

Activity report of the audit committee for the financial year 2023

The board of directors of Ercros, S.A. (“**Ercros**” or “**the Company**”), held on 25 February 1997, approved the creation of an audit committee, the functions, composition and operation of which comply with the provisions of article 529 *quaterdecies* of the Spanish Corporate Enterprise Act, article 34 of the articles of association, article 16 of the regulations of the board of directors, and with its own regulations, approved by the board of directors on 25 February 2019 and amended on 25 December 2020, on the occasion of the revision of the recommendations of the Code of Good Governance approved by the National Securities Market Commission (Comisión Nacional del Mercado de Valores, “CNMV”) in June 2020.

1. Composition

In accordance with the above provisions, the audit committee should be composed of a minimum of three and a maximum of five members, appointed by the board of directors, all of them non-executive, the majority of whom at least must be independent directors.

The chairperson of the audit committee must be elected from among the independent directors and shall be elected for a term of four years and may be re-elected after one year has elapsed since he ceased to hold office.

The members of the committee, and particularly its chairperson, shall be appointed on the basis of their knowledge and experience in accounting, auditing or risk management, both financial and non-financial.

At present, the composition of the audit committee is as follows:

- Chair: Mrs. Carme Moragues Josa, independent director.
- Members: Mrs. Lourdes Vega Fernández, independent director; and Mr. Laureano Roldán Aguilar, director classified as “other external directors”.

Mr. Daniel Ripley Soria, secretary of the board of directors of Ercros, acts as secretary of this committee.

2. Operation

The audit committee shall meet at least four times a year and shall operate in accordance with the rules laid down in the rules of procedure of the audit committee.

Meetings shall be convened at the request of the chairperson of the committee, or at the request of at least two of its members. The committee may also invite employees of the Company to attend meetings.

The system of deliberation and adoption of resolutions by the audit committee is governed by the rules established for the board of directors.

3. Functions

The main functions of the audit committee, as set out in the regulations governing them, are as follows:

- a) To report to the general meeting on matters arising within its competence.
- b) In relation to information systems and internal control:
 - (i) Monitor the effectiveness of the Company's internal control, internal audit and risk management systems, including tax risks, and discuss with the statutory auditor any significant weaknesses in the internal control system identified in the course of the audit.
 - (ii) Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the budget for that service; approve or propose approval to the board of directors of the orientation and annual work plan of internal audit, ensuring that its activity focuses primarily on risks relevant to the Company, including reputational risks; report directly and on a regular basis on the performance of its activities, including possible incidents and limitations to the scope of its activities; verify that senior management takes into account the conclusions and recommendations of its reports; and submit an activity report at the end of each financial year.
 - (iii) Supervise and assess the preparation process and the integrity of financial and non-financial information in coordination with the appointments, remuneration, sustainability and corporate social responsibility committee, as well as the control and management systems for financial and non-financial risks relating to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational or corruption-related risks, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
 - (iv) Establish and supervise a mechanism that allows employees to report, confidentially and, if possible and appropriate, anonymously, potentially significant irregularities, especially financial, accounting or any other irregularities related to the Company, that they become aware of within the Company or its Group.
 - (v) Overall, to ensure that established internal control policies and systems are effectively implemented in practice.

- c) In relation to the statutory auditor:
- (i) To submit to the board of directors proposals for the selection, appointment, re-election and replacement of the auditor, as well as the terms and conditions of his engagement and, in the event of his resignation, to examine the circumstances giving rise to his resignation.
 - (ii) Regularly obtain information from the statutory auditor on the audit plan and its implementation.
 - (iii) In the event of resignation of the statutory auditor, examine the circumstances giving rise to the resignation.
 - (iv) Preserve the independence of the statutory auditor in the performance of his/her duties and ensure that the remuneration for his/her work does not compromise its quality or independence.
 - (v) Establish the appropriate relations with the auditor in order to receive information on any issues that may jeopardise the auditor's independence, for examination by the committee, and any other information related to the process of auditing the accounts, as well as any other communications envisaged in legislation on auditing the accounts and in auditing standards. In any case, the audit committee must receive annually from the auditor the declaration of its independence in relation to the entity or entities related to it, directly or indirectly, as well as information on additional services of any kind rendered and the corresponding fees received from these entities by the aforementioned auditor or by the persons or entities related to it, in accordance with the provisions of legislation on auditing of accounts.
 - (vi) Supervise that the Company notifies the CNMV of the change of auditor and accompanies it with a statement of any disagreements with the outgoing auditor and, if any, the content thereof.
 - (vii) Ensure that the auditor holds an annual meeting with the full board of directors to report to it on the work performed and on developments in the Company's accounting and risk situation.
 - (viii) Ensure that the Company and the auditor comply with current rules on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other rules on auditor independence.
 - (ix) Annually issue, prior to the issuance of the audit report, a report expressing an opinion on the independence of the auditor. This report must contain, in all cases, an assessment of the provision of the additional services referred to in the previous section, individually considered and as a whole, other than the statutory audit and in relation to the independence regime or the audit regulations.

The audit committee shall report to the board, prior to the adoption of decisions by the board, on the following matters:

- a) Periodic public financial reporting.
- b) The creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the Group.
- c) Related party transactions.

4. Work carried out during the financial year 2023

During 2023, the audit committee held seven meetings, which were attended by all its members.

At all meetings, internal audit work was followed up and the effectiveness of the system of internal control over financial reporting was monitored.

Additionally:

- At the meetings of 20 January 2023 and 21 July 2023, various legal and consultancy services were followed up.
- During 2023, 5 complaints were received in the ethics channel, 4 of which were not admitted for processing due to the subject matter.

The admitted complaint, which concerned a case of alleged sexual harassment at the Vila-seca II factory (CE2/2023), led to the imposition of a sanction after the appropriate processing.

- At the meeting of 28 April 2023, the necessary resolutions were adopted to update the Company's ethics channel in order to adapt it to Law 2/2023 on the protection of whistleblowers.
- At the session of 21 July 2023, the selection process of auditors for the period 2024-2025 was followed up, and at the session of 6 October 2023, an evaluation of the finalist submissions was made.
- At the meeting held on 15 December 2023, the topics discussed at the last IFRS committee for the accounting close of 31 December 2023 were monitored.
- At the session held on 15 December 2023, a presentation was made on the risk maps of each of the businesses and the financial impacts arising from risks and opportunities associated with climate change.

The audit committee, through its chairwoman, has reported to the board of directors on the development of the meetings held.

a) Annual financial statements and management report of the Company and the consolidated Group

At its meeting on 17 February 2023, the audit committee analysed and reported favourably on the annual financial statements and management report of the Company and its consolidated Group for the year ended 31 December 2022, prior to their formulation by the board of directors, held on the same day.

At the same committee meeting, the external auditor - Ernst & Young, S.L. (“E&Y”) - presented the draft audit reports on the annual accounts of Ercros, S.A. and the annual accounts of the consolidated Group.

Finally, the ordinary general meeting of shareholders of Ercros, held on 16 June 2023, approved the aforementioned annual accounts and management reports.

b) Consolidated interim periodical public information

The audit committee reported favourably to the board of directors on the financial information for the financial year 2023 which, as a listed company, Ercros is required to publish periodically, ensuring that the interim condensed consolidated financial statements are prepared on the same basis of presentation and valuation rules as the consolidated annual accounts.

In this regard, at the meeting held on 28 April 2023, the audit committee analysed and reported favourably on the results of Ercros and its subsidiaries for the three-month period ending 31 March 2023, prior to their approval by the board of directors, also held on 28 April.

At the meeting held on 21 July 2023, the committee analysed and reported favourably on the financial statements of Ercros and subsidiaries and the consolidated half-yearly financial report for the six-month period ending 30 June 2023, prior to their approval by the board of directors, also held on 21 July.

At the meeting held on 3 November 2023, it analysed and reported favourably on the results of Ercros and its subsidiaries for the nine-month period ending 30 September 2023, prior to their approval by the board of directors, also held on 3 November.

c) Work of the internal audit service

At the meeting of 20 January 2023, the director of the internal audit service reported on the conclusions of the audit report in relation to the analysis and verification of compliance with the management of purchases of consumables and services by the Ercros group from 1 November 2021 to 31 October 2022, in accordance with procedure PGF.E.02.

At the meeting of 17 February 2023, the director of the internal audit service reported on the findings of the internal audit report on the Monzón factory.

At the session of 28 April 2023, the director of the internal audit service presented the summary of the internal investigation report in relation to the aforementioned complaint through the ethics channel for the case of alleged sexual harassment at the Vila-seca II factory (CE2/2023), its conclusions and a proposed resolution.

Also at the same meeting, the director of the internal audit service reported on the conclusions of the audit report in relation to invoices pending receipt, based on the balances as at 31 December 2022 of the accounting accounts containing these invoices.

At the meeting of 21 July 2023, the director of the internal audit service reported on the findings of the internal audit report on the integrated logistics transport area.

At the meeting of 3 November 2023, the director of the internal audit service reported on the findings of the audit report in relation to the stock count.

At the session of 15 December 2023, the director of the internal audit service reported on the conclusions of the audit report on the Almussafes factory.

d) Compliance committee

At the meeting of 21 July 2023, the director of the internal audit service reported on the status of the committee's actions.

At its meeting on 15 December 2023, the committee presented the report for the financial year 2023 and the business plan for the financial year 2024.

e) External auditor

At the meeting of 17 February 2023, the representatives of the external auditor (“E&Y”) presented to the committee the draft audit reports on the annual accounts of the Company and the consolidated Group for the year ended 31 December 2022.

At the same meeting, the representatives of the external auditor presented to the committee the declaration of their independence, in accordance with the provisions of article 529.4 *quaterdecies* of the Corporate Enterprise Act.

In connection with this report, the committee in turn issued, prior to the issuance of the audit report, a report expressing its opinion on the independence of the external auditor. This report concluded that the services provided by E&Y to the Company and the Group do not, to the best of its knowledge and belief, compromise their independence as external auditors.

At the meeting of 28 April 2023, the committee approved the external auditor's fee budget for the financial year 2023, and submitted to the board of directors the proposal to submit to the general meeting of shareholders, held on 16 June 2023, the appointment of E&Y as external auditor for the current financial year. This proposal was approved by the shareholders' meeting under item four of the agenda with the favourable vote of 90.705% of the votes cast.

At the session on 3 November 2023, E&Y representatives gave a presentation on the audit approach and planning for the 2023 audit.

f) Cybersecurity report

At the meeting of 21 July 2023, the director of the internal audit service briefed the committee members on the results of the internal cybersecurity audit conducted by PwC.

1. Performance evaluation of the audit committee

At its meeting on 23 February 2024, the board of directors will discuss the annual evaluation of the functioning of the audit committee, in accordance with article 529 *nonies* of the Corporate Enterprise Act, adopting an action plan for 2024.

2. Adoption of the activity report

This report on the activity of the audit committee was approved at its meeting on 26 January 2024.

Carme Moragues Josa
Chair of the audit committee

Barcelona, 26 January 2024