

# CONSUM CODE OF GOOD CORPORATE GOVERNANCE



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## 1.- Introduction

1.1.- Consum's 2010-2012 Strategy Plan, approved by its Governing Body at a meeting on 26<sup>th</sup> November 2009, considers one of its strategic objectives to be management based on Corporate Social Responsibility (CSR). Specifically, Strategic Priority 6 of the Plan details and regulates the above-mentioned objective, and is transversal, meaning it affects all the Departments of the organisation; the whole company. The first of the Strategies within this Priority is the 'Sustainability Policy that governs our annual system of management, consolidating our sustainability reports', and the first of the 'strategic actions' is precisely that of introducing a 'Code of Good Corporate Governance' into the cooperative.

1.2.- In recent years, corporate governance has become a key indicator of good company management, and many companies (not only listed companies, who are obliged to do so) have opted to voluntarily integrate a Code of Good Practice or 'Code of Good Corporate Governance' into their management policies, firmly defining the concepts of 'ethics' and 'good governance'. These types of code have a clear aim which, of course, we share at Consum: improve the system of management, control and administration of companies, in such a way that they become transparent, efficient and democratic tools.

The legal status of Consum, as a cooperative, makes it even more necessary, if possible, to make use of this type of tool, as a clear and unequivocal demonstration of the commitment of their stakeholders as a part of their own Policy of Corporate Social Responsibility.

1.3.- The mandate of the Strategic Plan is not limited to defining a simple Code of Good Management, or only aimed at the shareholders (principal group of interest within a company, in the case of a cooperative, the associates), but aimed, in a more general manner, at all stakeholders. That means we should not just refer about a 'corporate government' of the company (cooperative), but something more, a 'socially responsible corporate government', which has a clear vocation for social responsibility, which has been implanted and consolidated in our organisation for many years. Accordingly, the Conceptual Framework for Corporate Social Responsibility of the Spanish Association of Accounting and Business Administration (AECA), (2004), affirmed that 'socially responsible corporate government seeks the satisfaction not just of the shareholders but of all stakeholders, guaranteeing dialogue and the establishment of relationships between all involved. Its objective is to associate the creation of economic value with the social commitment of business activity'. In the case of Consum, we want to achieve a model of business management that recognises and takes into consideration the social and environmental implications of its actions, as well as considering the stakeholders. The socio-economic model of our cooperative has already been introduced but requires a written document that establishes the ethical framework and operational standards, going above and beyond the basic legal requirements that affect it as a corporation. Bear in mind that this CSR is totally voluntary, as is the implantation of a Code of Good Corporate Management, meaning that this is an attempt to go 'above and beyond' what is legally required. This is the path we are on and this is the goal we would like to reach.

1.4.- It is unquestionable that good corporate management (or 'good governance') is becoming more and more important amongst companies, both on a global level and a local one. This is because it allows them to develop trust and establish rules and organisational standards that can be approved by all types of company, which means that they can ensure economic transactions and, at the same time, serve as a moral or ethical control of certain reprehensible standards of organisation.

Recent global economic scandals (Enron, 'subprime' financial tools, etc.) have led to a reaction against different forms of organisation, the consequence of which has been an increase in socially responsible policies and economic transparency and the incorporation of certain moral standards of organisation into the management of companies, showing that companies have better awareness of 'corporate government'.

1.5.- Accordingly, in Spain we have examples that have been established for many years in the form of Codes of good corporative management, although they are all directed at licensed companies: the '**Olivencia Report**' (1998), the '**Aldama Code**' (2003) and the '**Standardized Code of the CNMV**' (2006), that envelopes and integrates the first two and also incorporates some European recommendations from the '**Winter Report**' (2002). These Codes, which form the basis of all those that are created in Spain, are based on the principals that they are 'voluntary' (with a need to fulfil or explain, that is to say, if the previously established self-regulated standards are not met they should explain the reason, so that the market can evaluate their actions) and 'general' (given that they are aimed towards licensed societies, independent of their size or level of capitalization). However, despite the fact that, as we have said, these Codes are directed exclusively (and voluntarily) at societies that are listed on the stock exchange (as a safeguarding measure for the stakeholders of the companies), it is true that they have served, and still serve, as a framework for the creation of Codes in non-licensed companies, and can be equally applied, with some differences, to cooperatives. In fact, there are certain recommendations of the Standardized Code that, due to the legal nature of the cooperative, cannot be fulfilled or met (for example, measures for the limitation of votes per associate and the introduction of a number of external advisors). Although the Standardized Code calls for (in the interest of greater transparency and control) a greater presence of 'external and independent advisors', it is true that, as **Puentes, Velasco and Vilar** ('*Good Corporate Management in Cooperative Societies*', Revesco, nº 98, page 137) indicated, '*in the management of cooperative societies these advisors do not have as much importance due to the fact that the interest of the associates is conveniently represented in bodies within the society. This is because on the one hand, all of the associates have a voice and a vote (principle of one vote to one associate) in the General Assembly and, on the other hand, the members of the Governing Body are chosen from amongst the associates*

*of the General Assembly. This circumstance limits the level to which cooperative societies follow the Standardized Code for Good Management, which invites them to create their own code or adapt the existing one'. Therefore, this is what this document sets out to do, establish a Code of Good Corporate Governance specifically for our cooperative, which takes into account its legal status, peculiarities and, without doubt, its idiosyncrasies.*

1.6.- The Code for Good Corporate Governance is defined at Consum as the document which compiles the ethical commitments of the senior management regarding administration, integration, efficiency, and transparency in their work to manage and/or govern that which, through voluntary self-regulation, is spread amongst different stakeholders, with the aim of generating confidence, both in external and internal clients.

1.7.- With the present Code the aim is to develop and widen the reach of the Social Statutes, creating the necessary conduct guidelines for the realization of the cooperative's 'mission', in such a way that that internal adherence to the guidelines becomes obligatory for every member of the organisation and, therefore, for every one of the departments within the cooperative. No one will be able to claim ignorance of these rules once they have been approved by the entire body, as one of the obligations of the associates (article 27-c of Law 8-2003, of 24<sup>th</sup> March, on Cooperatives in the Valencian Community), is to *'comply with legitimately adopted social agreements'*.

1.8.- As a management mechanism, voluntarily adopted by the cooperative, it needs the approval of the Governing Body, an organ for the governance, management and representation of the Cooperative Society, with an exclusive nature (article 36-1 of the Social Statutes). To underline the importance of this, the cooperative increased the quorum necessary for its approval (or for its later modification), fixing it at two thirds of the members of the Governing Body. The aim of this, as has been stated, is that of reinforcing relationships between the cooperative and its stakeholders, in a totally voluntary and self-imposed manner, but with one characteristic: brevity and simplicity and, as with the Mission, Vision and Values, recently approved by the 2010-2012 Strategic Plan, the aim of which is to make it easy for it to be accepted by those who it is aimed at.

1.9.- The recent modification of the Criminal Code, brought into effect by Organic Law 5/2010, of 22<sup>nd</sup> June, introduced a new figure, unseen until now in our legal system, which is the penal responsibility of the person in charge of legal matters. Until this modification, the Latin aphorism "*societas delinquere non potest*" was relevant to our legal system, which meant that any criminal responsibility always fell on the physical person who represented the society (in practice or in law), even if the crime had been carried out for the benefit of the society, without endangering patrimonial rights and subsidising them. However, from the day that the reform came into effect, the 23<sup>rd</sup> December 2010, the legal person can also be the active subject of the crime, that is to say, not for just any crime, but only those that are explicitly foreseen. Accordingly, the criminal responsibility of the legal person can take two forms: the first, for the acts committed by the physical person that represents them, in name, on behalf of and for the benefit of the society, and the second, for the society's lack of control of their employees. Accordingly, it is expressly detailed that a mitigating circumstance of this responsibility, amongst others, is the 'establishment of effective measures for foreseeing and uncovering crimes'. Therefore, although coming from a legal obligation, it can be understood that it fully enters into the material that can regulate a Code of Good Corporate Governance any consideration, recommendation or operational guidelines that aims to, within the social-ethical environment, foresees future crimes or mitigates the effects of them. Due to that, it has been considered to be appropriate to include in this Code certain recommendations to this effect, which serves as a general warning or as operational guidelines, so that all the personnel that work for the cooperative, as an associate or salaried worker, bear in mind the necessity of ethically-correct behaviour which, at the same time, will allow them to avoid measures that could lead to any illegal act.

## 2.- Ethical Code of the Cooperative

2.1.- One of the props of good corporative management is the existence of an Ethical Code within an entity that wants to enforce a management system. When talking about 'codes or ethical codes', we refer (as **Manuel Olivencia** said) to those that 'are not established by a law, are not legal, and do not derive from a legal norm that makes the non-compliance with

the duty or obligation enforceable or punishable, established through a non-legal framework, which makes it ethical'. In other words, the 'ethical code' tries to establish and encourage adherence to a set of totally voluntary rules. It acts a symbol of transparency in the social and economic management of the organisation, rules that are not imposed by the law, but that are self-established. Because of this they are true rules of the ethical and moral game, understood as a more correct form of behaviour (going beyond not only what the law that demands, but also what the average person or entity can do or be asked to do), in accordance with the expectations that society and the stakeholders have of our organisation.

2.2.- The Ethical Code, also known as the 'Code of Conduct', is the document that sums up the provisions made for managing ethics in the day to day running of the organisation, and is comprised of the principles, values and guidelines that, in line with the Code for Good Corporate Governance, all the people that work at the Cooperative should observe when carrying out their duties. That is to say, they should manage their respective areas of responsibility with efficiency, integrity, transparency and guidance, always thinking of the common good.

2.3.- Consum's Ethical Code (as a cooperative company with a social, supportive and socially responsible economy, in which the workers – not just associates, but salaried workers too - are the driving force), is not a means but an end (bear in mind that, as a multi-purpose cooperative, the social aim of the cooperative is, with respect to its associate workers, 'to provide workers with stable jobs through the provision of individual work in the cooperative') and, because of this, the Code should be drafted based on three fundamental pillars:

- The aims of different **Strategic Plans** that are approved by the Cooperative, which will define its **Management Model**.
- The **Code of Good Corporate Management**.
- The **Cooperative's Policy of Sustainability**, which establishes the guidelines of **Corporate Social Responsibility** (CSR).

### 3.- Objectives of the Code of Good Corporate Management

3.1.- The Governing Body of the Cooperative, aware of the need to act with transparency in front of its stakeholders, have understood that it is necessary to voluntarily impose on itself a series of rules for behaviour, or operational standards, that go beyond what is legally required. The aim is that the stakeholders perceive our organisation as socially responsible, not only thinking about benefiting its own stakeholders, but also society as a whole. Because of this, we intend to guarantee the trust of our associates and clients, as well as the rest of our stakeholders, in a way that means we can fulfil the mission we have set ourselves. To achieve this, these rules will inspire the daily work of everyone that is part of the cooperative and, especially, the senior management.

3.2.- Accordingly, it is evident that in a company like ours, a cooperative, there is a radical differentiation between ownership and management, as the managers are associates of the cooperative, but they do not possess the majority of the capital. Thus, as everyone that is part of the organisation is a recipient, it especially affects the administrators (members of the Governing Body) and the senior management (director general and department directors), who have the obligation of adhering to and ensuring adherence to the mandates contained in this document, passing them onto the command chain (executives, area managers, directors and store managers, and so on down the hierarchical pyramid). Therefore, it will be these managers and senior directors that will be especially affected and of whom a greater adherence to all of the content of the present Code can be required.

3.3.- The Code of Good Corporate Management will take due notice of the needs and legitimate aspirations of the stakeholders, specifically:

- Associate Workers
- Associate Clients (Associate Consumers)
- Clients
- Suppliers/Creditors
- Entities, understood as not just public entities but also private, and the rest of society
- Franchise Holders



3.4.- Consequently, the present document will not regulate all of the rights and the obligations that have already been detailed in Social Statutes, Internal Regulations and other agreements of the General Assembly and Governing Body that are legitimately adopted, as this is not intended to be a repetition, but a reinforcement of the CSR policy of our economic and social management. Therefore, the following aspects will be regulated:

- I) Associates
- II) The Governing Body
- III) Senior Management
- IV) The associates' right to cooperative information
- V) Participation of the associates in the activity of the cooperative
- VI) Corporate social responsibility
- VII) Rules and measures taken for the prevention of crime
- VIII) Approval, modification, fulfilment and interpretation of the Code
- IX) Report on corporate government management
- X) Dissemination of the Code

## **4.- Consum's Code of Good Corporate Management**

### **4.1.- The Associate**

4.1.1.- The associate, understood to be both the consumer (client associate) and the worker (associate worker) is the only owner of the entity and, as the owner, should be held responsible by the managers. Accordingly, they should take into account that within Consum two groups of associates exist and, therefore, there are two different but complimentary social objectives. It is the obligation of the cooperative, with regard to the associate workers, to provide stable jobs and the best socio-economic conditions possible, always keeping, as a basic premise, the conciliation of working and family life, at the heart of our CSR policy. With respect to the client associates, they should aim to provide them with the best products in the best economic conditions possible. Because of this, in conformity with that which was established in the 2010-2012 Strategy Plan, the collective of associate workers (and also non-associate workers), should be completely committed to their task, so that they deliver exceptional service to the cooperative's clients, so that they meet the objective laid out in the Mission: 'Committed workers, satisfied clients'. For this, it is necessary to coordinate

forces so that both social objectives are entirely fulfilled, without impairing the rights of the collective with respect to the other, but rather that everyone is pulling in the same direction.

4.1.2.- The Governing Body guarantees to the associates that their interests will be defended, and that their rights will be defended by all the governing bodies of the cooperative, not only the executives (Managing Board), but also the advisors (Social Committee) and representatives (Delegate Committees). Accordingly, all actions and projects carried out by the organisation will take into account, as a basic premise, the interests of the entirety of the corporation, in such a way that they will not approve or carry out any determined action or project that does not meet this requirement, in view of the fact that the cooperative is nothing without its associates. The entity is a tool for achieving the aims of the associates.

4.1.3.- The Governing Body will ensure the establishment and application of the Code of Good Corporate Government in the Cooperative, in a way that ensures that they avoid arbitrary decisions in day-to-day management. Specifically, the Governing Body will ensure that any decision related to disciplinary procedures and/or modifications to the professional situation of their associate workers is previously endorsed by the Social Committee.

## **4.2.- The Governing Body**

4.2.1.- The Governing Body is the main management body of the cooperative and, as such, they are responsible – exclusively and with no possibility for delegation – for the task of approving and controlling the general strategies of the cooperative, identifying the main risks and carrying out the monitoring of the control systems established for the proper functioning of the entity.

4.2.2.- The Governing Body will make its decisions whilst always keeping the governance of the society in mind. For this, the advisors will enjoy the independence that is necessary and sufficient for them to carry out their roles. The associate worker advisors will not be subject to the professional hierarchy in any way when they are in a meeting of the administrative body or when they are taking decisions at the heart of said body. It will be done independently of their socio-professional situation when

they are carrying out their daily tasks. Specifically, the governance of the cooperative will be from the point of view of authority and not that of power, making their decisions respected, as without respect there is no legitimacy.

4.2.3.- In the guidelines for the roles that they carry out, the Governing Body will be responsible for the following decisions:

- Approve, when proposed by the General Management, the corporate strategy
- Control and establish the objectives of the General Management
- Name, contract and separate the General Management
- Name the senior management (Department directors) when proposed by the General Management
- Approve and revise Management Plans
- Approve and revise Strategy Plans
- Monitor the interests of the associates (workers and consumers)
- Adopt the decisions required by the General Management in their key business and/or financial operations, such as the acquisition and fusion of companies
- Guide and support senior management
- Ensure the adherence to the relevant legislation and the Social Statutes, Internal Regulations, and other agreements legitimately adopted by the relevant bodies in the cooperative
- Monitor the evolution of the environment, both social and economic, with the aim of maintaining the cooperative as competitive as possible
- Manage relationships with associates
- Establish the culture of the cooperative, determine its corporate image and establish the ethical standards that should be demanded within the organisation
- Approve the recommendations of the senior management
- Guarantee the profitability of the cooperative in the long term, as a way of ensuring its sustainability
- Decide the structure of responsibilities
- Establish the general strategy of the cooperative
- Determine the policy of the corporate management
- Establish the policies with regard to Corporate Social Responsibility
- Establish the compensation policy of the senior management
- Carry out periodic monitoring of the internal systems of auditing, control and information

- Ensure adherence to the Code of Good Corporate Governance

4.2.4.- The decisions of the Governing Body will be adopted with independence of criteria and autonomy, without threatening the necessary collaboration that will need to exist with the General Management. In no case will decisions that are the exclusive responsibility of the Governing Body be delegated to the General Management, and there is no risk that the execution of the agreements adopted will be delegated to them. In any case, the Governing Body will guarantee that any subject that is their exclusive responsibility is adopted from a completely independent point of view. For that reason, the meetings of the administrative body will be attended by the Director General and those Directors who are considered necessary to update the meeting on recurring or specific themes, and they will have a voice but not a vote.

4.2.5.- To carry out their duties, within the area of their responsibility, any advisor will be able to gather information and advice from any body within the cooperative.

4.2.6.- The Governing Body will ensure compliance with all the contracts formalised by the Cooperative and all of the obligations (verbal or written) taken on by the Cooperative, with respect to interested third parties or stakeholders, whenever the person that takes on the commitment in the name of the Cooperative has the sufficient power to do so or exercises the powers inherent to their post within the company. Accordingly, they will ensure that the decisions adopted by the Director General or by the Department Managers adhere to the Code of Good Corporate Governance of the Cooperative and are adopted without a hint of discretion, material injustice or discrimination of any type, both on an exterior level and internally, with the associates, consumers or workers.

4.2.7.- It is the duty of the Governing Body to ensure that the annual accounts that are assembled and presented to the General Assembly for their approval do not include reservations or qualifications. If that is not possible, the reasons why will be properly explained and should be duly documented.

4.2.8.- The President of the Governing Body, with the necessary collaboration of the Director General, will provide the advisors with the necessary information and documentation, so that they can easily carry out the sessions and adopt the resulting measures with knowledge of the causes. This information should be available to the members of the Advisory Council in advance. How far in advance will be established depending on the importance of the decision to be made.

4.2.9.- In the same way, the President of the Governing Body will guide their debates and will encourage intervention and the free participation of the advisors in the debates. They should adopt the necessary agreements to preserve the decisions adopted by the Body, with the proper competency and responsibility. Accordingly, even when according to the Social Statute (article 38-3) the President has a deciding vote, they will not exercise this prerogative unless strictly necessary, not becoming the norm, and trying at all times to ensure that the members of the body adopt the agreements with the largest majority possible and, if possible, by consensus.

4.2.10.- It will be the obligation of each advisor to attend all the meetings of the Governing Body that are called, and they will have to participate freely and actively in the decisions that will be adopted by this body.

4.2.11.- The members of the Governing Body will be chosen with strict criteria of honesty, capacity and professionalism, without any procedures involved that could, under any circumstances, prove to be discriminatory.

4.2.12.- In addition to the necessary respect for the legal obligations relating to legal or statutory incompatibility, the advisors should personally ensure that the organisation adheres to the Code of Good Corporate Governance in the decisions they adopt as advisors whilst carrying out their tasks of governing the cooperative. They should, at all times, have the interests of the cooperative at heart, and therefore the interests of their associates, putting these needs before any private interests, of whatever kind. In the case that an agreement is adopted by the Governing Body affects, directly or indirectly, a certain advisor (or affects any family member up to the third degree), they should abstain from the vote on the agreement in question. Accordingly, the advisors will not be able to use their position to achieve personal ends, whether on an internal or external level,

unless they have the express authorisation of the Governing Body, which will be able to rule on each case.

4.2.13.- The role of advisor will not be remunerated, but the expenses that they incur when carry out their role will be reimbursed.

4.2.14.- The Governing Body will keep the information about the identity of their members and their professional curriculum updated. The same obligation will affect the General Management and the Board of Directors. This information will be transparent, up to date and at the disposition of any associate that requires them.

4.2.15.- The Governing Body will encourage the proper functioning of the delegate Commissions and of any other interdepartmental operative Committees that exist within the Cooperative.

### **4.3.- Senior Management**

4.3.1.- The Director General will be named by the Governing Body from within the associate workers of the cooperative, based on criteria of honesty, training, capacity and professionalism. This will, as will the other members of the Management Body, result from the application of the same ethical demands that are asked of all the members of the Governing Body.

4.3.2.- The Director General, as the greatest exponent of the Senior Management of the Cooperative, will collaborate with the Governing Body for the creation of the general policies of the entity, advising on all the topics that they are experienced in. It will also correspond to the Director General to carry out the directives, plans and other decisions adopted by the Governing Body.

4.3.3.- The Director General will propose the naming, dismissal and substitution of the Department Directors, as well as proposing the effective organisation of the cooperative for the approval of the administrative body. They will have the deciding vote in the naming of Directors with the same criteria of honesty, training, capacity and professionalism demanded of the Director General.

4.3.4.- The actions of the Director General and their management team will always be taken bearing the interests of the cooperative in mind. They will ensure that their own personal interests will not have an affect on these decisions or the execution of any action which could, in the case of any decision or proposal made by the Management, be incompatible with their interests or those of their families or relations up to the third degree of kinship, rather than those of the cooperative. They will abstain from proposing, deciding or executing this Directive, unless they obtain the previous authorisation of the Governing Body for the act affected by said incompatibility. In any case, it will always be the role of the Governing Body to decide if an act or subject is or is not compatible in the way mentioned in this section.

#### **4.4.- Right of the Associates to Corporate Information**

4.4.1.- The Governing Body will ensure that the inherent rights of the associates to obtain true and updated information about the entity are fulfilled at all times, providing the simplest mechanisms that require the least effort. However, this right should not endanger the interests of the cooperative and its strategic objectives or involve the revelation of information that is suppressed due to legal or contractual obligations. Accordingly, they will carry out the necessary measures to introduce electronic media into the right to information.

4.4.2.- On their incorporation into the cooperative, the associate worker will have the right to receive a free updated copy of the Social Statutes, of the Internal Regulations and of the Centre's Guidelines. This obligation will be understood to be fulfilled even when information is provided electronically.

4.4.3.- The associate should be informed about the existence of the Code of Good Corporate Management and, in general, about the policy for Corporate Social Responsibility (CSR), that applies within the organisation. This information can also be provided electronically.

4.4.4.- The associate will have the right to be informed of all the activities that, in relation to CSR, promote the cooperative and, with the same aim, the organisation will disseminate this information in its internal bulletins.

4.4.5.- Independently of the fact that the principal forum of discussion of the associates is the General Assembly, which deals with the yearly progress of the cooperative, the Governing Body, in addition to what is legally required of it, will ensure the establishment of mechanisms for the dissemination of information, both periodically and when circumstances call for it.

4.4.6.- All of the topics that will be debated and approved by the General Assembly should be communicated to the associates through bulletins and the other methods of communication (physical and electronic) that the Cooperative possessives. This should also be done through preparatory or informative meetings that are carried out periodically. The Governing Body will ensure that all the information channelled through these procedures will be truthful and transparent.

#### **4.5.- Participation of the Associates in the Activity of the Cooperative**

4.5.1.- The Governing Body will ensure that the General Management applies bi-directional communication mechanisms between associates, or between Management and the associates, including electronic communication as technological advantages permit, through which they ensure fluid communication between the respective recipients of the same.

4.5.2.- All of the associates will have the right, through legally adopted channels, to create proposals and petitions of an informative nature, directed at the relevant bodies within the cooperative. In the same way, they will have the right to participate with both voice and vote in the Preparatory or Informative Meetings of the cooperative and, through the Delegates chosen, participate in ordinary or extraordinary General Assemblies.

4.5.3.- The Governing Body will guarantee the independence and agility of the cooperative's Appeal Committee and ensure the correct application of the rights of the associates that direct the body and flexibility in the making of decisions. Accordingly, to bring transparency and flexibility to the Committee, the Governing Body will give annual information about the number and type of resources available.



4.5.4.- Equally, the Governing Body commits to resolving the petitions made to them on the part of the associates as quickly as possible, without rushing any legal or statutory deadlines, whenever the circumstances of each case permit.

#### **4.6.- Corporate Social Responsibility (CSR)**

4.6.1.- In the guidelines of the policy of Corporate Social Responsibility assumed by the cooperative, the Governing Body will ensure the existence of a Division or Area within the organisation of the body, which coordinates the management, implantation and fulfilment of it, with the aim of adhering to the firm commitment that, as a cooperative, Consum has an obligation to the society and all its stakeholders and, accordingly, they will drive any actions or projects that have social or environmental elements or that involve the external projection of the CSR, such as social action.

4.6.2.- It is the responsibility of the Governing Body to propose to the General Assembly the basic plan and the annual expenditure of the Fund for Training and Cooperate Advertising.

4.6.3.- The Governing Body will ensure the annual publication of the Sustainability Report, which will accompany the Annual Accounts of the cooperative, driving its creation based on the criteria of the Global Reporting Initiative (GRI) or, where appropriate, of any other nationally or internationally recognised authority on the subject, expressly mentioning the parameters for economic, social and environmental performance.

#### **4.7.- Rules and Measures for the Prevention of Crime**

4.7.1.- Within the firm commitment of Consum to fully comply with the applicable regulations, it is necessary to introduce measures that avoid the committal of crimes whilst the personnel of the Cooperative are performing their roles, and avoiding that the Cooperative itself be held responsible for any such event. In any case, it is necessary to warn them that the legal person (in this case, the cooperative) is not responsible for any crimes committed, apart from, exclusively (adhering to article 31 bis of the current Criminal Code), in cases that have been expressly foreseen (and, as was established in the same article 3s bis CP, for the legal person to be criminally

responsible, the acts committed by the physical person, whether representative or employee, should be done for their benefit of the legal person, and, therefore, responsibility will never apply when the acts committed are exclusively for the benefit of the physical person.)

Therefore, it is necessary for the Code of Good Corporate Governance to establish a series of measures and behavioural guidelines that are obligatory for everyone, to prevent the hypothetical committal of this type of crimes and, obviously, of any other, even when they do not fully come under the criminal responsibility of the legal person.

#### 4.7.2.- General Declarations:

- a) Consum, as a cooperative company integrated in its surroundings is firmly committed to the fulfilment of the laws that apply to it and requires all of its personnel to adhere to the same, whatever the tasks they are asked to do and whatever the circumstances they find themselves in.
- b) Consum carries out all of its activity based on the principles stated in the Code of Good Corporate Governance and the Ethical Code, which involves the trustworthiness and credibility of the associates and clients, Directors, Executives and other employees, suppliers, creditors and, in general, stakeholders and any organisations that it has dealings with.
- c) Therefore, the Director General, the Department Directors, the Executives and all of the employees, whether associated or salaried, should:
  - Encourage and maintain an environment of transparency in the activities that come under their responsibilities, according to their role and level of responsibility.
  - Ensure that professional relationships and administration are based on ethics and integrity that guarantees respect and protection of fundamental human rights at all times.
  - Encourage and demand that all those who form part of the cooperative carry out their duties in an honest

manner and, therefore, avoid corruption of any sort (bribery, extortion, etc.).

- Promote and respect adherence to the laws and other frameworks that are generally, locally, nationally or internationally relevant that could be applied, as well as any statutes, internal frameworks, and other internal rules of the corporation.
  - Work with dedication, perfection, rectitude and probity, with awareness of the values and policies of the cooperative.
- d) Consum will not tolerate, under any circumstances, acts that deviate from the established ethical rules and whose non-compliance can cause harm to their associates, clients, employees and other groups of interests, or the general community.
- e) The Code for Good Corporate Governance contains the directives and principals that should guide the activity of the cooperative, which is why all of the personnel are obliged to act in accordance with it.
- f) Consum, having evaluated the risks of crime, will establish a Code of Crime Prevention that guarantees the efficacy of the adopted measures.

#### 4.7.3.- Policy for the Prevention and Resolution of Conflicts of Interest:

- a) As is established in the internal regulations of the cooperative, the General Management, the Department Directors, the Executives and other managers, as well as anyone who provides their services to the cooperative, should avoid any conflict between personal interests and those of the cooperative. It is understood as a conflict when any of the people cited or any of their family members experience inappropriate personal gain or carry out actions that could interfere with the objectives and performance of the activities of the cooperative. Therefore, they should abstain from carrying out activities for personal gain through the use of Consum's goods, or by exploiting their position within the organisation. In the same way, they will abstain from competing with the cooperative or endangering their operations.
- b) None of the persons employed at Consum (General Management, Department Heads, Executives, Area Managers or other managers, as well as the rest of the

personnel) will be able to work with or aid, directly, or indirectly, competitors, contractors, suppliers or clients of the cooperative without also competing, directly or indirectly, with the cooperative itself. Therefore, any investment or activity that any of these people intend to carry out involving competitors, contractors, suppliers or clients of Consum should be reported to and approved in advance by the Governing Body, or relevant body or committee, and they should refrain from beginning the investment or activity until they receive authorisation if that is the case.

#### 4.7.4.- Policy Related to the Management and Use of Information:

- a) Generation of Information: all of the people that prepare or manage reports during their work should make should that all the internal reports (for use of the cooperative) or external reports (for submission to authorities or third parties) are based on truthful and complete information. The contravention of this obligation, total or partial, can prevent the cooperative from making good decisions, undermine trust, affect opportunities and endanger the interests of the cooperative and its associates or workers.
- b) Ownership of Information: all the information or knowledge that is generated through the duties of a job is the exclusive property of Consum. Therefore, all messages (voicemail or SMS), emails and any business information that is found on mobile phones, personal computers or other electronic medium about the cooperative is the exclusive property of Consum, independently of who is using said medium and, therefore, is not considered private. Therefore, unless the Law prohibits it, Consum reserves the right to access said information when necessary, respecting, in this case and at all times, the relevant legal requirements regarding registration.
- c) Confidentiality of Information: all the information, totally or partially generated by the cooperative or within the cooperative, as an extremely valuable asset, should be kept confidential. For that, all of the personnel of the cooperative, whether associate worker or salaried worker, should sign the confidentiality agreement compiled by the cooperative, alongside the work contract, committing to fulfil it. Consequently, no employee of Consum, whether

associate or not, will be able to spread said information outside of the cooperative (unless permission is expressly given), or use it for personal benefit or for that of people direct or indirectly linked to it. With the aim of ensuring that the information reaches the recipient, no one will give reports for which they are responsible to another employee, whatever their level of responsibility or Department, unless strictly necessary for them to carry out their role, or unless it is expressly authorised by their manager.

#### 4.7.5.- Compliance with Internal Check:

- a) Compliance with Internal Checks: regarding the adherence to laws currently in force and its own internal regulations, the cooperative has established policies and internal checking procedures that cover different areas within the organisation (accountancy, inventory, stock, handling, depositing and transport of money, quality, security, occupational health, etc.) Due to that all the people that work at the cooperative should keep these systems operational and agree to comply with checks, collaborating with them so that correct operating is guaranteed.
- b) Reports of Irregularities: the cooperative will establish the necessary mechanisms to make the report of irregularities that people are aware of easy, guaranteeing maximum discretion, confidentiality and protection of anonymity for all those who make complaints. The General Management guarantees that any report or suspicion of violation of the Laws, regulations and internal procedures or practices of the business will be investigated, and may delegate this role to the Director of the Department or committee considered relevant. Consequently, all the people involved in the organisation will be obliged to immediately report any suspicion or knowledge of any irregular facts, actions, transactions or operations that they become aware of whilst carrying out their role that leads them to presume or be certain that there may exist, or effectively exist, an offence against the regulations established in the present Code.
- c) Sanctions: a lack of timely and full adherence to that laid out in this Code and, therefore, in the obligatory regulations (Laws, legal regulations, Statutes, internal regulations and other regulations of the cooperative) will

lead to the application of the relevant sanctions on the part of the company. This will not endanger the civil or criminal rights of the company against the infractor, and they will be denounced to the relevant Court and Tribunal or Prosecutor, with the cooperative collaborating as necessary with the relevant authority, administrative or legal, to prosecute and sanction the relevant offences.

- d) Performing Business with Natural or Legal Persons Sanctioned for Crimes: Consum will avoid having commercial relationships or relationships of any other nature, signing contracts or making agreements with people who have been sanctioned for committing crimes.

4.7.6.- Evaluation of Crime Risks: the cooperative has access to a document that contains the 'evaluation of crime risk', specifically aimed at determining in which scenarios or activities, due to the actions of the cooperative itself, there could be a certain risk of the committal of any criminal act for which they could be responsible, in compliance with article 31 bis of the Penal Code currently in force, or any modification to it. It will be the duty of the Governing Body, at the proposal of the General Management, to approve this document, which should be based on the following framework (stages of the system):

- a) Evaluation of Factors of Crime Risk: The factors, processes and activities with the highest risk of the committal of crimes will be identified, and the result will be an inventory of these factors and a preliminary knowledge of the crime risk.
- b) Identification of the Possible Outlines of Crimes and Their Scenarios: The crime risks and outlines of the specific crime will be identified, as well as the parties that could possibly be involved, which will determine the knowledge of specific crime risks, their possible occurrence in the cooperative, through a catalogue of crime outlines, the identification of circumstances or bodies, external or internal, that could be associated to the crime.
- c) Classification of the Crime Risks Identified: Their possible crime outlines will be evaluated according to the probability and vulnerability establishing a ranking of crime risks within the company.
- d) Evaluation of the Existence and Effectiveness of Checks: The crime outlines will be related to the existing checks and their effectiveness will be evaluated, the result being a

global evaluation of the risk factors and a measurement of the residual risk in the cooperative.

#### **4.8.- The Approval, Modification and Interpretation of the Code**

4.8.1.- It will be the exclusive responsibility of the Governing Body to approve and modify this Code. To do so at least two thirds of the members should be in agreement.

4.8.2.- With the approval of this Consum Code of Good Corporate Management, the entity firmly commits to adhering to it and, in the case of not being able to do so, to duly explain the reasons for the exception or the reasons why it has not been able to be adhered to.

4.8.3.- This Code will be interpreted in accordance with the relevant Spanish laws.

#### **4.9.- Report on the Management of Good Corporate Governance**

4.9.1.- The Governing Body will include an annual Report on the Management of Good Corporate Governance within the Report on Corporate Social Responsibility that, within the Sustainability report, the company will create. In said report they will highlight the most important and relevant milestones that have been a result of this code of good corporate governance. However, the obligation of creating said Management Report will be considered to be fulfilled when it fulfils the corresponding indicators within the Sustainability Report.

4.9.2.- Transitional Position: The first Management Report will be done on the financial year 2018/2019<sup>1</sup>.

#### **4.10.- Diffusion and Application of the Code**

4.10.1.- All the members of the Governing Body have the obligation to know and apply the present Code, and are also obliged to demand that the General Management and the Directors of Department also apply it, disseminate it and make

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<sup>1</sup> Article modified by the agreement of the Governing Body on 19<sup>th</sup> December 2013, and by the agreement of the Governing Body on 26<sup>th</sup> November 2015.

sure that the personnel that work at the Cooperative are aware of it, calling for it to be applied. They should also make the associates, clients, clients, suppliers, other stakeholders and the society in general aware of it.

**APPROVAL:** The present Code of Good Corporate Governance was approved by unanimous vote of the Governing Body of "CONSUM, S.COOP.V." in the session on 23<sup>rd</sup> February 2012.