



# Call for tenders

## **Appointment of statutory auditor**

September 2018

## Table of contents

1. Purpose of the consultation	3
2. Context of the call for tenders	3
2.1. Presentation of the Group	3
2.1.1. Business overview	3
2.1.2. Strategy	3
2.1.3. Corporate Social Responsibility	4
2.2. Legal and Financial information	4
2.2.1. Financial reporting and internal controls	4
2.2.2. Legal and organizational structure	5
2.2.3. Information technology	5
2.2.4. Subsidiaries and branch	5
2.2.5. External growth	5
2.3. Relationship with external auditor	6
2.3.1. Key factors	6
2.3.2. Perimeter of the tender	6
2.3.3. Organization of audits	7
3. Expected proposal	8
3.1. Presentation of the audit firm and its network	8
3.2. Technical content	8
3.3. Financial offer	8
4. Evaluation criteria	9
5. Conduct of the call for tenders	9
5.1. Calendar	9
5.2. Submission method	10
5.3. Group contacts	10

## 1. Purpose of the consultation

The law of 7<sup>th</sup> of December 2016 regarding the organization of the profession and the public supervision of auditors stipulates that mandate of the statutory auditor is 3 years but is limited to 3 consecutive terms, i.e. 9 years maximum.

An extension until 18 years is however possible in case of public call for tenders at the end of the third mandate.

EY was appointed statutory auditor to audit the accounts of Spadel at the Ordinary General Meeting of 10<sup>th</sup> of June 2010. As mandate of EY was renewed twice (2013 and 2016), EY will have achieved 3 consecutive terms, for a total duration of 9 years at the Ordinary General Meeting of June 2019.

## 2. Context of the call for tenders

### 2.1. Presentation of the Group

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#### 2.1.1. Business overview

The Spadel Group is headquartered at the level of Spadel S.A. (in Brussels) that is a family owned independent company quoted on Euronext.

The Group produces three ranges of natural water-based drinks: natural mineral waters and spring waters, flavoured natural waters and lemonades with 100% natural ingredients.

Spadel Group's strategy focuses on strong regional brands that are mainly available across Europe: Spa, Bru, Devin, Divna, Wattwiller, Carola and Brecon Carreg.

The Group consists in six production sites that are geographically located in Belgium, Bulgaria, France and UK.

In 2017, Spadel Group achieved a consolidated turnover of 289 M€ and a net income of 26,4 M€; It employed around 1.351 employees.

#### 2.1.2. Strategy

The Spadel Group strategy is to ensure profitable and durable growth based on the seven following objectives:

- Constantly investing in its brands to strengthen the Group's market position;
- Innovating to continue to strengthen its product portfolio and improve packaging;
- Producing drinks towards naturalness;
- Continuously improving operational excellence;
- Incorporating sustainable development in daily activities;
- Integrating the 'digital' in its communication and its business strategy;
- Attracting and developing highly motivated people with good entrepreneurship.

### 2.1.3. Corporate Social Responsibility

The Spadel Group attaches great importance to its responsibilities as a corporate social responsible company:

- Creation of added value for all its stakeholders in order to ensure business sustainability;
- Continuous reduction of its environmental impact and preservation of nature for future generations;
- Ensuring that its employees are its greatest asset.

## 2.2. Legal and Financial information

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### 2.2.1. Financial reporting and internal controls

Finance organization is centralized within the Group.

Audit Committee is composed by members of the Board of Directors of Spadel.

It meets three times a year and is responsible for:

- Monitoring the process of preparing financial information;
- Monitoring the effectiveness of the company's internal control and risk management systems;
- Monitoring internal audit and its effectiveness;
- Monitoring the statutory audit of the annual accounts of Spadel S.A. and the consolidated financial statements, including the follow-up of the questions and recommendations made by the auditor in charge of the audit of the consolidated financial statements;

Internal Auditor is responsible for independently analyzing and evaluating the existence and functioning of the internal control system, as well as making recommendations for improving it. The Internal Auditor reports hierarchically to the Chief Financial Officer and functionally to the Chairman of the Audit Committee.

Regarding the process of preparing financial information, Spadel has put in place a system of internal control and risk management to ensure that:

- Financial information, prepared in accordance with Belgian GAAP at Spadel S.A. and the International Financial Reporting Standards (IFRS) at consolidated level are published within the statutory period and give a fair view of the assets, financial position and the results of the Company and consolidated and of the subsidiaries of the Company included in the consolidation;
- Management report contains a faithful presentation on the evolution of the business and the situation of the Company and the subsidiaries included in the consolidation as well as a description of the main risks and uncertainties they face.

Procedures are in place to ensure that investments and purchases of supplies and services are made within the budgets set by the Board of Directors and under the control of the Executive Management. An invoice control system for these transactions is in place.

## 2.2.2. Legal and organizational structure

Spadel S.A. owns (directly or indirectly) a majority stakes in all its subsidiaries:



The Spadel Group is characterized by a decentralized structure whereby the various entities of the Group enjoy a certain degree of autonomy as to their local activities / operations. Spadel SA, in its capacity of the Group's parent company, houses certain Group strategic functions as well as provides certain shared strategic Group services.

## 2.2.3. Information technology

SAP is implemented in all entities in the Group, with the exception of Devin E.A.D. and Atlantic Devine E.A.D. whose accountings are based on Microsoft Navision Dynamics software.

## 2.2.4. Subsidiaries and branch

Entity	Location	Key figures 2017 (in M€)		Heads
		Assets	Turnover	
Spadel S.A.	Belgium	270,1	187,6	87
Spa Monopole S.A.	Belgium	167,7	107,4	510
Bru-Chevron S.A.	Belgium	20,8	9,2	27
Spadel Nederland B.V.	Netherlands	25,9	121,4	58
Devin E.A.D.	Bulgaria	128,9	41,3	473
Atlantic Devine E.A.D.	Bulgaria		(9 months)	66
Les Grandes Sources de Wattwiller S.A.S.	France	21,6	24,2	47
Les Eaux Minérales de Ribeauvillé S.A.	France	18,3	22,7	45
Brecon Mineral Water (Branch)	UK (Wales)	9,1	11,6	38

## 2.2.5. External growth

The Group has recently acquired some entities in France (2013) and Bulgaria (2017) and remains attentive to other external growth opportunities.

## 2.3. Relationship with external auditor

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### 2.3.1. Key factors

- Reputation of the auditor;
- Experience in “foods and beverages” business;
- International presence of auditor and coordination of the network;
- Technical skills and expertise of team members
- Adequacy and quality of the audit approach;
- Amount of fees;
- Experience with quoted companies;
- Experience in family-owned companies;
- Absence of conflict of interest;
- Respect of the audit schedule;
- Availability of the partner and the manager;
- Ability to work transparently with Management and Internal Audit.

### 2.3.2. Perimeter of the tender

- **Half-year financial statements are not subject to auditor review and are thereby excluded from the perimeter of the tender**
- **Audit of the annual statutory and consolidated financial statements**

Auditor will ensure that the annual financial statements present fairly, in all material respects, the financial position of the company, the results of its operations, and changes in net assets and cash flows in accordance with local GAAP and IFRS (consolidated financial statements).

Entity	Annual statutory accounts	Annual Consolidated accounts	Scope
Spadel S.A.	Yes	Yes	Full audit
Spa Monopole S.A.	Yes	n.a.	Full audit
Bru-Chevron S.A.	Yes	n.a.	Full audit
Spadel Nederland B.V.	No (exemption)	n.a.	Specific audit
Devin E.A.D.	Yes	Yes	Full audit
Atlantic Devine E.A.D.	Yes		Specific audit
Les Grandes Sources de Wattwiller S.A.S.	Yes	n.a.	Full audit
Les Eaux Minérales de Ribeuwillé S.A.	Yes	Yes	Full audit
Brecon Mineral Water	No (branch)	n.a.	Specific audit (*)

(\*) Auditor will conduct his review from Belgium but will travel to Wales at least once every three years.

- **Management Letter**

As a result of the audit, the auditor may identify managerial or operational controls or accounting procedures that can be implemented or improved. Where such opportunities for implementation or improvement are identified, the auditor shall make recommendations to the Audit Committee.

- **Annual information for the Spa Monopole Works Council**

Auditor will review the annual information for the Spa Monopole Works Council and attend to annual meeting (April).

- **Specific periodic certifications**

Auditor may be asked to issue report in relation with requests for ad-hoc certifications from various organizations, administrations or suppliers (f.i. accord de branche énergie CO2).

- **Attendance to Audit Committee (3/year)**

- **Attendance to General Meeting of Shareholders**

### 2.3.3. Organization of audits

The audits will be planned well in advance so that the deadlines for the following steps can be met scrupulously:

Month	Steps	Requirements
September	Interim audit	<p><u>Audit</u></p> <ul style="list-style-type: none"> <li>▪ The auditor organizes a kick-off and closing meeting with the financial responsible of each of the entities audited;</li> <li>▪ Comments from local management must be obtained for all management letter points (including IT review, if any) before the conclusions are presented to Corporate Finance;</li> <li>▪ Any delay in the initial audit schedule is discussed transparently with the local management and the follow-up is organized in the most effective and efficient way;</li> <li>▪ The set of statutory financial statements are certified within the statutory publication deadlines of each of the countries concerned.</li> </ul> <p><u>Report</u></p> <ul style="list-style-type: none"> <li>▪ Auditor report is written in English;</li> <li>▪ The final version must be sent to Corporate Finance seven days before the date of the Audit Committee;</li> <li>▪ Auditor presents an executive summary of the report during Audit Committee.</li> </ul>
November	Presentation of interim audit conclusions at Audit Committee	
February	Final audit (statutory and consolidation)	
March	Presentation of final audit conclusions at Audit Committee	
April	Works Council Spa Monopole	<ul style="list-style-type: none"> <li>▪ Attendance of auditor is required.</li> </ul>
June	General Meeting of Shareholders	<ul style="list-style-type: none"> <li>▪ Attendance of auditor is required.</li> </ul>
August	Audit Committee	<ul style="list-style-type: none"> <li>▪ Attendance of auditor is required even if the half-yearly financial results are not audited.</li> </ul>

### **3. Expected proposal**

Candidates are invited to submit a proposal including a technical and a financial part. Expected proposal must remind the scope of the call for tenders and the nature of services. Proposal must be written in English.

#### **3.1. Presentation of the audit firm and its network**

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- Reputation of the firm;
- Geographic locations and global network;
- Staff and financial data;
- Quality and independence approach (procedures in place, independent review policy, rotation of partners and succession planning);
- Firm's CSR policy;
- Confirmation of compliance with social and tax obligations and legislation in this area;
- Relevant sector references;
- Skills and expertise (IFRS, CSR, taxation, information systems, tools, etc.);
- How the team works and stability.

#### **3.2. Technical content**

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- Audit approach;
- Scope, schedule, deliverables;
- Coordination with the network and interaction with the Group's teams;
- Tools and software used;
- Structure of the proposed audit team;
- CVs of partners and managers, including two customers references;
- Intervention schedule, issuing of reports, communication with the financial management and the audit committee;
- Transition management approach (recovery of current auditor file).

#### **3.3. Financial offer**

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- Nature and extent of the estimated due diligence (hours of work);
- Global fees and fees per entity;
- Billing and indexing methods;
- Hourly rates proposed for ad-hoc certifications;
- Disbursement and ancillary costs.



#### 4. Evaluation criteria

Evaluation of tender will be based on the following criteria:

Criteria	Quotation
Quality of proposal and its adequacy to specifications (document and presentation)	20%
Audit approach	30%
Audit team	30%
Financial conditions	20%

#### 5. Conduct of the call for tenders

##### 5.1. Calendar

Step	Calendar
Specifications are sent	21/09/2018
Time for questions	24/09-19/10/2018
Candidates submit their proposal	22/10/2018
Examination of proposals and requests for additional information	23/10-14/11/2018
Proposals are sent to the members of Audit Committee	15/11/2018
Candidates present their proposal to the members of Audit Committee	22/11/2018
Audit Committee makes a proposal to the Board of Directors	March 2019
Decision of the Board of Directors	March 2019
Opinion of the Spa Monopole Works Council	April 2019
Appointment by the Ordinary General Meeting of Shareholders	June 2019

## 5.2. Submission method

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Candidates are expected to submit their proposal electronically.

## 5.3. Group contacts

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