specific Controls**, consisting of specific measures whose purpose is to mitigate a specific criminal risk or a group of specific criminal risks (hereinafter “**Specific Controls**”).

The AZKOYEN Compliance Model is structured around policies, **procedures** and **General Controls**⁴ as detailed below:

- **Matrix of authority:** AZKOYEN has established the **authority** granted to certain employees/managers to carry out certain tasks, which may only be performed by these authorised persons: To represent AZKOYEN, take legal action, make personnel issues public, collect and pay into bank accounts, order debits in current accounts, etc. Quantitative monetary limits exist within the Group through the granting of solidarity and/or joint powers depending on the power in question.

³ The term “**Employees**” in this Manual is used in a broad sense to refer to the group of people who may act under the authority of AZKOYEN in the terms outlined in article 31 bis of the Spanish Criminal Code, whether they are in an employment and/or commercial relationship. This meaning of the term “**Employees**” used herein cannot be applied to other areas outside this Manual.

⁴ The general policies, procedures and controls are not closed concepts.

- **Employee Manual:** AZKOYEN has drawn up an employee manual detailing the following: (1) Code of Conduct; (2) Corporate Responsibility; (3) General People Management Policy; (4) Training and Development; (5) General Operating Standards.
- **Disciplinary system:** AZKOYEN has a disciplinary procedure to guide middle and team managers when dealing with events likely to be covered by the disciplinary procedure (which will be updated as regulations and legislation change). Establishes the criteria for action in the following cases:
 - Reacts to the facts.
 - Establishes the facts.
 - Imposition.
 - Effectiveness.
 - Criteria for application.
 - Information on offences and penalties according to an agreement. The applicable agreement is the Iron and Steel Industry Agreement of the Autonomous Community of Navarra.
- **Training plan:** AZKOYEN has drawn up an annual Training Plan for its employees that covers the following: (1) Training actions; (2) Person proposing it; (3) Priority / non-priority; (4) Participants; (5) Estimated duration and total hours; (6) Trainer; (7) Cost.
- **Definition of jobs:** AZKOYEN has a matrix covering the jobs identified in the Company. It describes for each position the tasks to be carried out by the employee, their preventive and environmental responsibilities, and the specific occupational risks to which they are subjected and the preventive measures to be implemented by the employee.
 It also includes mandatory training requirements and other mandatory information. The matrix is provided to each employee when they join the company.
- **Welcome Plan for new recruits:** AZKOYEN has a Welcome Plan for new recruits containing all the necessary information and basic aspects relating to AZKOYEN's work in terms of quality, safety and health. The points contained in this Plan cover the following fields:
 - Employee Manual and Applicable Agreement.
 - Employee Information Security Manual.
 - Description of job.
 - Emergency plan.
 - Prevention of occupational hazards.
 - Equality guide.
 - GDPR brochure.
 - Intern confidentiality agreement.
 The plan includes a form to be signed by employees to confirm they have received the aforementioned documents and that they will comply with them.
- **People Management:** AZKOYEN has a process to ensure that the organisation has people with the right abilities and skills, who can set objectives for improvement and define a plan of action to achieve them. This includes: 1. Annual Human Resources needs based on the Azkoyen Strategic Plan. 2. Preparation of the HR



Plan. 3. Selection of new HR and training of current employees (guide for the selection process). 4. Training. 5. Review and analysis of people and basic responsibilities of their jobs.

- **Legal advice:** AZKOYEN can draw on the support of external consultants who provide legal support services (corporate, contractual, procedural, tax, etc.) in all areas related to the Group's activities.
- **Audit programme:** AZKOYEN undergoes the following external audits on an annual basis: Financial Audit. ISO 9001 audit. ISO 14001 audit. OHSAS prevention audit.
- **Legislative compliance assessment procedure:** In the monthly account closing procedure, AZKOYEN includes an analysis of adherence to current legislation, supported by external accounting and tax advisers, as per the following procedure:

B&ARM (Budgeting and Accounting Reporting Manager) is supported mainly by Financial Accounting, T&RPM (Treasury and Receivables- Payable Manager), and, where appropriate, certain external advisers in accounting and tax matters in countries where there are foreign companies. They check the reasonableness of the monthly account closings including, among others, for the different companies, tax settlements and account ties, recoverability of non-commercial debit balances, correct classification of current and non-current balances, intra-group operations as well as the registration of other manual entries.

- **Audit Committee** AZKOYEN has an Audit Committee that meets several times a year and, among other aspects, reviews the main risks of the Group's businesses and the relevant financial information.
- **Internal Audit Plan:** The Audit Committee approves the Internal Audit Plan each year, whose conclusions are formally reported to it. The scope of this Plan covers the review of the Group Risk Map, internal audit of key ICFR processes and specific report of the Level 1 Risks of Azkoyen Group.

2. Financial Resources Management

2.1 Controls in the area of budget management and liquidity

AZKOYEN has a series of policies, procedures and controls related to financial information and spending that make its system fully transparent. The Finance & IT Department is primarily responsible for managing these resources and may draw on the support of other specialised areas to review the contingencies detected in this regard.

In this sense, AZKOYEN has a financial model of the following fundamental characteristics:

- The Finance & IT Department is in charge of conducting economic and financial management tasks, as well as financial and accounting control.
- Within the Group, employees must be granted powers before they are authorised to deploy funds, sign contracts, and represent the Group to public bodies and the Courts. These powers are set out in a scale.
- AZKOYEN receives a financial audit, the purpose of which is to draw up an opinion on its annual accounts, establishing whether they give a true picture of its assets and financial situation.



- Existence of an Internal Control System for Financial Information (ICFR), which is supervised by the Audit Committee.
- Monthly analysis of both cashflow movements and budgetary deviations, which are reported to the Board of Directors along with other issues in a monthly Financial Report.
- AZKOYEN uses SAP, a global management system which incorporates and automates many of the business practices associated with the organisation's strategic and operational processes. This management system allows for greater monitoring and traceability of activities, which has an impact on improving the control environment.

The aforementioned control and management systems are also useful to ensure adequate management of financial resources as required by the Spanish Criminal Code. All insofar as they ensure the accurate keeping of books, records and accounts, as well as a proper internal accounting and control system for the company's finances.

2.2 Financial and material resources

AZKOYEN has equipped the Audit Committee with the relevant financial and human resources necessary to operate the Compliance Model properly and effectively, as described throughout this Manual. The company understands that there are costs to formalise the Model and they must be absorbed. Furthermore, the Audit Committee has full capacity to deploy pertinent financial and human resources as required to operate the Model properly and effectively, as described throughout this Manual.

3. Monitoring, compliance and sufficiency of this Manual: Control and monitoring bodies

In line with the objective of the Company's Management, to exercise the due control required under the Spanish Criminal Code, AZKOYEN must implement continuous control mechanisms and designate internal control bodies to monitor the controls implemented and potential criminal risks.

In accordance with the requirements of the Spanish Criminal Code, AZKOYEN has defined a control structure consisting of:

- ✓ **Manager responsible for controls:** The daily management of criminal risks falls to the managers responsible for each of the business areas and departments (hereinafter, the "Managers").
- ✓ **Control and monitoring body:** The provision of support and advice regarding the implementation of Compliance Model, as well as its subsequent monitoring, supervision and the management of possible breaches falls to the **Audit Committee**, which is advised by the **Support Unit**, whose task is to provide the necessary support to implement the aforementioned Model effectively.

- ✓ **Board of Directors:** Verification of the operation of Compliance Model and approval of the measures and means to be applied falls to the Board of Directors.
- ✓ **Internal Audit:** The Internal Audit function is a third line of control in relation to the Compliance Model, functioning as an operational team to supervise and maintain the Model.

Implementation of control and monitoring tasks in AZKOYEN has been entrusted to the Audit Committee, as the body of the legal entity that has been legally given the function of supervising the effectiveness of internal controls, within the terms of articles 31 bis.2.2^ª of the Spanish Criminal Code.

3.1 Board of Directors

The Board of Directors is responsible for the management, administration and representation of the organisation.

In exercising this responsibility and its social responsibility, and in accordance with the Company's values, with its culture of preventing irregularities, and with its commitment to regulatory compliance, the AZKOYEN Board of Directors has ultimate responsibility for the Compliance Model. Therefore, its specific functions in relation to this Manual will be:

- Approving the Criminal Risks Map and the Action Plan, as well as any update thereof.
- Verifying, in view of the Report presented annually by the Audit Committee, the effectiveness of the Compliance Model and approving the necessary corrective measures where appropriate, providing the resources that this requires, to guarantee said effectiveness.

3.2 Audit Committee

3.2.1 Function

The implementation of the Plan to prevent the commission of crimes and, in general, of the Compliance Model falls to the **Audit Committee** together with those areas or units that may work with said body to implement the policy. In relation to the prevention of the commission of crimes, the Audit Committee has, among others, the following functions:

- **Overseeing the functioning, effectiveness and adherence to the Compliance Model**, without prejudice to the responsibilities that correspond to **other bodies**.



- Promoting a **culture of prevention based on the principle of "absolute rejection"** of the commission of illegal acts and fraud, and on the application of the principles of ethics and responsible behaviour of all AZKOYEN professionals, regardless of their hierarchical level and the place where they work.
- Analysing **alerts, legislative changes and other developments** that may affect the Compliance Model.
- Checking that the value **system** adopted in the Code of Conduct is up to date, proposing any updates or additions as may be necessary.
- **Provide advice to clarify any doubts** that arise in the application of the Codes and Manuals.
- **Receiving, analysing and intervening where there are complaints** from employees or third parties, through the channels established for this purpose.
- Guaranteeing the **dissemination of the Manual's principles throughout the Company**, with the collaboration of the Human Resources Department or another competent body. Promote and supervise initiatives aimed at disseminating knowledge and understanding the control system.
- Promoting the **preparation and implementation of adequate training programmes**, both face-to-face and online, or by any other appropriate method, for the Company's employees with regards to the duties under the Code of Conduct, the crime prevention policy and the applicable legislation. This should be undertaken on a regular enough basis to ensure that know-how is up-to-date in this matter. In particular, AZKOYEN employees will receive training on the Company's general principles and processes, as well as on all other internal rules on business ethics, and on specific legal and regulatory obligations applicable to their role.
- **Coordinating or, where appropriate, promoting compliance with the sanctioning procedure and proposing the application of appropriate disciplinary measures** along with the Human Resources Department. For these purposes, it ensures adoption of all the disciplinary measures agreed to sanction cases of non-compliance with the Code of Conduct and this Manual. Verifying compliance with the sanctions to be applied in the case of violations of ethical rules and compliance with Model's controls.
- Studying and approving the **plans for regular reviews/control/audit** of the Compliance Model. Requesting additional reviews if deemed necessary.
- **Periodically verifying the Compliance Model**, and proposing changes to it when circumstances so require (evidence of non-operation, organisational changes, legislative changes, etc.)
- **Reporting annually to the AZKOYEN Board of Directors about the activity carried out**, the steps to review the Manual, and resources assigned to guarantee the accomplishment of their work. The Head of Compliance shall report their conclusions to the AZKOYEN Board of Directors.



- Carrying out a **work plan** to monitor the Compliance Model.
- Adopting and/or coordinating **the adoption of any measures deemed appropriate to guarantee compliance with the Manual**, as well as being responsible for the implementation and maintenance of systematic procedures to review the Manual. This in order to provide the AZKOYEN Board of Directors with reasonable assurance regarding monitoring, compliance and sufficiency of this Manual.

In order to guarantee the maximum efficiency of their respective activities, the Audit Committee has free access to all AZKOYEN documentation which they may deem useful.

In this regard, those responsible for an area or department must supply any information requested, which regards the activities of their area or department where a crime may have been committed.

3.2.2. Composition

In accordance with the provisions of article 20 of AZKOYEN's Articles of Association and article 41 of the Regulations of the Board of Directors, the Audit Committee is composed of a minimum of three and a maximum of five members appointed by the Board of Directors based on a proposal from the Appointments and Remuneration Committee.

Its members must have the following characteristics:

- ✓ Autonomy and independence in terms of control. These are fundamental characteristics to ensure they never have any direct involvement in the activities that it is their role to cover.
- ✓ Professionalism.
- ✓ Competence.
- ✓ Dedication, ensuring compliance with standards, implementing and updating them.
- ✓ Honesty.

The Audit Committee is required to guarantee strict confidentiality regarding the data and information in its possession by respecting the obligations described in this Manual. The same requirement binds the members of the Board of Directors with respect to the information that the Committee transmits to it on this matter.

3.2.3. Internal rules

The specific operating rules by which the Audit Committee is governed are duly detailed in the Regulations of the Board of Directors.

In any case, in order to exercise the functions outlined in this Manual and, in particular, adopt appropriate measures to better achieve its objectives, the Audit Committee will hold regular quarterly meetings, and extraordinary meetings whenever required by circumstances or if requested by any of its members. The meeting date is set with as much notice as the circumstances allow.

3.2.4. External advice

The **Audit Committee** may draw on specialised external advice in order to meet needs arising regarding daily tasks related to the Model. The external advisor may propose that the **Audit Committee** adopt the measures it deems appropriate to guarantee compliance with this Manual and, in general, to best meet the stated objectives.

3.3 Support Unit

3.3.1. Functions

The Audit Committee is supported by the **Support Unit**, to which it may delegate functions for day-to-day tasks related to the Compliance Model, such as ongoing monitoring of procedures, rules, controls, and any other functions of its choice.

Likewise, the Support Unit may propose that the Audit Committee adopt those measures it deems appropriate to guarantee compliance with this Manual and, in general, to best meet the stated objectives.

Consequently, the Support Unit has the following functions:

- ✓ Designing and implementing an Annual Plan setting out the reviews of this Manual to be done during the corresponding financial year.
- ✓ Identifying any new risk areas that may arise, and monitoring conduct in risk areas.
- ✓ Monitoring the controls established in the Model and, in general, the compliance with the Model and with the principles established in the Code of Conduct.
- ✓ Proposing to the Audit Committee any measures it deems appropriate to guarantee compliance with this Manual and, in general, compliance with the objectives achieved.



- ✓ Immediately and expressly notifying the Audit Committee of any infringements of this Manual found during the reviews.
- ✓ Regularly reporting to the Audit Committee regarding the results of the analysis activities carried out.

3.3.2 Composition

The Support Unit is made up of Company employees appointed by the Audit Committee for this purpose, who must have the same characteristics of autonomy and independence, professionalism, dedication and honesty in the performance of their functions as the members of the Audit Committee itself.

3.4 Manager responsible for controls

The Compliance Model should be evaluated regularly to assess its implementation and effectiveness. This evaluation is carried out via a dynamic self-evaluation process containing information about compliance with manuals, policies and procedures, as well as the other existing controls. This self-evaluation process makes it possible to have confidence in the system, and helps analyse its evolution both in light of deficiencies and external or internal changes in the body.

Those responsible for the controls of the different areas are responsible for completing the self-assessment statements and will report annually to the Audit Committee on the evolution of criminal risks, the preventive measures adopted and the additional measures proposed, as well as the incidents identified in relation to the Compliance Model.

3.5 Internal Audit

The Internal Audit function involves a third line of control in relation to the Compliance Model, functioning as an operational team to supervise and maintain the Model.

AZKOYEN must certify if the existing controls within the organisation are sufficient and effective, and if they reasonably mitigate the risk or not based on the size and probability of the risk occurring. To this end, AZKOYEN has a Testing Plan for compliance with controls for the prevention of criminal risks under the reformed Spanish Criminal Code.

This supervision and monitoring function can be carried out directly by AZKOYEN's Internal Audit area, or it can be carried out in collaboration with an external expert who helps to determine if the existing controls are effective.

Thus, AZKOYEN has a Testing Plan for each of the auditable controls identified in the Compliance Model, which is updated annually and is included in the Audit Plan. The result of the set of controls evaluated includes a report to be sent to the Audit Committee regarding any deficiencies found.



4. Supervision and monitoring of the Compliance Model

The main objective of **the supervision and monitoring system** is to continuously check the implementation of **the AZKOYEN Compliance Model**, making it possible to regularly confirm the effectiveness of existing policies, procedures and controls, as well as their evolution. This gives AZKOYEN an overview of its Compliance Model and allow the taking of the necessary steps to ensure the Company is taking appropriate and effective action in the implementation of its functions of prevention, management, and control of criminal risks.

Being ware that supervision, monitoring and verification are essential elements for the Compliance **Model** to be effective, AZKOYEN has designed this based on risk management.

The Audit Committee is responsible for managing this Model in conjunction with its Support Unit, and the **areas responsible for the controls themselves**.

The objectives that should guide the actions of the control and monitoring bodies include i.a. supervision of the effectiveness of the rules and control procedures established by AZKOYEN.

4.1 Structure of the supervision, monitoring and verification system

AZKOYEN's criminal risk monitoring, supervision and verification function is structured according to the following organisational chart:





However, the monitoring process and its supervision of the Compliance Model:

- provides the **Audit Committee** with sufficient information to determine whether the **Compliance Model** continues to function effectively over time.
- It improves the overall effectiveness and efficiency of the organisation by providing timely evidence of any changes or of the need for changes, thus helping Management to identify and correct control deficiencies before they can significantly affect AZKOYEN's regulatory compliance objectives.
- It promotes adequate control operations, given there is a greater probability that those responsible will perform their functions faithfully that if they are aware that their actions are supervised.

Consequently, the **Audit Committee** is assigned the following functions in relation to the supervision and monitoring of the Model, in addition to those outlined in article 20 of AZKOYEN's Articles of Association and Article 41 of the Regulations of the Board of Directors:

- Carrying out an Annual Work Plan to monitor the Compliance Model.
- Updating, reviewing and re-evaluating the criminal risks identified the previous year, and especially:
 - i. when new or modified activities, products or services have been identified;
 - ii. when there have been changes in the organisation's structure or strategy;
 - iii. when there have been significant external changes (economic-financial, market, liabilities, relationships with customers, suppliers and third parties, etc.).

For these purposes, AZKOYEN has a risk assessment and prioritisation methodology which is integrated into the criminal risk monitoring methodology.

- Propose to the Board of Directors any additional measures it deems appropriate to guarantee proper compliance with this Manual and, in general, compliance with the objectives indicated above.
- Reasonably ensure that the values system adopted as part of the Company's internal ethical rules is up to date, making proposals to the Board of Directors for any necessary updates and additions.
- Immediately and expressly notify the Audit Committee of any infringements of this Manual found during the reviews



- Regularly report to the Board of Directors on the review activities carried out. For these purposes, at the end of each year the Audit Committee will submit an Annual Report on the Compliance Model, without prejudice to any other communication it deems appropriate during its monitoring and supervision work.

As a consequence of the above, the Model allows AZKOYEN to monitor criminal risk, ensuring criminal risk coverage in a reasonable way when relevant infringements of AZKOYEN rules are found, or when there are changes in the organisation, in the control structure, in the activities carried out, or legislative changes that make changes necessary to ensure the Compliance Model operates properly.

5. Whistleblowing Channel

Any employee who has indications or suspicions of illegal behaviour or behaviour that could represent a breach of the Company's internal rules, and/or that could imply the materialisation of a risk of a criminal nature, has the obligation to immediately report it to the Audit Committee. AZKOYEN has set up a Whistleblowing Channel for this purpose.

AZKOYEN ensures maximum confidentiality regarding the identity of any employee who makes a report, except where the employee's identity must be revealed to the authorities under statutory provisions.

It is strictly forbidden to retaliate against anyone who in good faith (i) informs the Company of a possible infringement of the Company's internal ethical-business rules, (ii) possible illegal behaviour and/or, where appropriate, which may involve the materialisation of a criminal risk, (iii) collaborates in its investigation or helps to resolve the report. However, this guarantee does not extend to those who act in bad faith with the intention of spreading false allegations or harming people.

The **Audit Committee**, in collaboration with the **Support Unit**, is responsible for processing and investigating the reports received.

6. Disciplinary procedure

Failure to comply with the rules contained in this Manual may give rise to disciplinary sanctions, in accordance with current labour regulations, without prejudice to the resulting administrative or criminal sanctions. Likewise, where the person infringing the provisions of the internal rules has a commercial relationship with the Company, the consequences of the infringement will be in line with the events in question and applicable regulations.

The sanctioning procedure will be applied by those with sufficient authority, in accordance with the sanctions foreseen in the applicable regulations, the **Audit Committee** being responsible for ensuring the effective and correct application of the disciplinary procedure.



In no case may obtaining a benefit for the Company be used as justification for the commission of a crime. AZKOYEN rejects any direct or indirect revenue or benefit generated as a consequence of criminal activity by any of its employees.

7. Dissemination and training

The implementation of the control measures in this Manual must be accompanied by appropriate dissemination and explanation of it to AZKOYEN employees. It is stressed that it is essential for AZKOYEN to fulfil and endorse the principles of action.

To this end, AZKOYEN has adopted the following dissemination and training measures:

- Dissemination of the policies and procedures of the Compliance Model, which are shared with all recipients by the Audit Committee in collaboration with Human Resources. This dissemination emphasises the importance of AZKOYEN complying with and endorsing the principles in both the internal ethical-business rules and this Manual. AZKOYEN has thus developed a **specific Training Plan on criminal risk prevention** for all its employees.

Attending training courses on compliance is mandatory. Employees must leave a written record of their attendance and sit an evaluation of the knowledge they have acquired.

The Training Plans will emphasise the need for employees to know the Company's internal ethical-business rules, especially the Group's Code of Conduct. All staff must confirm, once they have received the appropriate training, that they fully know and understand it, and comply with the principles, rules and procedures contained in this document when performing their activities on behalf of AZKOYEN.

8. Archive and documentation

AZKOYEN identifies, standardises and guarantees the safekeeping of the key evidence that demonstrate effective application of the existing controls.

All the documentation generated in the Compliance Model will be kept by the Support Unit for a minimum period of 10 years.

9. Frequency of reviews of the Model

In accordance with the requirements in art. 31.5.6^a bis of the Spanish Criminal Code, the Compliance Model is subject to reviews, the results of which are recorded in a report consisting of (i) a description of the existing internal control measures; (ii) an assessment of its operational efficiency; and (iii) a proposal for rectifications or improvements to be adopted, if applicable.



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AZKOYEN believes that these reviews should be annual. The report is submitted to the Board of Directors within three months of being issued, allowing the Board can adopt without delay any necessary measures to resolve the deficiencies identified.

In the event of deficiencies that cannot be resolved immediately, the Audit Committee will expressly adopt and submit to the Board of Directors a Corrective Action Plan for inclusion in the Annual Work Plan, and will establish a precise timeline for its implementation. This schedule may not, in any case, be longer than a calendar year.

Additionally, the Audit Committee may commission an external expert to prepare a verification report on the operational effectiveness of the control mechanisms. To this end, a Verification Plan may be drawn up and broken down into annual milestones up to and including the complete examination of the Model within 3 years. In this sense, the Risk Map will be prioritised in order to establish the optimal order for the Model's verification.

APPROVAL OF THE GENERAL PART OF THE COMPLIANCE MANUAL

The General Part of this Compliance Manual has been approved by the Board of Directors of GRUPO AZKOYEN, SA. The **Audit Committee**, as the monitoring and supervisory body, may propose modifications to this Manual to the Board of Directors with the goal of ensuring there is proper control of AZKOYEN's activities at all times and to minimise the commission of criminal risks.