



# CRIMINAL COMPLIANCE POLICY

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CRIMINAL LIABILITY OF LEGAL ENTITIES

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# CRIMINAL COMPLIANCE POLICY

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# CRIMINAL COMPLIANCE POLICY

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## INTRODUCTION

### I. BACKGROUND

A culture of Ethics and Compliance is the foundation for all activities within the real estate **Spanish Companies belonging to Emperador Properties** (hereinafter, “**Emperador Properties**” or the “**Companies**”, without distinction). The senior management promotes principles of regulatory compliance by creating adequate and effective crime prevention tools.

The implementation of a proper Crime Prevention System (hereinafter, “prevention system”, “risk management system” or “model”, without distinction) is the means by which a legal entity can prevent or monitor for criminal offences that may arise from within. This system establishes mechanisms to prevent, manage, monitor and respond to these offences.

Additionally, the absence of a general regulatory compliance system and particularly that of a crime prevention system, could lead to significant reputational risks that may be even more harmful than any penalty. The existence of such a system promotes an ethical culture of regulatory compliance and generates trust and extra confidence for all *stakeholders* when engaging in business relations with them. Nonetheless, irrespective of the monitoring system’s design and operability, such a system can only bring reasonable but never absolute, confidence as concerns the objectives it seeks.

The likelihood of reaching these objectives is influenced by the limitations inherent to any management and control system, given that there is always a possibility that errors may arise when applying control procedures. This may be due to several different causes, including the following:

1. A poor understanding of the instructions or errors in judgement.
2. A lack of personal attention, human error, collusion among several people to remove the application of a certain control.
3. Irregularities or fraudulent actions.
4. The possibility that measures for control based on the segregation of duties may not be possible in smaller departments, offices or branches.

### II. PURPOSE

This document contains the procedures of the Criminal Compliance Policy (hereinafter, “the Policy”) as a framework of reference for the implementation of a criminal prevention system in Spanish companies belonging to Emperador Properties which defines the commitments, principles and objectives of the system.

The aim of the Policy is to provide an overview of the crime prevention model, thereby training and spreading awareness among all professionals, directors, business partners and other stakeholders on the criminal risks of their actions as well as the appropriate response mechanisms established by the Group.

### III. SCOPE

The Criminal Compliance Policy includes the set of provisions included in the risk management system, based on its functional structure and business activities, with regard to two of the Group’s lines of business:

- **Alcoholic Drinks** (through the registered corporate brand **Emperador Distillers** and all other brands that identify the products of this line of activity), its main activity consisting of the production of wines, fortified wines, brandy and other types of alcoholic beverages. In addition to the purchase, storage, bottle and barrel-ageing, mixing, bottling, sale, marketing, distribution and export thereof; the acquisition of raw materials or any other related necessary product.

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- **Real Estate** (through the registered corporate brand **Emperador Properties** and all other brands that identify the products of this line of activity), **its** main activity consisting of earning revenue through leases, assignments for use, transfer of title or any other form of disposal.

The Criminal Compliance Policy and, in general, the crime prevention system, applies to all members of the Spanish Companies that belong to Emperador Properties, from the Governing Body and senior management onwards to all other people employed within the Organisation.

Also considered to the extent of application thereof are all companies and professionals subcontracted or in collaboration with Emperador Properties.

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# LIABILITY OF LEGAL ENTITIES

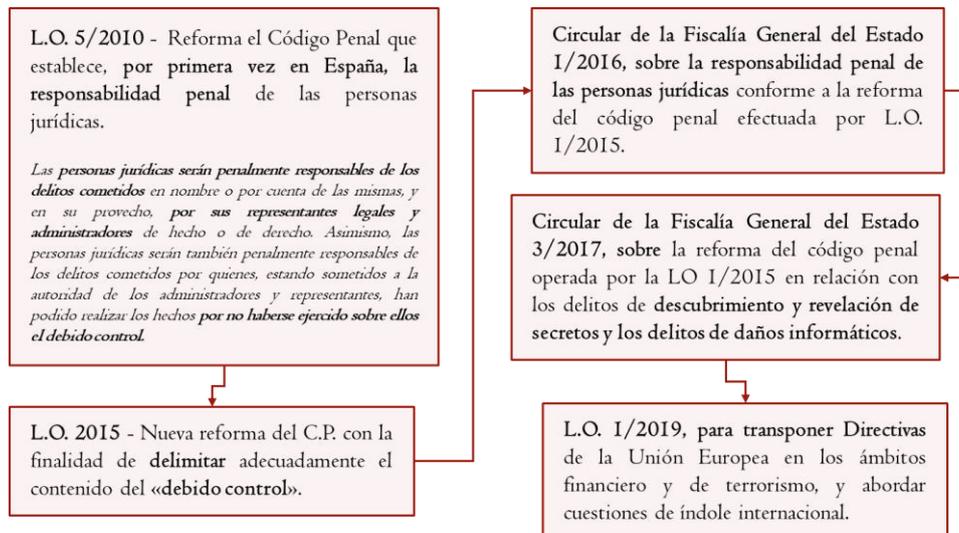
## I. WHAT IS CRIMINAL LIABILITY?

Criminal liability involves holding a legal entity responsible for the crimes committed by its directors, management and employees in its name or on its behalf when the company receives a direct or indirect benefit from such.

Specifically, the Spanish Penal Code (hereinafter, CP) indicates in **Article 31 bis** that legal entities shall be criminally liable for:

- a) *Crimes committed in their name or on their behalf and in their direct or indirect benefit by their legal representatives or those who act individually or as members of a body of the legal entity and are authorised to take decisions in the name of the legal entity or hold powers of organisation and control within it.*
- b) *Crimes committed in the exercise of company activities on behalf of and in direct or indirect benefit thereof by those who, when subject to the authority of the aforementioned individuals, are able to engage in such crimes because of a serious breach of those individuals' supervision, oversight and control responsibilities considering the specific circumstances of each case.*

## II. REGULATORY CONTEXT



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### III. DIRECTORS' LIABILITY

Circular 1/2016 issued by the Spanish Crown Prosecution Service defines the concept of director as a person who adopts and imposes a company's management decisions in a permanent manner not subject to higher spheres of approval or decision. Thus, **directors shall be held personally liable for any criminal offences by the legal entity.**

Moreover, directors shall also be held liable for actions by other people within the Organisation through the legal concept of commission by omission or failure to act. The Spanish Penal Code derives liability for crimes that occur due to a failure to prevent them when there is a legal or contractual obligation to act given the obligation directors and management have to implement proper oversight and control measures to prevent crimes.

Therefore, the Governing Body **is responsible** for adopting appropriate measures to reasonably guarantee compliance with prevailing criminal regulations as well as for defining, developing and implementing the structure and functioning of internal control bodies and specific procedures.

### IV. APPLICABLE CRIMES

The Spanish Penal Code establishes a wide range of crimes although not all of them are applicable to legal entities. The list of crimes is reduced to the list attached in Annex I.

### V. PENALTIES

The penalties applicable to legal entities are established in Section 7, Article 33 CP, **with all of them considered serious penalties** irrespective of their duration.

These penalties are listed below:

- Quota-based or proportional fines.
- The dissolution of the legal entity.
- The suspension of business activities for a period not exceeding five years.
- The closing of business premises for no more than five years.
- A permanent or temporary ban on engaging in the same activities in the future, through which the crime was committed, fostered or covered.
- Disqualification for no more than 15 years from obtaining public subsidies and aid, contracting with the public sector and from receiving tax or Social Security benefits.
- Court intervention for no more than five years to safeguard creditor and employee rights.

## ORGANISATION AND MANAGEMENT MODEL

### I. ESSENTIAL ELEMENTS OF A CRIME PREVENTION SYSTEM

The Spanish Penal Code and Circular 1/2016 issued by the Spanish Crown Prosecution Service outline a series of requirements for organisation and management models in order for them to be considered effective in preventing crimes and for the legal entity to be released of any liability. These requirements make it possible to assess the appropriateness, suitability and efficacy of such models.

The essential elements of the system are listed in Sections 2 and 5 of Article 31 bis as follows:



#### 1. CRIME PREVENTION AND CONTROL BODY

##### Article 31 bis 2.2 CP

*“2.ª the supervision of the functioning and compliance of the implemented prevention model is entrusted to a body within the legal entity with autonomous powers of initiative and control or which has been legally assigned the duty of supervising the efficacy of the legal entity’s internal controls”.*

Pursuant to this precept, the Spanish companies belonging to Emperador Properties have created a **Crime Prevention and Control Body** (hereinafter, “Body” or “OPCD”, without distinction) that is charged with periodically supervising the established risk monitoring and prevention systems. The purpose thereof is for the main risks to be identified, managed and disclosed internally in an adequate manner so they may be prevented.

The Body shall have the appropriate means and necessary resources to fulfil its duties, including the management of financial resources.

##### COMPOSITION

The Crime Prevention and Control Body shall be chartered and comprised of representatives of the following departments and management offices, which will not be part of the Governing Body:

- the Chief Operational Officer.
- the Chief Financial Officer.
- An in-house legal counsellor.
- An external advisor (CBC).

The people designated to be a part of the OPCD must meet certain requirements to ensure their pertinence, competence, honesty, autonomy and independence.

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The members of the OPCD shall handle all information and documentation accessed or available to them with the utmost confidentiality without using any of it for any purpose other than to prevent criminal risks and investigate incidents in this area.

The Crime Prevention and Control Body shall be supported by the departments deemed appropriate to guarantee adequate and effective fulfilment of their duties and composition. When performing their criminal risk supervision and monitoring duties, members of the OPCD shall act with maximum autonomy in the exercise of such office.

### DUTIES

The Crime Prevention and Control Body is assigned the following duties as the party responsible for the oversight, compliance and updating of the Crime Prevention Model:

- Accessing and collecting information in the Group's possession whenever necessary for its work.
- Requiring support from any department, employee, director, advisor or any other person who maintains a professional and/or labour relationship with the **Companies** as part of an investigation.
- Participating in the process of preparing the Model and managing criminal risks.
- Overseeing internal control and auditing systems associated with criminal risk prevention, compliance and the frequency thereof.
- Evaluating whether the measures adopted are sufficient and recommending the implementation of any actions deemed necessary.
- Requesting reports from different areas, when deemed appropriate, on aspects related to the management and control of activities with an impact on criminal risk management.
- Updating and revising the risks detected in the Crime Prevention Model at least every three years pursuant to changes in the environment, whether regulatory or structural within the Organisation.
- Assessing whether internal communications received through the Compliance Inbox may involve a criminal risk and, if so, initiating an investigation into the events reported until their clarification.
- Agreeing with HR on the disciplinary measures to be imposed for breaches of the Code of Ethics or other internal or external rules that may lead to a criminal risk for the Group and its personnel pursuant to the system established and in accordance with the labour laws in effect.
- Coordinating the tasks of disseminating the Crime Prevention Model and imparting training on the model so it reaches all personnel and external collaborators of the Companies.
- Issuing annual reports to the Governing Body on internal communications, actions taken, improvements proposed, updates, measures agreed as well as on any other aspect deemed relevant in the performance of their duties.
- Directly informing the Governing Body when requested or at the request of the OPCD when it considers the Body must be directly informed. If there are any conflicts of interest with any member, the Body may request said member of the Governing Body to absent themselves from the session when the report is made.
- Providing appropriate support when requested by the police or court authorities.

### FUNCTIONING

The Crime Prevention and Control Body shall be governed by the following rules of functioning:

- It will meet on an ordinary basis every six months to fulfil its duties and on an extraordinary basis whenever the circumstances so require.
- Minutes must be drawn up after each OPCD meeting with all members adding any additional points deemed appropriate in virtue of their own knowledge.
- There must be an official record of all decisions made at OPCD meetings. These records will be signed by all those in attendance and will be saved for the appropriate purposes.
- The OPCD will reach the necessary quorum at meetings when half of the members are in attendance. Decisions shall be made by simple majority of all the members and any of them may record their reasons for decisions in favour or against those adopted by the majority in the minutes. Any dissenting votes must be immediately reported to the Governing Body.

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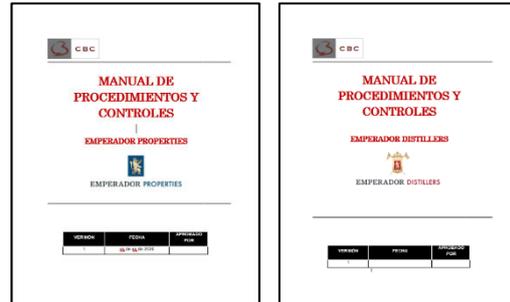
### 2. RISK REPORT

#### Article 31 bis 5.1 CP

*“The activities through which crimes that must be prevented may be committed shall be identified”.*

The first requirement that must be fulfilled by any management and monitoring system is identifying the intrinsic risks to which the legal entity is exposed based on its business activity, irrespective of any policies, procedures and controls established by the legal entity.

The purpose of such a report is to identify and assess the level of exposure to criminal risks within the Spanish Companies belonging to Emperador Properties. Thus, there shall be a general approach to the business area, type of operation and risk factors that may potentially be associated with each line of business: Real Estate and Alcoholic Drinks.



An evaluation of the level of exposure to risks within the Spanish Companies that belong to Emperador Properties is essential to establishing the most vulnerable areas and then assessing whether the internal control system sufficiently mitigates the risks detected or whether corrective plans are necessary.



### 3. CRIME PREVENTION AND CONTROL MANUAL

#### Article 31bis 5.2 CP

*Protocols or procedures will be established that specify the process of forming the legal entity's will to adopt decisions and enforce them in relation to such protocols or procedures.*

The second requirement established by the Spanish Penal Code is the implementation of a system of policies and controls to mitigate the risks detected in the risk report. The Control Manual establishes the following types of activities aimed at preventing criminal acts:

- **Prevention Activities:** the aim of these activities is to prevent potential breaches or non-compliance with the Crime Prevention Manual and, therefore, to mitigate the likelihood of the commission of criminal acts.
- **Detection Activities:** the aim of this second group of activities is to detect actual non-compliance with the Crime Prevention Manual either as a result of errors or ineffectiveness in the enforcement of prevention controls or as a result of malicious attitudes involving deceit or fraud.

The specific structure of control is organised into three levels:

1. **General corporate policies and documentation relating to the Corporate and Organisational Structure:** They establish the values and ethical principles that shape the guidelines for action on a corporate level and for all members of the Spanish companies pertaining to Emperador Properties in the performance of their professional duties. An example of this category is the Code of Ethics.
2. **Internal rules and manuals that regulate operations:** Those which, following the general guidelines in corporate policies, describe the specific framework of action that must be observed when engaging in specific tasks. Examples of this category include the Criminal Compliance Policy, the Self-Assessment Process and Crime Prevention Model Monitoring as well as the Money Laundering Prevention Manual.

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3. **Operational controls and procedures:** This category includes controls and procedures, whether manual or automatic, that seek to limit the occurrence of events, errors or irregularities. Some of these controls and procedures help to avoid actions that may lead to the commission of a criminal act or a failure to observe control criteria established by internal rules and manuals.

### **Article 31bis 5.3 CP**

*“There shall be adequate financial resource management models to prevent the commission of crimes that must be prevented”.*

The allocation of adequate and sufficient resources is another requirement for an effective Crime Prevention Model. The concept of “adequate financial resources” must be understood in a broad sense; in other words, not interpreted simply in economic terms.

In short, there are two sides to a financial resource management model:

- The implementation of a series of financial control to supervise asset entries and debits.
- The establishment of sufficient resources to ensure proper functioning of the Crime Prevention Model. This economic sum shall be earmarked, for example, for training or for the establishment of a Compliance Inbox.

The Spanish Companies of Emperador Properties have accounted for the costs of formalising the Organisation and Risk Management Model and will provide the Compliance Prevention Body with the necessary financial and human resources for proper and effective functioning thereof.

They will earmark a specific account or economic sum or one that falls under another each year that will be enough to facilitate compliance with the crime prevention system.

## **4. INTERNAL COMMUNICATION**

### **Article 31bis 5.4 CP**

*“The obligation of reporting possible risks and breaches to the body responsible for overseeing the functioning and observance of the prevention model shall be imposed”.*

The internal communication channel is an essential part of the crime prevention system. As a result, the Spanish Companies belonging to Emperador Properties shall include a channel known as the “**Compliance Inbox**” in their model in order to enable people to communicate, detect and prevent possible irregularities, improper acts, behaviours that are contrary to the laws in effect or the Organisation’s internal policies which are present within it and may lead to some type of liability for the Spanish Companies that belong to Emperador Properties.

The Inbox must be confidential so as to encourage all employees to report any circumstance or action that violates or may violate the Code of Ethics, the Policy or other internal rules as well as the laws in effect.

The basic information that any communication must include shall be as follows:

- True, precise and contrastable arguments or evidence supporting the report.
- The person or group of people being reported in the communication.

## **5. DISCIPLINARY SYSTEM**

### **Article 31bis 5.5 CP**

*“A disciplinary system that adequately sanctions breaches of the measures established by the model shall be established”.*

The crime prevention model requires the existence of an internal sanctioning system that penalises behaviours by employees or management personnel which breach the measures and controls established.

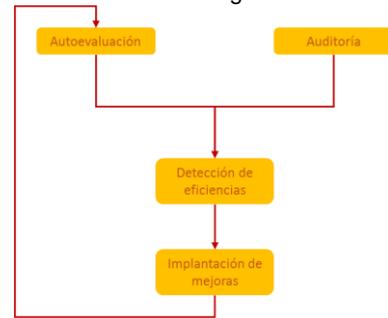
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It is the most effective way to transmit a message of achieving compliance discipline through reiterated sanctions for breaches.

Non-compliance with applicable regulations as well as the creation of a criminal risk deriving from a breach of external or internal rules may lead to the disciplinary sanctions possible in accordance with binding labour laws when employees are the offenders or other appropriate commercial measures when the offender is a member of the Governing Body.

Any sanctions applied shall be proportional to the offence detected pursuant to labour laws and the applicable Collective Bargaining Agreement based on the following criteria:

- The seriousness of the breach.
- The type of relationship between the offender and the Group and applicable discipline.
- The person's employment position and professional level.
- The harm suffered by the Group or a third party.



The labour-related sanctions that may be imposed are understood without prejudice to any illegal behaviour that must be reported to the competent courts when the act committed may be considered a crime.

### 6. PERIODIC VERIFICATIONS AND MONITORING

#### Article 31bis 5.6 CP

*“Periodic verifications of the model shall be done and modifications made when there are relevant breaches of the provisions or when there are changes within the organisation, control structure or business activity developed making them necessary.”*

The aim is to create an evolving Model, thereby preventing it from becoming outdated once implemented. For this purpose, the structure of the Model in general and the proper functioning of the controls applied to operations in particular must be evaluated so as to identify and correct any incidents.

On the other hand, the System must be subject to review whenever any of the following circumstances occur:

1. Relevant breaches of the provisions of the Model are detected or criminal behaviour is detected.
2. Modifications of criminal law affecting the legal entity's risk profile.
3. When there are changes within the organisation, control structure or business activity developed by the Group.
4. When the Crime Prevention and Control Body deems it necessary and issues a grounded report to the Governing Body.

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### II. OTHER REQUIREMENTS

Outside the scope of the requirements established by the crime laws mentioned above, there are two important points when implementing the crime prevention system.

#### 1. TRAINING

Employee and management communication and training are essential to an effective Organisation and Risk Management Model and prove the degree of commitment and involvement of the Group as concerns crime prevention. Moreover, it is the means through which any organisation may become aware of a culture of compliance and the importance of acting with the utmost respect for applicable regulations in order to prevent or minimise the risk of engaging in illegal conducts in the exercise of professional activities.

The Spanish companies of Emperador Properties shall develop an annual regulatory compliance training Plan so that all employees may understand their responsibilities and obligations.

This training will be based on regulatory compliance in general with a special emphasis on the criminal liability of the legal entity, focusing on the issues with the greatest impact or likelihood for the Group needing a deeper understanding by employees and management.

The Training Plan must be custom-built based on each area or department and designed so that the scope is as broad as possible within the Companies.

As concerns training materials, they must be clear and easily understandable as well as specifically adapted to the Group's policies, procedures and controls. This material must be periodically updated whenever legal reforms so require.

#### 2. CODE OF ETHICS AND CODE OF CONDUCT

The Spanish Companies that belong to Emperador Properties develop their own business within the legal and regulatory structures applicable to the Organisation; however, their compliance with the law is not enough.

Thus, the Spanish companies belonging to Emperador Properties have a Code of Ethics that establishes the foundation for a culture of values within the Group based on the concepts of integrity, excellence, teamwork, commitment and sustainability. The code is the framework of reference that guides the organisation's behaviour, outlining the beliefs and values governing the Organisation.

Additionally, the Spanish companies belonging to Emperador Properties have a Code of Conduct that complements the Code of Ethics and details the protocols of action in view of certain conducts.

In spite of the fact that neither document is required by the Spanish Penal Code as concerns the implementation of a crime prevention model, they are essential to the development thereof. To this end, Circular 1/2016 issued by the Spanish Crown Prosecution Service assumes the existence of a Code of Conduct based on the obligation of implementing a disciplinary system that establishes obligations for management and employees. Likewise, there must be a Code of Ethics that guides the organisation's behaviour, outlining the beliefs and values governing the Organisation.

#### **Circular 1/2016**

*"The obligation of establishing an adequate disciplinary system that sanctions non-compliance with the measures adopted in the model as mentioned in the fifth requirement assumes the existence of a code of conduct clearly establishing director and employee obligations. Logically, the most serious offences shall be considered crimes yet conducts shall also be considered which prevent or hinder the discovery thereof as well as any breach of the specific obligation of reporting any non-compliance detected to the control body as referred to by requirement four".*

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### **III. UPDATING AND REVISIONS**

The Governing Bodies of the Spanish Companies pertaining to Emperador Properties have approved this Criminal Compliance Policy document in collaboration with the Organisation's Compliance Body.

The Crime Prevention and Control Body must have the following duties:

1. Suggesting modifications to this Policy deemed appropriate so as to maintain the spirit thereof, to the Governing Bodies.
2. Keeping a record of the different versions of the Policy including all updates made with an indication of the version number, reasons for any change and the date implemented.

### **IV. PUBLICATION AND DISSEMINATION**

The Governing Bodies of the Spanish Companies belonging to Emperador Properties and the Crime Prevention and Control Body shall keep a copy of the original version of the Criminal Compliance Policy and all successive updates. They shall be responsible for publishing the electronic version and distributing it among directors, employees and third-party collaborators.

It shall be distributed by email and acknowledgement of receipt made by all members of the company and third-party collaborators. Proof of notification shall be kept along with the original version of the distributed document.

The Companies shall resend it whenever there is a significant modification to the Code and always in the event that there is a new collaborator. Failing that, they shall use any method that is effective and helps to obtain the desired results.

The Governing Bodies of the Companies and the Crime Prevention and Control Body shall ensure that all the directors, employees and third-party collaborators have access to the updated electronic version of the Criminal Compliance Policy through the office systems made available to them for the dissemination of internal control procedures.

## ANNEX I – LIST OF CRIMES GENERALLY APPLICABLE TO ANY LEGAL ENTITY

Crimes that cause criminal liability for the legal entity	
Illegal organ trafficking	Human trafficking
Prostitution, corruption of minors and child pornography	Privacy: Disclosure and revelation of secrets
Swindling	Obstruction of justice
Punishable insolvency	Price fixing in public procurement
Electronic damage	Intellectual property
Industrial property	Market: Disclosure and revelation of corporate secrets
Goods reduction harming consumers	Deceitful advertisement
Investor fraud	Manipulation and alteration of securities and financial instruments
The use of privileged information	Improper access to broadcasting or interactive services
Corrupt business	Money laundering
Illegal funding of political parties	Tax fraud
EU budget fraud	Subsidy and grant fraud
Social Security fraud	Non-compliance with accounting obligations
Workers' rights	Foreigners' rights
Territorial organisation and urban development	Natural resources and the environment
Crimes relating to nuclear energy and ionizing radiation	Crimes relating to risks caused by explosives or other agents
Public health	Falsification

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Bribery	Influence trafficking
Embezzlement	The exercise of fundamental rights and liberties
Terrorist organisations and groups and terrorism crimes	Contraband

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