

# Corporate Internal Control Policy

**Approved by the Board of Directors  
of El Corte Inglés, S.A.  
on 30 October 2024**

Version 1.0 (30 October 2024)

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**NOTE:** The definitions of the most frequently used terms in this document and in the regulations that make up the EL CORTE INGLÉS Compliance Management System are provided in **Annex 1**.

## 1. Introduction

In order to comply with the supervision and control requirements of the Board of Directors of El Corte Inglés, S.A., it is necessary to formalise the principles underlying the internal control model of the El Corte Inglés Group (hereinafter referred to as the 'Group', the 'ECI Group' or the 'Organisation').

Accordingly, this Corporate Internal Control Policy (hereinafter referred to as the 'Policy') reflects the commitment of the Board of Directors to comply with the highest standards of corporate governance, as set out in Royal Decree 1/2010, of 2 July, approving the revised text of the Corporate Law, as well as the recommendations set out in Technical Guide 1/2024 on Audit Committees of Public Interest Entities, published by the National Securities Market Commission (CNMV).

## 2. Purpose of the Policy

This Policy sets out the basic principles on which the Organisation's internal control system is based. Adherence to these principles shall support the development and maintenance of a robust and effective internal control system, thereby increasing the probability of achieving the Group's objectives. In addition, these principles shall provide the internal control system with the necessary tools to adapt effectively to changes in the economic environment, regulatory framework, business models and/or technology.

This Policy also sets out the framework for the Group's internal control system supervision mechanisms.

The Policy has been established in accordance with:

- The Internal Control - Integrated Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The COSO Framework has become the global reference model and is widely adopted by listed and public interest entities. Therefore, its use as a reference in this area facilitates the recognition and validity by third parties of the organisation's internal control system, as well as the El Corte Inglés Group's risk control and management system, which is based on the Three Lines of Defence model and ensures effective and coordinated risk management.
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### 3. Scope of Application

This Policy is mandatory and applies to the companies that make up the EL CORTE INGLÉS Group. All Members of the Organisation, irrespective of their position or the territory from which they operate, are required to comply with it.

This commitment shall be formalised as set out in section 8 'Awareness and Statement of Compliance' of this Policy.

### 4. Internal Control Framework

The Internal Control System of the El Corte Inglés Group refers to the process carried out by the Board of Directors, Senior Management and other Members of the Organisation, designed to provide reasonable assurance that the Group's objectives are achieved.

The following aspects relating to the Group's Internal Control System can be derived from this definition:

- i. It is **objective-oriented**. The Group's Senior Management, under the supervision of the Board of Directors, sets objectives that are aligned with the Organisation's mission, vision and strategies. These objectives fall into one of the following three categories in accordance with COSO's Internal Control - Integrated Framework:
  - a) **Operational objectives**. These relate to the effectiveness and efficiency of the Organisation's operations. 'Operations' means all the activities and functions performed by each of the Organisation's divisions and departments: Sales, Procurement, Finance, Marketing, etc. Additionally, the safeguarding of the Group's assets against potential losses falls under this category of objectives.
  - b) **Reporting objectives**. These pertain to all information, both financial and otherwise, used for internal or external reporting to relevant stakeholders. The reliability, timeliness and transparency of such information may have an impact on these objectives.
  - c) **Compliance objectives**. These relate to compliance with the Organisation's legal and regulatory obligations.

All objectives shall be specific, measurable, or observable, and achievable, relevant, and time-bound. All Members of the Organisation who work to achieve them must fully understand them.

- ii. It is a **process** that involves ongoing tasks and activities. The Group's Internal Control System is not limited to a single event or circumstance. Instead, it is a dynamic, iterative and integrated process, within which controls are established in the form of policies and

procedures. The Policies set out the Board's and Senior Management's vision for the development of the internal control system, while the procedures are developed by the operational and functional areas of the Organisation. In this way, the Internal Control System is integrated into each of the business processes of the Group.

- iii. It is implemented by all **Members of the Organisation**. It is the responsibility of everyone within the Organisation to carry out the actions required to achieve the operational, reporting and compliance objectives that have been set. All Members of the Organisation are therefore responsible for the Group's Internal Control System.
- iv. It provides reasonable assurance of the achievement of the Organisation's objectives. The Group's Internal Control System cannot provide absolute assurance that these objectives will be achieved. Similarly, any internal control system may be subject to limitations in efficiency and effectiveness due to a number of factors, including human error, inherent uncertainties in professional judgement, collusion between different parties, or the potential impact of external events outside the Organisation.

## 5. Components of the Internal Control System

To assist the Organisation in achieving its objectives, the following five key components of the Internal Control System have been established in accordance with the COSO Internal Control - Integrated Framework.

- i. **Control Environment**. The control environment is defined as the set of rules, processes and structures that form the basis of the internal control system within the Organisation. It provides guidance to all Members of the Organisation on how to perform their duties and make decisions. The Control Environment includes, among others, the following aspects:
  - a) The integrity and ethical values set out in the Group's policies and, in particular, the principles set out in the El Corte Inglés Code of Ethics,
  - b) The operation of the Organisation's various management and administrative bodies, and the definition of their reporting lines and the rules governing their operations, and
  - c) The assignment of authority and the definition of appropriate **levels of responsibility** to ensure the achievement of the Organisation's objectives.
- ii. **Risk Assessment**. This process is conducted periodically by the Organisation to identify and assess risks that could affect the achievement of operational, reporting and compliance objectives. It is carried out in accordance with the principles established in the Group's Risk Control and Management Policy, and includes the following aspects:

- a) Clearly defining the organisation's **objectives** to enable the identification and assessment of risks,
  - b) Considering the **likelihood of fraud** when evaluating specific risks, and
  - c) Identifying and evaluating **changes in the environment** (regulatory, economic, physical, etc.), the business model and/or key roles within the Organisation that may significantly impact the Internal Control System.
- iii. **Control Activities.** They refer to the measures defined by the Group's policies and procedures, which are designed to reduce the Organisation's risks to an acceptable level of tolerance. By doing so, control activities help enhance the likelihood of achieving the Organisation's operational, reporting, and compliance objectives.

The Control Activities take into account the following aspects, among others:

- a) The implementation of controls across **all levels** of the Organisation and throughout the various stages of each business process.
  - b) The establishment of '**general technology controls**,' which cover a range of control activities in various IT areas, including: (i) technology infrastructure; (ii) access security; and (iii) technology acquisition, development and maintenance processes.
  - c) The classification of control activities within the Group, based on their **nature**:
    - *Preventive*: Designed to prevent the occurrence of unforeseen events or outcomes.
    - *Detective*: Designed to identify an unforeseen event or outcome after it has occurred. To be effective, the Group's detection controls must identify the event or unanticipated outcome before significant damage occurs and alert the appropriate Members of the Organisation for appropriate remediation.
    - *Automatic*: Control activities designed to verify and monitor events or transactions according to pre-defined rules and whose execution does not require direct intervention of a Member of the Organisation. 'General technology controls' contribute to the proper operation of the Group's automated control activities.
    - *Manual*: Control activities performed and monitored by the Members of the Organisation. These types of controls may require professional judgement. They are often used to monitor the effectiveness of automated control activities.
  - d) The development of a comprehensive set of preventive and detective, manual and automated **control activities** within the relevant functional and operational areas to address identified risks efficiently and effectively.
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- e) The assurance of adequate **segregation of duties** in the design and implementation of control activities.
- iv. **Information and Communication.** The Organisation uses and disseminates information that is essential to the effective operation of the internal control system, thereby facilitating the achievement of the defined operational, reporting and compliance objectives. To this end, the Organisation shall obtain and use relevant and quality information. This information is in accordance with the following principles:
  - a) *Accessibility and Protection*: Information is readily available to authorised members of the Organisation who require it.
  - b) *Accuracy and Validity*: Data is accurate, complete, collected through approved procedures, and sourced from authorised channels.
  - c) *Sufficiency and Timeliness*: Information is provided at the necessary level of detail and made available when required.
- v. **Monitoring Activities.** The Organisation shall implement monitoring mechanisms to evaluate the effectiveness of the internal control system. These mechanisms will verify that the elements identified in each of the following components are present and operating effectively: (i) Control Environment, (ii) Risk Assessment, (iii) Control Activities, and (iv) Information and Communication.

The Monitoring Activities take into account, among other aspects:

- a) The Group's operational and functional management regularly assess the effectiveness of the internal control system within their respective areas,
- b) The Compliance and Risk Control, Internal Control and Fraud Prevention, and Internal Audit functions conduct periodic and/or ad hoc reviews of specific aspects of the Group's internal control system (see section 7 below),
- c) Identified deficiencies and potential opportunities for improvement from the evaluations are promptly communicated to the Members of the Organisation responsible for implementing the necessary corrective actions.

## 6. Internal Control and Fraud Prevention Unit

The Internal Control and Fraud Prevention Unit has been established within the Corporate Prevention and Security Department to assess and monitor the level of specific operational processes within the Organisation.

The Unit shall perform its functions within the following areas of responsibility:

- i. **Management Operations in Stores and Warehouses.** Conducting periodic visits to the Organisation's stores and warehouses to verify compliance with applicable internal regulations and evaluating the level of control present in various management operations.
- ii. **Corporate Processes.** Collaborating with the Regulatory Compliance and Risk Control and Method & Processes departments to assess the control measures implemented for specific organisational processes, in alignment with the Group's Sustainable Corporate Governance Plan, and assisting in the formalisation and updating of the corporate Controls Matrix during these reviews.
- iii. **Fraud Prevention.** Within this framework, the following tasks shall be carried out: (i) conducting continuous monitoring of activities within the Organisation that carry a higher risk of fraud, (ii) performing internal investigations where reasonable grounds exist to suspect fraud, (iii) supporting the Regulatory Compliance and Risk Control Department with specific instructions from the Ethics Channel, (iv) addressing requests from Senior Management and/or operational and functional directors, ensuring adherence to the principles of necessity, proportionality, and appropriateness, and (v) proposing measures to operational and functional directors to reduce the occurrence and impact of potential fraud incidents.

The Internal Control Unit shall report any identified internal control weaknesses and deficiencies to the relevant operational and functional directors for appropriate remediation. Any significant weaknesses or deficiencies shall also be communicated to the Audit and Control Committee, along with the corresponding action plans agreed upon with the relevant areas for their resolution.

## 7. Roles and Responsibilities

As set out in this Policy, all Members of the Organisation shall ensure the effective operation of the group's Internal Control System. In particular, the following roles and responsibilities are assigned:

- i. **Board of Directors.** In accordance with the recommendations made by the CNMV in its Technical Guide 1/2024 on Audit Committees of Public Interest Entities, the Board of Directors, through the Audit and Control Committee, shall monitor the effectiveness of the Organisation's internal control, ensuring that corporate policies are implemented correctly and monitoring the activities of the Organisation's departments responsible for evaluating the Internal Control System.
  - ii. **Senior Management.** The Senior Management team is responsible for designing, implementing and developing an adequate internal control system. They also provide
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strategic leadership and guidance to the various operational and functional managers of the Organisation. This includes the establishment of control structures, the assignment of responsibilities and the definition of reporting lines, which collectively form the basis of the Group's internal control system.

- iii. **Operational and Functional Directors**. They are involved in the day-to-day operations and activities of the Organisation. They are responsible for maintaining an effective internal control system within their area of responsibility, ensuring that control activities are carried out properly, and coordinating the Members of the Organisation who perform their duties under their responsibility.
- iv. **Method & Processes**. The Method & Processes department, reporting to the Transformation Officer, works with the operational and functional departments to perform a range of functions, including: i) mapping of the Organisation's relevant processes, ii) standardising and updating procedures, and iii) communicating them to the relevant Members of the Organisation.
- v. **Regulatory Compliance and Risk Control**. In accordance with the Charter of the Regulatory Compliance Function and the Group's Risk Control and Management Policy, this area is responsible for the following: i) determining the adequacy of compliance procedures and controls, ii) promoting and monitoring the Code of Ethics and the Ethics Channel, iii) evaluating changes in the Organisation's legal environment, and iv) identifying, assessing and controlling potential risks that may affect the Group.
- vi. **Internal Control and Fraud Prevention Unit**. The Internal Control and Unit, which is part of the Corporate Prevention and Security Department, is responsible for assessing and monitoring the level of internal control of specific operational processes within the Organisation.
- vii. **Internal Audit** The Internal Audit department provides independent assurance on the design and effectiveness of the Organisation's Internal Control System in accordance with the Group's Internal Audit Function Charter.

## 8. Awareness and Statement of Compliance

Compliance with ethical rules and standards represents both a corporate commitment and a strategic objective for the Organisation. Therefore, all Members of the Organisation are expected to be familiar with and adhere to the contents of this Policy.

This commitment shall be formalised through:

- i. Statements of compliance with the principles set out in this Policy by Members of the Organisation, confirming their acceptance of **High Ethical Standards**.
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- ii. **Formal agreements or acknowledgement** by the governing bodies of the companies within the Corte Inglés Group in accordance with applicable internal regulations.

Such agreements and their renewals shall be notified to the El Corte Inglés Group's Chief Compliance and Risk Officer.

In the event of significant changes to this Policy, – i.e. changes that require formal approval from the Board of Directors at El Corte Inglés, S.A. – the preceding commitments shall be formally renewed.

The Organisation shall respond promptly to any breach of the provisions set out in this Policy, in accordance with its internal regulations and in compliance with all applicable legislation.

## 9. Reporting of Non-compliance

Any Member of the Organisation, Business Partner or Third Party with a direct relationship and legitimate commercial or professional interest, or any other interested party, who becomes aware of a violation of this Policy or who is in doubt as to whether an observed practice may constitute a breach, whether in the public or private sector, shall immediately contact the Chief Compliance and Risk Officer of the El Corte Inglés Group. This should be done via the Ethics Channel, using any of the available options:

- **Digital Channel:**

The El Corte Inglés Group's digital channel can be accessed via the following website:

<https://www.elcorteingles.es/informacioncorporativa/es/gobierno-corporativo/etica-y-cumplimiento/>

Access to this resource is available on the company's website and on the NEXO intranet for the Members of the Organisation.

- **Mailing address:**

El Corte Inglés, S.A.  
Chief Compliance Officer  
Hermosilla, 112  
28009 Madrid

- **Telephone number of the Compliance Officer:** 91 401 85 00

- **Requesting a face-to-face or virtual meeting**

The information submitted through the Ethics Channel is confidential, as is the identity of the whistleblower. The Organisation values their contribution and guarantees that there will be no retaliation against them.

The Chief Compliance and Risk Officer may also independently investigate any evidence of non-compliance with this Policy.

## 10. Control, Follow-up and Supervision

### 10.1. Control and Follow-up

The Chief Compliance and Risk Officer shall be responsible for controlling and continuously monitoring compliance with this Policy in accordance with the procedure set out in the Charter and the Regulations of the Compliance Function Bodies.

### 10.2. Supervision

The Internal Audit Function shall review the Group's compliance management system to the extent that the annual audit plan approved by the Audit and Control Committee includes tasks related to this system. An extraordinary review may also be conducted in response to any incidents or irregularities that are identified. Upon completion of the audits, the Internal Audit Function shall issue a report containing recommendations for any identified areas for improvement.

Any potential areas for improvement identified as a result of these reviews shall be incorporated into the ongoing improvement process of the Criminal Compliance Management System.

## 11. Approval, Effective Date and Updating

This Policy shall become effective on the date of its approval by the Board of Directors of El Corte Inglés S.A.

This Policy shall be updated on a regular basis. To this end, it shall be reviewed annually as a standard practice and, additionally, whenever necessary. In particular, the Policy shall be promptly reviewed if there are any changes to the Organisation's strategic objectives or any internal, external, or regulatory changes that require an update or modification.

The Chief Compliance and Risk Officer, with the assistance of the Compliance and Risk Control Committee, shall review any suggested amendments.

If the amendments are substantial, they shall be submitted to the Board of Directors for approval following a recommendation from the Audit and Control Committee

## VERSION HISTORY

Version 1.0 approved by the Board of Directors on 30/Oct/2024

Version	Date of amendment	Purpose of the amendment	Sections affected

## Annexes

## Annex 1– Definitions

Below are the definitions of the most frequently used terms in this document and in the regulations that make up the EL CORTE INGLÉS Compliance Management System.

- **Audit and Control Committee:** A standing body of the Board of Directors with an informative and advisory role and, but without executive functions. It has full powers to provide information, offer advice, and make proposals within its remit, which includes Regulatory Compliance and other areas.
- **Board of Directors:** The governing body of El Corte Inglés, S.A., which has ultimate responsibility for the management and results of the Company's activities, its governance structure and its policies. Senior Management reports to and is accountable to the Board.
- **Chief Compliance Officer / Regulatory Compliance and Risk Control Department:** A single-person body with independent powers of initiative and control and entrusted with a number of duties, including the supervision of the effectiveness of the Organisation's Compliance Management System, and particularly the Criminal Compliance Management System. The creation of the Criminal Compliance Body fulfils the requirement set out in the Spanish legislation (article 31 bis of the Spanish Criminal Code) regarding the supervision of the Criminal Compliance Management System.
- **Control Activity:** Any action, measure or procedure that has been put in place to mitigate identified risks and increase the likelihood of achieving the Organisation's objectives.
- **COSO:** The Committee of Sponsoring Organisations of the Treadway Commission is a professional committee dedicated to the development of frameworks and guidance on internal control, enterprise risk management and fraud deterrence. COSO is jointly sponsored and funded by the following professional associations: *American Accounting Association (AAA)*, *American Institute of Certified Public Accountants (AICPA)*, *Financial Executives International (FEI)*, *Institute of Management Accountants (IMA)* y *The Institute of Internal Auditors (IIA)*.
- **Criminal Compliance Management System:** A framework for preventing, detecting, managing, and reporting criminal risks. It is integrated into business processes and undergoes regular monitoring and continuous improvement.
- **Criminal Control Perimeter:** It comprises El Corte Inglés S.A. and all entities that have adopted the Crime Prevention Policy and the broader Criminal Compliance Management System of El Corte Inglés, S.A. as determined by the decision of their respective governing bodies, but which do not have a dedicated Chief Compliance Officer or an autonomous management structure in this area.

- **El Corte Inglés Group / the Group / the Organisation:** Group of companies that make up the El Corte Inglés Group.
- **EL CORTE INGLÉS:** It includes El Corte Inglés, S.A. and the entities that fall within its Criminal Control Perimeter.
- **Members of the Organisation:** This includes Members of the Board of Directors, Senior Management, executives, employees, temporary workers, or employees under collaboration agreements, and volunteers. It also includes anyone who reports to any of these groups.
- **Risk:** The possibility of an event or occurrence that has an impact on the achievement of the Organisation's objectives. Risk is measured in terms of impact and probability.
- **Senior Management:** These are employees of the Organisation who are appointed by the Board of Directors. They report to the Board, its committees or one of its members, and they exercise the powers inherent in the legal ownership of the Company and its general objectives. They operate with autonomy and full accountability, subject only to the criteria and direct instructions of the Company's governing bodies.
- **Stakeholders/ Interest Groups:** Natural or legal persons other than Business Partners or Members of the Organisation, who may be affected or perceived to be affected by a decision or activity of the Organisation.