



LA SEDA DE BARCELONA

*Progress in internal control policy and mechanisms*

## **LA SEDA DE BARCELONA APPOINTS PRICEWATERHOUSECOOPERS AS NEW AUDITOR FOR THE COMPANY ACCOUNTS**

- The three internationally most renown auditing companies have submitted a tender.
- Audit Committee made up by expert and independent directors.
- Deployment of a series of policies to guarantee the rigor and transparency of the organization

Barcelona, 14 June 2010.- The Board of Directors of La Seda de Barcelona has appointed PriceWaterhouseCoopers as new accounts auditor of the chemical corporation. This selection is the consequence of having put up a tender in which the three internationally most renown auditing companies have participated. The appointment of a new auditor will have to be ratified by the General Shareholders Meeting which will be held on 22. June.

By nominating PWC as new accounts auditor of La Seda de Barcelona, the commitment acquired by the main executive body of the company, as to increasing the organization's internal control mechanisms in order to avoid irregular situations, as the ones happened with the previous executive team, has been fulfilled.



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**An Audit Committee made up by expert and independent directors**

During the last months, La Seda de Barcelona has regularized the Appointment and Retribution Committee and set up the Audit Committee. In this year's month of March, Carlos Soria was appointed, by cooptation, joining the Board of Directors as an independent member, assuming the chairmanship of the Audit Committee and being also part of the Appointment and Retribution Committee. Soria has solid academic studies in this area and a professional career backed up by more than 30 years in the auditing sector.

Since the new Board was set up in June 2009, the management equipment has made a great effort to increase its efficiency, transparency and security in all of the organizational processes. In this sense, the Board's main idea has focused on adding independent directors to guarantee a 100% defense of the company shareholders' interests.

Soria was appointed following this scheme, to which we have to add the appointment by cooptation of two new BoD members: José Luis Riera, who is representing the interests of the bank institutions making up the Syndicate Loan and Emilio Zaffignani as an independent director.

Whereas these positions still have to be ratified by the General Shareholders Meeting, the 3 new directors are making up the company's Audit Committee, filling in the professional profile to carry out the specific functions required for this internal control body.



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**Board of Directors: reduced number of members, *expertise* and independence**

The entry of the new executive is supposed to shape up a more efficient and participatory Board of Directors.

Moreover, the Board commissions have been reorganized in order to delegate certain executive, supervisory and control functions, for each commission member to have the sufficient knowledge and experience to work in an efficient, objective and independent way.

In the first place the number of Board Directors has been reduced in previous months from eleven to eight. In 2007-2008 the Board had even reached a composition of sixteen members.

A Board of Directors which is giving priority to members who contribute with *expertise* and backed up by management knowledge as well as by independence. In this sense, the company's main government body is currently made up by two executive directors, two representative directors, one to be considered as "other external" and three independent.

**Internal control policies and mechanisms**

On the other hand, La Seda de Barcelona is thoroughly working in dynamically adapting the new dimension of the organization according to the Restructuring plan's objectives. The new management is executing the full **integration process** of all Seda Group components, which covers **information systems as well as *reporting***.



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### **Delegated Authorities Policy**

In line with this new Seda Group dimension and its market demands, the organization is following an in depth review of all the Group's key processes in order to improve their efficiency. Under these parameters, the Board has approved the **Delegated Authorities** Policy to be implemented, which are the standards to regulate the setting up and control of authority delegations within the different organizational levels, by detailing every significant transaction, including the ones delegated to the Board of Directors.

This policy has been designed following the new organization currently in place which requires joint signatures in all transactions with all decisions being taken by the Corporate Area. With a scope that covers the whole Group, this is an important step towards a clear definition of responsibilities of each executive function which are transparent for the organization.

In this sense, since July 2009, with the entry of the new management team, a **joint** signature system was put in place, by means of which the Board was making sure that all transactions are provided with the signature of two or three executive positions such as: General Manager, Vicepresident or President of the Company.

### **Sales Policy**

With respect to the internal control, a new sales policy for the whole Group has been implemented which refers to the selection and acceptance of new customers, definition of functions for the sales process, establishing new filters to detect any significant anomaly in the management of sales orders as well as procedures to unify the commercial and financial information of all the organization.



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To design and control the Sales Policy procedures, the Company has counted on the **Commercial Credit Committee**, headed by the General Manager, who has the function to establish the rules to be followed in the awarding of commercial loans to the customers. Through these measures it is also intended to avoid payment defaults and maximize the “cashflow” by means of reducing the working capital.

### **Purchase policy**

In order to reinforce the control measures on the Purchasing Policy which has been set up by the new management team, an initial trial period was set up at the Group’s corporate site in El Prat de Llobregat, which is already showing the foreseen improvements in the first months of having been implemented. All this information is available in the business management program SAP, thus improving the transparency of transactions as well as the authorization process, based on the correct segregation of functions, according to the new organization.

Control indicators have been set up for measuring and following up the critical process activities that allow to assure the fulfillment, identifying the risks, apart from detecting the issues to be improved, a new focus oriented towards a continuous improvement in each key process of the business.

With these mechanisms of internal verification and with all the process-related reviewing and updating tasks, we are achieving a better control, security, traceability and information which is available in real time. These improvements are expected to be beneficial for transparency and to provide information which is relevant, correct and truthful in an equitable way for the involved agents, within a useful timeframe.

In these last months the company has been capable of implementing the necessary processes which are beneficial for the rigor and transparency of the organization, establish in a complicated scenario an audit committee



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made up by experts of this area, which have been backed by a solid professional career and appoint one of the most internationally renown companies to audit and verify the annual accounts.