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Letter from the Chairman

Dear Shareholder,

We have hit the half-way mark on our 2016-2020 MORE TO BE strategic plan, a period in which Viscofan has been strengthened as the leading casing company with the deployment of initiatives that involve a very in-depth transformation.

Far from being content with the leadership position we have achieved, we have maintained our road map with the conviction that only those companies capable of leading technology, service and costs will be able to face the challenges of the sector and the

opportunities that open up in a world as dynamic as the current one.

Last year's letter highlighted the record time construction of the new cellulose and fibrous plant in Cáseda (Spain), and this year, I'm pleased to let you know that this new technology is already a reality: it is no longer a pilot project, and now sells its products with high levels of customer acceptance, with productive and quality ratios that improve significantly compared to our previous standard. These results encourage us to complete the final modules in order to achieve a critical mass that maximises investment returns and

prepares us for the expected growth in these technologies without the need for significant additional investments.

The casings market continues to grow every year, now exceeding 60 billion meters per year, and with it our commitment to reach millions of homes around the world. This is a challenge that involves solving new challenges and finding opportunities wherever they may occur.

Proving once again that our vocation for growth has no borders is the recent acquisition of Globus in Australia and New Zealand, curiously in the geographical antipodes of Spain, where our Group was founded more than 40 years ago. Other examples of new horizons, this time technological, are the aforementioned plant 4 in Cáseda, the acquisition at the beginning of the year of Transform Pack, a Canadian company specialising in the transfer of ingredients, which opens doors to new concepts of added value in the sector, and our progress in more diversified areas such as collagen hydrolysates and bioengineering, where in 2018 we were approved by the Spanish authorities to conduct clinical trials in human hearts, a sample of our ability to make innovative products with the highest quality standards.

Our company is prepared to grow and better adapt to this environment than any other company in our sector, and this is backed by achievements that are detailed throughout this annual report: excellent production and safety numbers in practically all our plants, improvement in market share, distance of profitability from the main casing producers, solid balance sheet and generation of cash flow to support our growth plans, without renouncing new highs in shareholder remuneration, are some indicators of this improvement.

Despite this, it has not been an easy year. Our transformation has coexisted with an environment characterised by volatility, as a result of global uncertainties, something that has impacted not only our market, but also economic and political relations around the world.

In this sense, our results, even with a new historical maximum revenue, have come in below our initial expectations. We have grown in volumes in all our technologies, accompanying our commercial activity with a pricing strategy that puts into value the benefits provided by our casings to customers and consumers, and that adapts to the costs in our sector. Once again, the erosion in exchange rates, especially the US dollar and the Brazilian real, has been the main difficulty in improving our results on the previous year, together with increases in the cost of raw materials and energy.

We have grown and strengthened our leadership, although the reduction of our expectations has affected stock performance, which has gone from historical highs to annual minimums in the last quarter, causing our share price to fall by 12.5% during the year. Our performance has been better than that of reference indices such as the Ibex 35, which dropped by 15%, or the EuroStoxx 600, which dropped 13.2%.

In a changing environment, with the imbalances and uncertainties we are facing, Viscofan once again supports its commitment to the objectives of sustainable development and the 2030 agenda by renewing our support for the Global Compact. The non-financial information included in this integrated annual report shows that our transformation process is also a success thanks to a solid positioning to guarantee long-term sustainability. We have built a unique business model around our values and principles: the largest commercial portfolio in the market; the most advanced technology

Having concluded the first part of our strategic plan, we are now beginning a phase in which the results of our transformation will be more visible

applied to our processes to improve our products, our cost structure and our impact on the environment; and being present in more countries and continents than any other company in our sector. Above all, Viscofan has a formidable team of more than 4,600 people who share values and a commitment to continuous improvement as a constant source of competitive advantage, whom I would like to thank for their tireless work this year.

Having concluded the first part of our strategic plan, we are now beginning a phase in which the results of our transformation will be more visible. Investment needs are significantly reduced to around 60 million euros, while we will resume the growth trend in revenues, EBITDA and pre non-recurring net profit. Increased cash flows in a very healthy balance sheet will allow us to continue promoting growth and remuneration for our shareholders.

Based on the 2018 results, the Board of Directors has approved the largest distribution of dividends in our history: a payment of €1.60 per share, to which must be added €0.13, distributed as an extraordinary dividend due to the distribution of the extraordinary benefit from the compensation for patent infringement. A direct payment of more than 80 million euros, which is 11.6% higher than that proposed the previous year and 28% more than the amount distributed before the MORE TO BE period began. A direct payment that has been supplemented by the indirect

payment of 5 million euros from the amortisation of treasury shares acquired during the year and which was approved by the Board of Directors last January.

I would like to wrap up by thanking you on behalf of the Board of Directors and the entire Viscofan team for your support and confidence, and convey my commitment to continue promoting Viscofan as a leader and benchmark of sustainable value creation to all our shareholders in this promising future that is presented to us and that we look at with hope and optimism.



José Domingo de Ampuero y Osma
Chairman

Financial results





Context

The market of casings grew around 2% in volumes over the year, likewise the growth obtained by Viscofan.

In 2018, the Viscofan Group has maintained an intense operational, investment and commercial activity in line with the initiatives promoted in the MORE TO BE strategic plan focused on achieving triple leadership in service, cost and technology.

Among these initiatives, the start-up of the new cellulose and fibrous plant in Caseda (Spain) stands out, with an accumulated investment of €71.2 million, of which €20.3 million was invested in 2018.

Production began in the new facilities in the first months of the year, and in less than twelve months, better ratios of productive speed, efficiency and product quality have been obtained compared to traditional technology, both in cellulose and fibrous casings.

The plant project continues to advance according to the plans in place, about one third of the project in cellulose has been completed and 80% of the total planned for fibrous, with the total capacity expected to be available in 2020.

In 2018, small-calibre collagen capacity was installed in the Novi Sad (Serbia) plant to respond to the growth of this technology and improve the level of service for our customers.

Together with these initiatives, the Viscofan Group is still immersed in its MORE TO BE strategy for the operational improvement of the Group's plants, which have achieved record productivity levels.

In February 2018, Transform Pack Inc. was acquired in Canada, a company specialised in the transfer of ingredients. The development of this technology makes it possible to provide spices, flavours, aromas, and colours from the casings.

In November 2018, Viscofan also acquired the Globus companies in Australia and New Zealand for AUD13.3 million, of which AUD8.7 million was disbursed at the end of 2018. The Group incorporates its main distributor in these countries. Globus has a long history as a supplier of casings, films and bags, among others, as well as having extensive knowledge in the sale of equipment for the food industry, which will improve Viscofan's proximity and service in this region that, with this acquisition, expands its presence to a new continent.

All this investment activity has been accompanied by a commercial activity that has sought to combine growth and price improvement amid higher costs of raw materials and energy.

The casings market grew in volumes of around 2% over year, in line with the growth obtained by the Viscofan Group. Commercially-speaking, it should be noted that all reporting areas grew in volumes during the year, and in the last quarter the expected rate of growth in the Group was regained thanks to the strength of the volumes in Latin America and the recovery in Asia.

The Viscofan Group is still immersed in its MORE TO BE strategy for the operational improvement of the Group's plants, which have achieved record productivity levels.

Viscofan has reached a new historical high in its revenue figure, however, the weak performance in the third quarter and the increase in energy costs in the second half of the year has meant that the results are slightly below those shown in the initial guidance in terms of revenue and EBITDA.

In the other business divisions, it is worth mentioning the authorisation from the Spanish Agency for Medicines and Medical Devices to start carrying out the first clinical trials within the Cardiomesh project, a collagen film manufactured by Viscofan that is implanted in hearts to improve the cardiac activity of people with severe heart failure. The R&D activity for the development of collagen hydrolysates is very far along, expecting more significant commercialisation in 2019.

All of these activities have been accompanied by a high level of investments in the three years of the MORE TO BE strategic plan. However, the solidity of cash generation has allowed us to maintain the balance sheet strength with a net bank debt at the end of 2018 of 0.4 times EBITDA, and to continue to pay increasing amounts to our shareholders with the distribution of an ordinary dividend of €1.60 per share. The payment of an extraordinary dividend must be added to this payment, charged to the non-recurring results from the compensation for patent infringement of €0.13 per share, and the repurchase of shares worth €5.3 million.

The progress made in the MORE TO BE strategic plan, the positioning of Viscofan, the incorporation of the new companies and the development and implementation of the new technology place Viscofan in a privileged position to continue consolidating its leadership in the sector with new growth of revenues, EBITDA and recurring net profit expected for 2019.

Changes in the scope of consolidation

Globus

In November 2018, the Viscofan Group acquired 100% of the Globus companies in Australia and New Zealand, which were added to the consolidation perimeter of the Viscofan Group on 1 December 2018 using the full consolidation method.

Transform Pack Inc.

In February 2018, the Viscofan Group signed a SPA agreement with a group of private investors and the province of New Brunswick (Canada) for the cash purchase of 100% of Transform Pack Inc.

The acquired company was added to the Viscofan Group consolidation scope on 1 March 2018 using the full consolidation method.

Supralon

In November 2017, the Viscofan Group signed a SPA agreement with a group of private investors for the cash purchase of 100% of Supralon International AG, Supralon Verpackungs AG and their subsidiaries. Supralon Produktions und Vertriebs GmbH and Supralon France SARL.

The subsidiaries were included in the Viscofan Group consolidation scope as of December 1, 2017 using the full consolidation method.

2018 results analysis

Selected figures. Viscofan Group income statement ('000€)

	Jan-Dec' 18	Jan-Dec' 17	Change	Like-for-like ⁽²⁾
Revenue	786,049	778,136	1.0%	2.9%
Recurring EBITDA ⁽¹⁾	189,708	206,763	-8.2%	-1.3%
Recurring EBITDA Margin ⁽¹⁾	24.1%	26.6%	-2.5 p.p.	-1.1 p.p.
EBITDA	208,759	211,235	-1.2%	
EBITDA Margin	26.6%	27.1%	-0.5 p.p.	
Operating profit	146,321	154,853	-5.5%	
Net profit	123,711	122,019	1.4%	

(1) Recurring results: a) In 2018, the figure does not include the €15.4 million impact recorded in Other Operating Income corresponding to the conclusion of the lawsuit against Mivisa Envases S.A. €5.5 million of negative goodwill recorded with the acquisition of the Globus companies, net of €1.8 million recorded in Other operating expenses related to consultancies and lawyers for said litigation and the acquisition of companies. b) In 2017, it does not include the positive impact of €4.5 million corresponding to the net impact of the collection of the compensation for the fire in Germany once the non-recurring expenses of inventories, clearing and cleaning were deducted; and the management expenses associated with the purchase of Supralon companies in Europe, among others.

(2) Like-for-like: Like-for-like growth excludes the impact of the variation in exchange rates, the effect of the change in the consolidation scope and the non-recurring gains of the business.

In like-for-like terms, revenue was up 2.9% in 2018 vs. 2017, that is, without taking into account the impact of the new acquisitions that contribute + 2.0 p.p. to the growth of the Group.

Revenue

Revenue in 2018 amounted to €786 million, a 1% increase on the previous year. By revenue type, reported casing sales contributed €741.4 million (+1.0% vs. 2017) and revenue from co-generation sales totalled €44.7 million (+1.4% vs. 2017).

In like-for-like terms¹, revenue was up 2.9% in 2018 vs. 2017, that is, without taking into account the impact of the new acquisitions that contribute + 2.0 p.p. to the growth of the Group, or the performance of the exchange rates, which negatively affects 2018 growth by -3.8 p.p.

The breakdown and geographical² performance of revenue in 2018 is as follows:

- Europe and Asia (56.9% of the total): Reported revenue stands at €447.6 million, up 3.1% on 2017. On a like-for-like basis, revenues grew by 0.6% in 2018 vs. 2017.
- North America (28.5% of the total): Revenue amounted to €223.8 million, a decline of 1.9% on 2017, caused mainly by the weakness of the US\$ against the €, while in like-for-like terms revenue increased + 2.7% vs. 2017.
- Latin America (14.6% of the total): Revenue stood at €114.6 million, down 1.1% on 2017 caused by the weakness of the Brazilian real against the euro (-16.3%). In like-for-like

1. Like-for-like: Like-for-like growth excludes the impact of the variation in exchange rates, the effect of the change in the consolidation scope and the non-recurring gains of the business.
2. Income by origin of sale.

terms, revenue from Latin America was up 11.9% in 2018 vs. 2017

Other operating income

Other operating income through to December came to €21.0 million, including €8.5 million received in January 2018 as compensation for patent infringement and a further €6.9 million in June 2018 resulting from the agreement reached with Crown Food España S.A.U. to end the legal actions.

Operating expenses

Consumption costs³ rose by 8% in 2018 vs. 2017 to €227.6 million. This increase is due to increased costs of raw materials, mainly caustic soda (+ 28% on the previous year) and glycerine (+ 40% on the previous year).

The increased prices of production inputs are from commercial activity aimed at adapting sales prices, especially in the second half of the year. The gross margin⁴ accumulated in the year stands at 71.1% (-1.8 p.p. vs. 2017).

Personnel expenses in 2018 grew by 2.6 % vs. 2017 to €189.1 million with the average workforce increasing by 1.9% to 4,641 (excluding the incorporation of 98 people in December of this year after the acquisition of Globus in Australia and New Zealand). The increase in hired

staff, especially in Spain (+ 7.0% on the previous year) is associated with the start-up of the new plant.

The "Other operating expenses" have been kept under control and are down 0.4% on 2017 to €189.2 million, despite the fact that the expenses for energy supply increased by 5.1% compared to the previous year. These savings are due, in part, to the good maintenance of the plants and the productive efficiencies obtained.

With the performance of other operating expenses, it should be noted that savings have been obtained despite the inclusion of higher plant expenses and other expenses associated with the start-up of a new module for the production of state-of-the-art cellulose in the Cáseda (Spain) plant.



3. Consumption costs = Net purchases +/- Changes in inventory of finished goods and work in progress.

4. Gross margin = (Revenue - Consumption costs) / Revenue



by independent experts of the tangible and intangible assets of the group of companies acquired.

Operating profit

Like-for-like¹ EBITDA in 2018 is down by -1.3% vs. 2017 due to the increased costs with raw materials and energy, amid higher fixed and personnel expenses mostly associated with the commissioning of the new plant in Spain.

In reported terms, accumulated EBITDA stood at €208.8 million, -1.2% less than in 2017. The unfavourable performance of exchange rates negatively affected EBITDA reported for 2018 by more than €14.2 million or 6.9 p.p. However, the impact of exchange rates was offset by the profit obtained from compensation for patent infringement and the allocation of the purchase price of Globus assets, which have also generated a non-recurring accounting profit in the year.

Cumulative depreciation and amortisation costs in the year to date have risen by 10.7% vs. 2017 to €62.4 million, reflecting the investments made in the course of the MORE TO BE strategic plan, which has led to growth in assets and the improvement of the industrial park, with the new production plant in Cáseda being noteworthy.

As a result, the Group obtained a cumulative operating profit of €146.3 million, 5.5% less than 2017.

Profit from the business combination

Subsequent to the acquisition of the Globus companies in Australia and New Zealand, according to accounting standards on business combinations, independent experts must assign a purchase price to the net fair value of the acquired assets and liabilities.

The share of the Viscofan companies in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination. This difference was recognised in the profit for the year once the acquisition cost and the valuation of the net assets acquired had been reevaluated, generating a gain of €5.5 million in the consolidated financial statements of the Viscofan Group as a result of the higher appraisals

Non-recurring impacts

A comparison of the information on non-recurring business impacts during 2018 and 2017 follows, which contributed €19.1 million and €4.5 million respectively in operating profits.

In 2018 a gain of €5.5 million was reported corresponding to the negative goodwill from the lower cost of business combination over the corresponding value of the identifiable assets acquired less that of the liabilities assumed from the acquisition of the Globus companies in Australia and New Zealand.

In 2018, €15.4 million in Other Operating Income corresponding to the conclusion of the lawsuit against Mivisa Envases S.A.

The expenses of non-recurring third parties, including advisors and lawyers related to the law suit against Mivisa Envases S.A. and the acquisition of companies amount to €1.8 million.

In 2017, a positive impact of €4.5 million was recorded in EBITDA from the net impact of compensation for the fire in Germany following the deduction of, inter alia, non-recurring stock, clearance and cleaning costs and the management costs associated with the acquisition of the Supralon companies in Europe, among others.

Net financial result

In 2018, net profit was a positive +€1.0 million owing to the positive exchange differences of +€2.8 million, compared with a net financial loss of -€9.5 million in 2017, when foreign exchange differences were negative at -€8.5 million.

Net profit and taxes

Cumulative profit before tax through to December 2018 amounted to €147.3 million, with corporate income tax totalling €23.6 million at an effective tax rate of 16.0% (16.1% in the same period in the previous year).

The difference between the theoretical tax rate (28%) and the effective tax rate (16.0%) basically corresponds to the difference between the different tax rates for non-resident subsidiaries in Navarre (tax address for Viscofan S.A.) that pay taxes in each of the countries they operate in, applying the prevailing corporate income tax rate (or equivalent tax) for the period and the consideration of tax deductions for investments in some Group companies.

Finally, the Net profit accumulated to December is €123.7 million, 1.4% higher than the same period of the previous year.

Net profit

€123.7
million
+1.4% vs 2017

Investment 2018

**€71.6
million**

- Advanced technology for casing **production based in viscose**
- **Fibrous new technology**
- New generation implementation for **cellulose casing**

55% process improvements
25% ordinary investments
12% capacity and machinery
8% energy equipment and in plant safety, hygiene and environmental improvements.

Investment

€71.6 million was invested over the year compared to €107.2 million in 2017, with the most significant investment of both years being the construction of the Cáseda (Spain) plant and the installation of new technology for the production of viscose-based casings (cellulose and fibrous).

Production began in 2018 and new machinery was installed to increase the volume of production under this technology, with the aim of obtaining productive savings in 2019 and 2020. It should be noted that the meters produced using the new technology have shown greater levels of efficiency and productive speed, and a high degree of customer satisfaction.

In 2018 new edible collagen capacity was also installed and started up in Serbia.

Following the large investment effort made in the first phase (2016-2018) of the MORE TO BE strategic plan, the last years of this period (2019-2020) are characterised by a lower investment requirement in absolute terms, although in 2019, investment in additional machinery needed to complete the new technology project in Caseda is planned, and capacity increase projects remain in line with the expected growth needs in the market and with process improvements and energy optimisation.

The breakdown by type of the €71.6 million invested in 2018 is as follows:

- Around 12% of investment was in capacity and machinery.
- Around 55% of investment was in process improvements.
- Around 8% of investment was in energy equipment and in plant safety, hygiene and environmental improvements.
- The remaining 25% was spent on ordinary investments.



Dividend

The Board of Directors of the Viscofan Group has agreed to propose to the General Shareholders' Meeting the distribution of a final dividend of €0.95 per share, with an amount of €44.2 million to be paid out on 6 June 2019.

This means total shareholder remuneration amounts to €1.73 per share, consisting of:

- Ordinary remuneration stands at €1.60 per share, equivalent to the distribution of 60% of the net profit composed by the interim dividend of €0.64 per share (paid on 20 December 2018), the proposal of a complementary dividend of €0.95 per share (to be paid on 6 June 2019) and a Meeting attendance bonus of €0.01 per share.
- Additionally, an extraordinary dividend of €0.13 per share (paid on 22 March 2018) was distributed for the extraordinary capital gain from the payment of compensation for the patent.

The remuneration proposed is 11.6% higher than the total remuneration of €1.55 per share approved last year, implying a distribution of €80.5 million.

Treasury shares

During the year, the company acquired 103,682 shares at a cost of €5.3 million. Subsequently, in January 2019, the Board approved the execution of a capital reduction for a nominal amount of €72,577.40, through the redemption of the 103,682 existing shares.

Equity

The Group's Net equity in 2018 stood at €757.6 million, up 4.1% year-on-year due to the booking of a Net profit of €123.8 million from which is deducted €35.8 million as interim and extraordinary dividends against 2018 earnings (+24% vs. 2017).

Bank debt

The increase in shareholder remuneration, the stepping-up of the pace of investment projects, and the acquisition of Transform Pack Inc. and Globus companies in Australia and New Zealand were largely financed by cash flows from transactions, leaving Net bank debt⁵ in December 2018 at €79.6 million compared with €41.1 million at the end of December 2017.

Dividends

€1.73
per share

+11.6% vs. 2017

Financial commitments

Based on estimated growth, the Group plans to invest to strengthen its leadership position in the casings market and to continue improving the service it provides, as well as to upgrade its existing industrial equipment and operations. This forecast includes commitments such as capacity expansions, technological updates, optimisations of processes and environmental investments in safety and health. Thus, at year-end 2018, investment commitments totalled €4.9 million (€7.0 million at 2017 year-end).

At 31 December 2018, the Group has constructions and other items contracted under finance leases, the minimum payments and current value of which amount to €0.1 million (€0.2 million at 2017 year-end).

The Group also has various premises and other items of property, plant and equipment under lease arrangements. At 31 December 2018, the amount of the assets for right of use amounts to €19.6 million.

5. Net bank debt = Non-current bank debt + Current bank debt - Cash and cash equivalents

Non-financial statement





Basis of presentation

The non-financial statement included in this report has been prepared following the standard Global Reporting Initiative (GRI) in its standard version



See information about companies that form part of the Viscofan Group as of 31 December 2018 in note 2 of the consolidated annual report.

Scope

This non-financial statement covers the period between 1 January and 31 December 2018, corresponding to the fiscal year of the Viscofan Group, comprised of Viscofan S.A. and all subsidiaries with the exception of the Globus companies acquired in November 2018, where the processes have not yet been implemented in accordance with the policies and standards of the Viscofan Group.

Legal Basis and Principles

The non-financial statement has been formulated using the records of Viscofan, S.A. and its Group companies, and has been prepared in accordance with law 11/2018, of 28 December, amending the Commercial Code, the revised text of the Law on Corporations approved by the Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on non-financial information and diversity.

The non-financial statement included in this report has been prepared following the standard Global Reporting Initiative (GRI) in its standard version, in accordance with the essential scope according to the requirements of the GRI guide. The United Nations Global Compact, of which Viscofan is a partner, has also been used as a reference.

Comparison of information

The non-financial statement presents the comparative information with respect to the previous fiscal year, provided that this is relevant for the adequate understanding of the non-financial statement and that there are standardised criteria with respect to the previous fiscal year, including, where appropriate, changes in the scope. In some circumstances, it is impracticable to reclassify the comparative information of previous years in order to achieve comparability with the figures for the current period. For example, some data have been calculated for the first time in this non-financial statement, meaning that they have not been previously recorded and, as such, it is not possible to calculate the necessary comparative data. This non-financial statement is the first to follow the GRI standard, maintaining (insofar as possible) the same indicators that the company had previously reported, and making a footnote of the indicators published in previous years whose calculation has been restated according to the current GRI guide.

Materiality

The Viscofan Group regards Corporate Responsibility as the way in which it relates to its different stakeholders, and generates proposals of value. This commitment stems from the Company's mission to "Meet the world's food industry needs through customised casings which add value to our stakeholders" and is implemented through specific initiatives and monitoring tasks.

In 2018, a new materiality analysis was carried out with the advice of an independent expert to identify the most significant economic, environmental and social impacts of society that substantially influence the valuations and decisions of the stakeholders.

Three aspects were taken into account during the preparation of the materiality analysis:

a) Relevance for our stakeholders

The Viscofan Group is aware of the essential role played by stakeholders in the success of the company, which is why it has identified and established appropriate communication channels to ensure an open dialogue and to be aware of their needs and expectations, resulting in continuous learning. This aspect was taken into account when identifying and analysing the materiality of the aspects. The details of stakeholders and the communication channels used are as follows:

Stakeholder & Communication channels	
Stakeholder	Communication channels
 Shareholders	General Shareholders' Meeting, roadshows, conferences, telephone and mail contact, corporate website, shareholder service office
 Employees	Intranet, global opinion poll, meetings and presentations, training sessions, direct relationship with managers, internal magazine, whistleblowing channel, bulletin boards and information screens
 Market	Customers Customer satisfaction surveys, seminars and events organised by Viscofan, telephone and email technical assistance and continuous service, end-to-end claims and complaints system, active presence in trade fairs, visits to and from customers, local presence through agents and distributors, access to an extranet for customers accessible at www.viscofan.com
	Suppliers Direct contact, collaboration agreements, training, assessments and audits
	Industry associations Viscofan is part of and promotes various associations and groups seeking to find ways of collaboration in the industry to increase its contribution to society
 Society	Local communities Direct local contact, collaboration agreements, sponsorships
	Governments and legal organisations Contact with governmental institutions, associations, lawyers.
	Research centres and institutes Collaboration with research centres and institutes in different countries

In addition to the communication channels for the identification of material aspects, the reporting standards used by similar companies and the main customers have been analysed, as well as different means of communication to extract the trends of the most relevant aspects for society.

b) Review and analysis of national and international reporting standards and guidelines

The following was taken into account in this phase:

- Corporate Social Responsibility Trends.
- United Nations Global Compact and Sustainable Development Goals (SDG).
- Reporting standards. Sustainability Accounting Standards Board
- Requirement of analysts and institutions.
- Regulatory analysis. Law 11/2018, of 28 December, which amends the revised text of the Companies Act approved by Legislative Royal Decree 1/2010, 2 July, and Law 22/2015, 20 July, from Account Auditing, in subjects of non-financial and diversity information.

c) Internal assessment

The relevant issues from the assessment of external importance with stakeholders and the policies, guidelines and reporting standards have been valued internally, being presented to managers of different areas of the Viscofan Group to assess their impact on operations and the reputation of the Group in a questionnaire with 46 relevant topics that have been obtained.

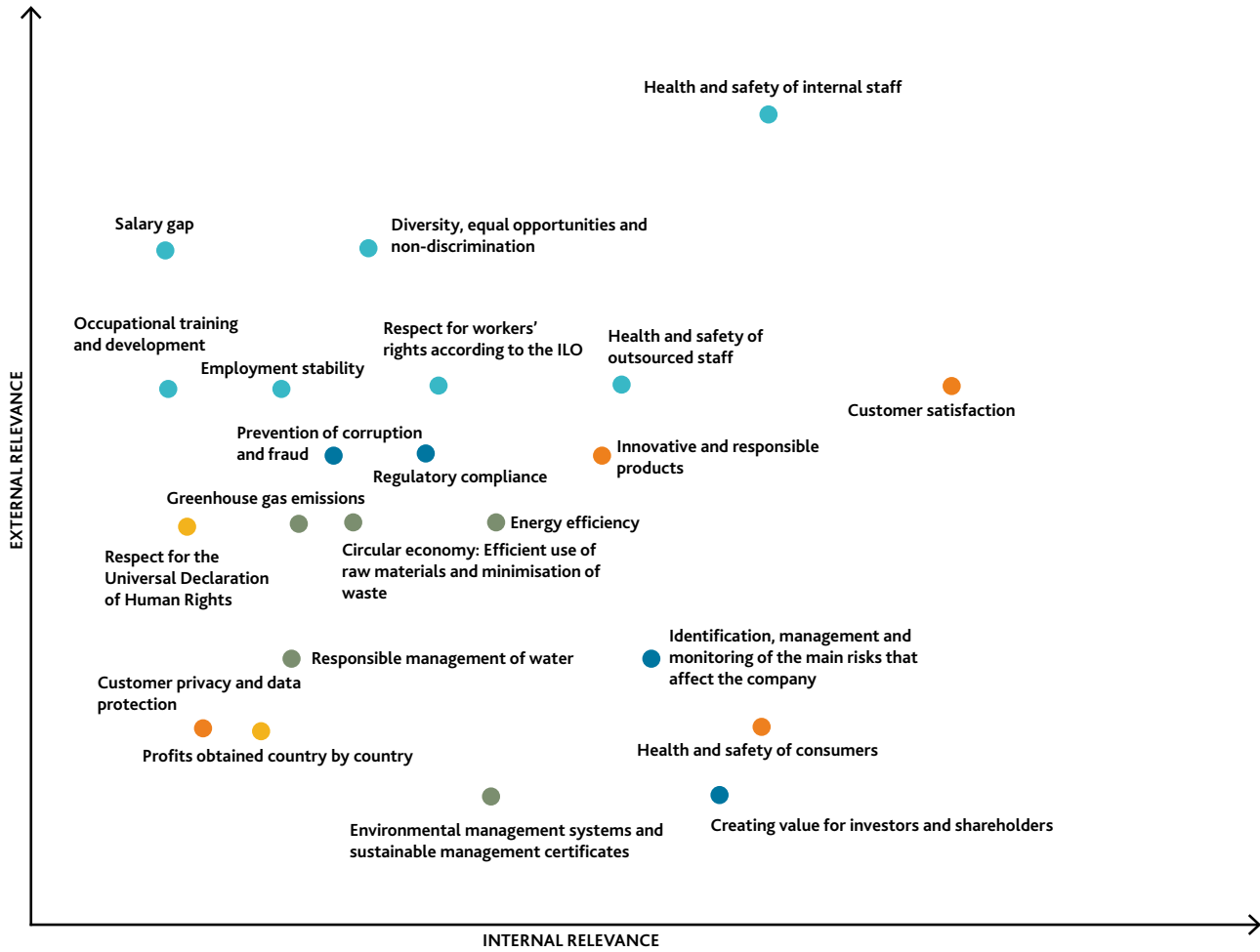
Creation of the materiality matrix

To prioritise the objective results, externally, the number of times the topics relevant to the stakeholders and the policies, guidelines and reporting standards that have been published were weighted, while internally the relevant topics were weighted according to the

impact on operations and reputation. As a result, a materiality matrix has been obtained with the vertical axis representing the external importance, and the horizontal axis the internal importance.



MATERIALITY MATRIX



The most relevant material aspects identified by category are the following:



Governance/Economics

- Identification, management and monitoring of the main risks that affect the company
- Prevention of corruption and fraud
- Regulatory compliance
- Creating value for investors and shareholders



Customers

- Customer satisfaction
- Health and safety of consumers
- Customer privacy and data protection
- Innovative and responsible products



Work management

- Respect for workers' rights according to the ILO
- Occupational training and development
- Health and safety of internal staff
- Health and safety of outsourced staff
- Diversity, equal opportunities and non-discrimination
- Employment stability
- Salary gap



Environmental issues

- Environmental management systems and sustainable management certificates
- Circular economy: Efficient use of raw materials and minimisation of waste
- Responsible management of water
- Energy efficiency
- Greenhouse gas emissions



Social

- Respect for the Universal Declaration of Human Rights
- Profits obtained country by country

GENERATED AND DISTRIBUTED VALUE MATRIX

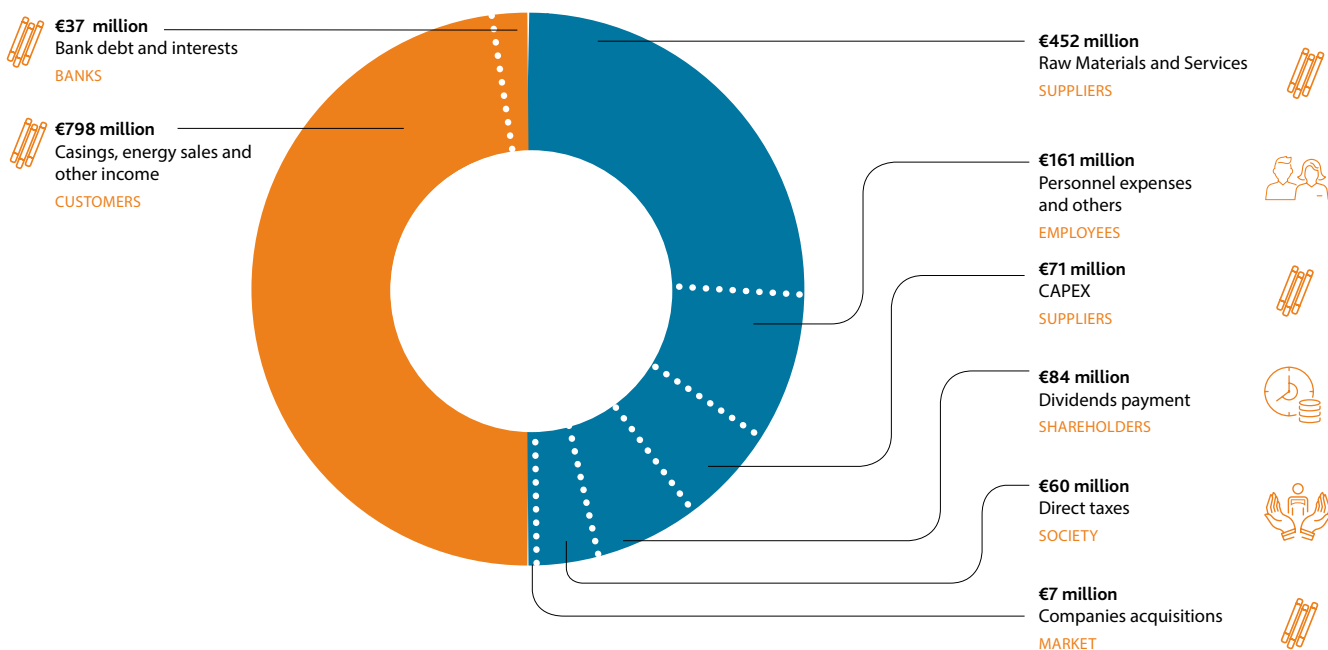
The calculation was made following the cash-based approach.

Economic value generated

€835 million

Economic value distributed

€835 million



Business Model

Mission, vision and values

The Viscofan Group aims to meet food industry needs through the production and sale of customized casings, and to seize the business opportunities that arise from know-how achieved by the company through the production and sales of collagen-based products for food and bioengineering uses.

Casings play a fundamental role in the production value chain of cold meats, as they contribute to their final appearance and at the same time can provide improvements in productivity and added value to meat processors.

The Viscofan Group has achieved world leadership with a technological proposal and a unique production and commercial presence in the sector.

For 2020 the Viscofan Group has a clear vision: To become a real global leader, "The Casing Company" with the aim of achieving a triple leadership in service, cost and technology in all the meat casing markets where the Viscofan Group is present.

This ambitious vision is executed through the strategic plan MORE TO BE, based on the company's values (service, quality, team work, learning and focus on results) and on the non-negotiable ethical principles that arise from fundamental human rights (respect and non-discrimination, responsibility, efficiency, loyalty, integrity and sustainability).

"MORE TO BE" STRATEGY





due to the difficulties faced in obtaining animal gut, volatility in prices and problems for the industrialization of sausages production, other alternatives emerged in different countries based on different materials that could be used for sausage and cold meat production as an alternative to animal gut. This change involves a qualitative jump for meat processors, achieving better quality, productivity and food safety standards.

The casings market exceeds 60 billion meters and has an estimated value of €4.3 billion. Meat processors get to decide whether to use animal gut (approximately half of the market) or customized casings made up of different materials, according to production and product specifications, combining a better range of casings with substantial production savings. As a result, the higher production requirements and meat processors' sophistication, the greater the tendency toward customized casings rather than animal gut.

Market environment

Introduction to the casings market

Casings are soft, cylindrical containers mainly used to keep mixtures of meat, either fresh or processed. Casings can be animal gut or customized.

The Viscofan Group is world leader in customized casings, also known as artificial casings because traditionally these products have replaced animal gut (mainly bladders and intestines) used by meat processors to stuff the meat.

The human being has stuffed meat in animal gut from ancient times, but customized casings originated at the beginning of the 20th century when,

Customized casings of natural origin

Customized casings of synthetic origin

Cellulose

Fibrous

Collagen

Plastic

Cellulose

Approximately 13% of the total casings market. Cellulose casings are made from high quality natural cellulose. They are used primarily in the manufacture of industrially cooked sausages (frankfurters, Vienna sausages, hot-dogs, etc.).

The casing is generally used only as a cooking mould, and the manufacturer peels it off before sale to the end-consumer.

Using a complex manufacturing process, the cellulose molecules are chemically and mechanically depolymerised and subsequently repolymerised in a viscose that is then extruded in either cylindrical or tubular form, according to the customer's requirements.

Fibrous

Account for around 7% of the total casings market. Cellulose casings reinforced with manila hemp, which makes for high strength and highly uniform calibre needed for producing sausages. Fibrous casings are primarily used for large sausages and slicing meats such as mortadella, ham, pepperoni, etc.

Collagen

Approximately 22% of the market is represented by casings that use collagen as their raw material. Collagen is obtained from cow and pork hides and processed using sophisticated technology so that it can be shaped into casings.

Collagen casings are of two kinds: small calibre (e.g. fresh sausages, bratwurst etc.) and large calibre (e.g. salami, bierwurst etc.). The key difference between both collagen casings lies in the thickness of the casing wall and the way the collagen is processed to withstand a given degree of stress when filled and holding in the weight of the meat.

Plastic and others

Approximately 11% of the market. Plastic casings are made from a range of polymers. These are highly versatile casings providing barrier properties, mechanical strength, thermal shrinkage, and heat resistance, depending on the application requirements of the product.

Analysis on the growth factors within the casings sector

Throughout history this market has proven to be correlated with population and population growth, the evolution food consumption habits and the sophistication of meat processors, who may decide to use animal guts or customized casings in their production process. These factors are behind a growth in volume of between 2% and 4%, which is the historic average of the casings market.

In 2018, the casings market grew in volume by around 2%. This growth was in the low range of historical growth due to the performance in Asia that contrasts with the momentum of other emerging regions such as Latin America, Eastern Europe and Africa. The growth in volume coexisted with a very volatile currency environment, especially in the case of the US dollar and the Brazilian real, which in average terms depreciated by 4.4% and 16.3% against the European currency, respectively, which has meant that value of the casings market in euros has not grown compared to the previous year.

Evolution of the population

The world grows in terms of population at a yearly average rate of 1% according to FAO, which expects it to increase from 7.6 billion in 2018 to 7.8 billion in 2020 and to 8.2 billion in 2025.

Emerging markets are still behind population growth, in this sense, Asia, Africa and Latin America make up more than 90% of the annual world population growth.

The bigger demographic mass is led by these emerging markets, which steadily grow in importance with regard to the total. In 2018, around 84% of the population was concentrated in these areas.

The growth of the population is accompanied by the increase in wealth. The IMF estimates GDP growth per capita of 3% in 2019 and in following years. An estimated growth that is greater in emerging regions, although it is still an economic situation with a large imbalance, with the GDP per capita of the emerging areas standing at US\$5,240, compared to US\$47,980 in developed regions.

Eating habits

The main international organisations continue to project increases in demand per capita for the coming years, in line with the trends that indicate a greater weight of protein in eating habits aided by the increase in the purchasing power of the middle classes, and the growth of the population in cities. In this sense,

according to the FAO, it is expected that the population will continue to grow in cities, with 55% of the total world population concentrated in urban centres.

Technological development and sophistication of meat processors

Meat processors need greater flexibility and customisation to adjust to the new preferences of consumers and to the dynamism of the environment, which includes volatility of costs of production input, increases in labour costs, requirements on the quality/price bundle imposed by supply chains, regulatory development, globalisation and the size of meat processing companies, which makes faster and more efficient production increasingly important, with stability in quality parameters, seeking greater automation and lower production waste.

In this sense, the development of customized casings has proven to be a great ally, to be competitive in a world with an evident imbalance between emerging and developed areas. In 2018, 84% of the population lives in emerging areas, and 64% of the meat production corresponds to these areas, a percentage that is reduced to 36% in the case of the casings market.

Position of Viscofan in the casings market

In 2018 the Viscofan Group continued to reinforce its leadership position by revenue while improving its value proposal and position in the market. The wide geographical, technological and product range have permitted this behaviour, which means being "The Casing Company", the world casings leader, with an estimated market share above 17% and 33% in the customized casings segment.

Geographic diversification:

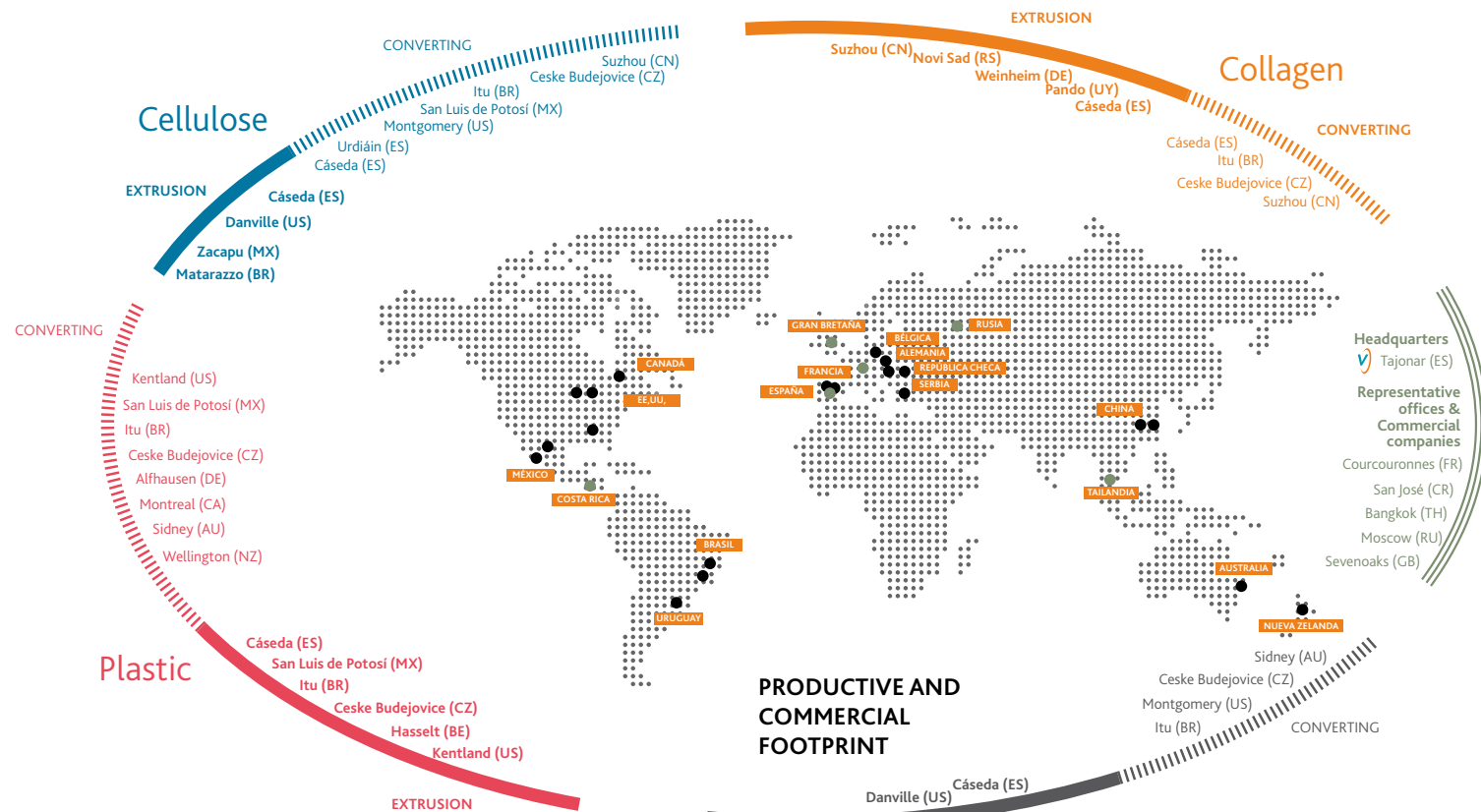
Viscofan has the largest production and commercial presence of the market. Headquartered in Navarre (Spain) and with 22 manufacturing plants across Spain, Germany, Belgium, Czech Republic, Serbia, United States, Canada, Mexico, Brazil, Uruguay, China, Australia and New Zealand.

Products are distributed to over 100 countries around the world, with a large network of distributors, agents and own commercial offices in Spain, Germany, Belgium, Czech Republic, Serbia, United Kingdom, France, Russia, United States, Mexico, Canada, Brazil, Costa Rica, Thailand, China, Australia and New Zealand.

Technological and product diversification:

Technology diversity makes it possible to offer the market a global solution, being the only one in the sector with proprietary technology in the main available technologies: cellulose, fibrous, plastic and collagen.

This technology diversity makes it possible for the Viscofan Group to offer an extensive product portfolio, adapted to the different needs of customers, and helping them, in turn, to develop the product range of our customers. In this sense, in 2018 almost 55% of casings sales came from customers who buy products from the four main technologies.



In such a demanding environment, the Viscofan Group bolstered its leading position in revenue in the sector while continuing to develop the activities included in its MORE TO BE 2016-2020 strategic plan.

MORE TO BE strategy

Casings

In previous strategic periods named Be ONE and Be MORE, the Viscofan Group transformed itself, adjusting to macroeconomic and market environments in order to create long-term value, with a clear focus on developing competitiveness in cost and then improve its technological capacity.

The transformation of the Viscofan Group is not unconnected with the transformation of today's world, which has also affected the needs of our customers, market possibilities and the new world cost and funding structure.

In such a demanding environment, the Viscofan Group bolstered its leading position in revenue in the sector while continuing to develop the activities included in its MORE TO BE 2016-2020 strategic plan, a natural evolution in the context of the transformation of Viscofan and the environment, focused on leading in all the main casings market in terms of service, cost, and technology.

The current strategy means a step further in the track record that began with the Be ONE (2009-2011) strategic plan. After the acquisitions carried out, this strategic plan decided to restructure operations, perform a management plan to improve economies of scale, which the Viscofan Group didn't have before. This approach made Viscofan become a very efficient company, which gave cost optimisation the greater weight of management.

Once that goal was accomplished, Be MORE (2012-2015) strategic plan committed to greater development. The best technological improvements introduced, without giving up competitive cost advantage, gave us a more global presence in collagen and in other families, enabling us to reach other markets and a new scale.

But if we really want to be a global leader, we have to lead our key markets. In order to reach that, we need to continue progressing in costs, technology and, of course, going a step forward in our level of service.

And that is exactly what guided the Viscofan Group towards its new vision: Become an authentic global leader.

This vision means that:

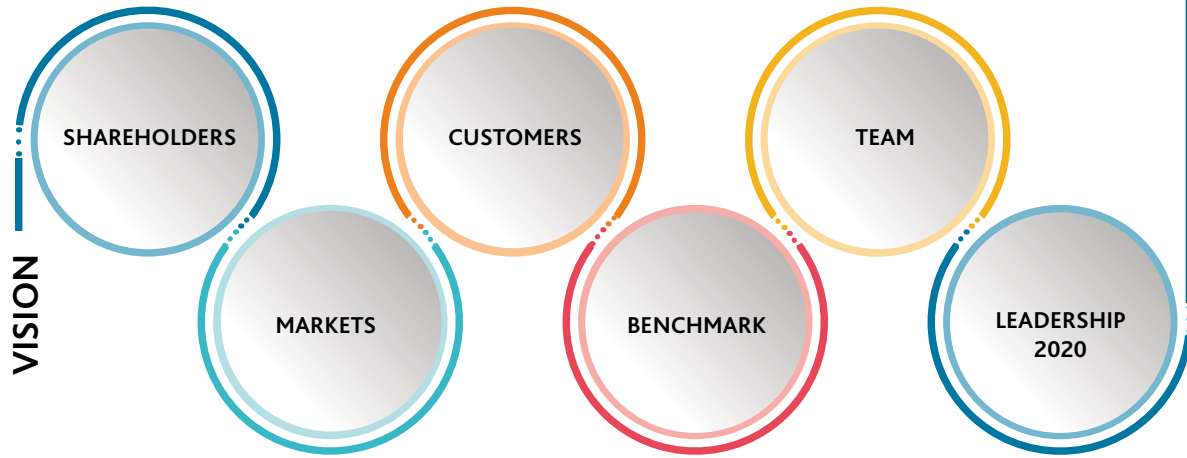
- THE CASING COMPANY puts all its efforts in creating value for SHAREHOLDERS sustainably.
- THE CASING COMPANY is the global leader in all families of meat casings and actively promotes the development of NEW MARKETS.
- THE CASING COMPANY is the preferred option of our CUSTOMERS and desired by competitors.
- THE CASING COMPANY is BENCHMARK of the sector in efficiency and productivity in all its casing technologies.
- THE CASING COMPANY has THE BEST MARKET TEAM, attracts and maintains talent and develops its capacities.
- Ultimately, THE CASING COMPANY leads in SERVICE, it leads in TECHNOLOGY and it leads in COST.

This vision means that...

THE CASING COMPANY puts all its efforts in creating value for **SHAREHOLDERS** sustainably.

THE CASING COMPANY is the preferred option of our **CUSTOMERS** and desired by competitors

THE CASING COMPANY has THE **BEST MARKET TEAM**, attracts and maintains talent and develops its capacities.



THE CASING COMPANY is the global leader in all families of meat casings and actively promotes the development of **NEW MARKETS**.

THE CASING COMPANY is **BENCHMARK** of the sector in efficiency and productivity in all its casing technologies

Ultimately, THE CASING COMPANY leads in **SERVICE**, it leads in **TECHNOLOGY** and it leads in **COST**.



Strategic initiatives

This triple leadership arises with the conviction that a global leader creates value when it is productive for its stakeholders, and at the same time sustainable, in the long term. In order to achieve this, the Viscofan Group performs multiple initiatives that can be grouped in three strategic pillars and throughout all organisational departments:



SERVICE AXIS

This axis groups all initiatives aimed at offering solutions to meet needs, and addressable with a greater range of products, greater proximity, better assistance, greater adaptability, etc.

An example of initiatives aimed at improving the service area is the investment in the new plant in Spain where new cellulose and fibrous technology has been developed and installed. This project allows us to develop new products for the market, as well as gain proximity with European fibrous customers. In this sense, sales in 2018 show a high degree of customer satisfaction.

Since November 2018, Viscofan has been present in Oceania for the first time in its history thanks to the acquisition of the Globus companies in Australia and New Zealand, a geographic complement to improve proximity in the region. With this acquisition, Viscofan incorporates its main distributor in these countries, which has a long history as a supplier of casings, films and bags, among others, as well as a great knowledge in the sale of equipment for the food industry.



TECHNOLOGY AXIS

Our productive process is based on proprietary technology where know-how of people is essential. This continuous improvement production model is based on Excellence Centres and technology transfer to other centres.

As a result of this model of continuous improvement, in 2018 new production modules were commissioned and installed under a new technology to produce viscose-based casings (cellulose and fibrous) in Cáseda (Spain). It is a production plant with the most advanced technology in the market for producing these types of casings, and which is an advance for Viscofan in terms of efficiency and productive speed.

In 2018, production improvements were also made in fibrous technology in North America, the technological improvement in plastics was consolidated as a result of the acquisitions of Vector and Supralon in previous years, and production improvements in high calibre collagen technology continued.

The acquisition of Transform Pack Inc in Canada is also included in this axis. Completed in February 2018, it allows Viscofan to incorporate specialised technology for transferring ingredients to food, to add spices, flavours, aromas, and colours.



COST AXIS

In 2018 steps have been taken to launch projects aimed at improving costs, seeking to save on costs with the homologation of new suppliers, the increase in the collagen capacity in Serbia has enabled economies of scale, and the development of more efficient technologies in production.

Meanwhile, in 2018 the Viscofan Group faced the inflation of raw material, particularly high in the case of caustic soda, glycerine and co-generation gas. The productive improvements achieved in 2018, which has been one of the years with the highest plant production efficiencies, with the exception of the new Cáseda plant, have partially offset this increase in production input costs. In line with this cost context, commercial activity has sought to increase prices in a broad customer base, especially since the third quarter of the year, in order to adapt them to this inflation environment.

In terms of environmental management, the plants in Belgium and Uruguay have obtained the ISO 14001 certification, which means guaranteeing Viscofan's commitment to sustainability in the use of resources, improving the way in which we reduce the impact on the environment, which in turn generates internal profit by improving the use of resources.

R+D and innovation

Viscofan's products look simple and are simple to use. This belies the sophisticated technology underlying the manufacturing process which only a few companies worldwide have developed.

The cold meat production sector requires high performance products at very competitive costs, in order to enable large scale production. Responding to this demand implies a huge technological and development challenge that Viscofan performs successfully as the major casings supplier, using the four most common materials that are currently available in the market: cellulose, collagen, fibrous and plastic, thus offering the complete range of customized casings and being the only supplier able to offer it.

Therefore, Viscofan takes the view that its leading position in the highly competitive world market can only be sustained by cutting-edge efforts in research and development of its technology and products. Only through the application of this philosophy will Viscofan be able to continue advancing in its leadership of innovation in the global casings market, benefiting all of its stakeholders.

Constant innovation required by our globalised world must be taken into account. The products of Viscofan must be compatible with the food habits and uses of millions of world consumers, their preferences and evolution over time. Viscofan couples its growth as a business with the development of its innovation capability so that it can access the best technologies available on the market, implement them and improve them, and develop its own technologies to create an enduring competitive edge.

The complexity of Viscofan's production process and the sophisticated technology underlying its products mean that research and development units are structured into teams specialised by casing type, mainly at centres of excellence (i.e. sites that stand out due to their management, proactivity, service, knowledge, productive quality innovation and are a reference of best practices for the rest of production sites of the company).

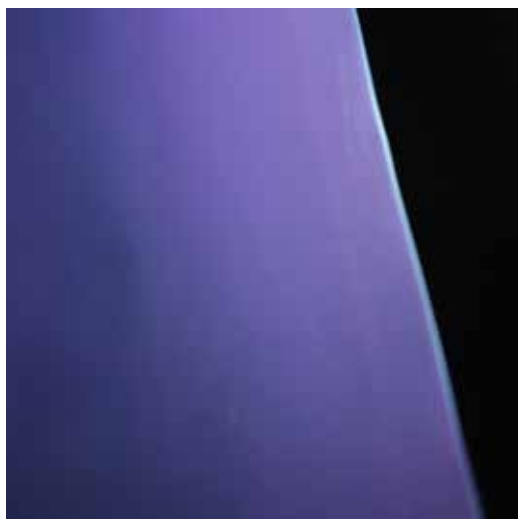
In 2018, the average R&D workforce comprised 133 employees across the Group. The corporate research and development centre in Spain coordinates, manages and supports the specific research and development activities conducted at each production plant, and coordinates the multidisciplinary teams which exchange best practices, technological knowledge and ideas across product sites.

R&D team

133 people

- The corporate research and development centre in Spain coordinates, manages and supports the specific research and development activities conducted at each production plant.
- Coordination among multidisciplinary teams is established to exchange best practices, technological knowledge and ideas across productive centers.

The goal is to harmonise and align production standards worldwide, based on the most advanced concepts and processes relating to both manufacturing technologies and philosophies of control, quality and product features that have made Viscofan what it is today.



Technology is transferred from centres with technology development units for both products and processes to all the Group's other facilities. The goal is to harmonise and standardise production standards worldwide, based on the most advanced concepts and processes relating to both manufacturing technologies and philosophies of control, quality and product features that have made Viscofan what it is today.

At present, there are strategic product and technology development projects across the entire casings range in progress (cellulose, collagen, fibrous and plastic casings), as well as other diversification products aimed at developing applications that equip Viscofan with the product range required to reinforce its presence in the world market. On-going Research, Development and Innovation projects focus mainly on:

- **The development of new products according to the target markets defined in the expansion plan**, and new generation implementations, designed and oriented towards offering products with differential performance and features.
- **The development of active casings** that are able to confer functionalities to the meat product they contain.

- **The development of production alternatives and technological solutions** through radical breakthroughs which allow an increase in added value or significantly reduce production costs for meat casings through modernisation, streamlining and simplification, improving Viscofan's competitiveness.
- **Research aimed at developing technological processes** that enable an adequate range of materials to manufacture casings.
- **Technological support for improving existing products and processes**, and for the Company's international expansion, all this adhering to Viscofan's technological and quality standards and current regulations, as well as the optimisation of production costs.
- **Innovative uses of raw materials** that we use and of which we have extensive know-how.

Support from international research centres

Viscofan has a long track record of working with institutions and research centres in different countries. In particular, Viscofan plays an active role in the customized casings industry and is, therefore, involved in several industry associations and groups that seek to cooperate towards enhancing the industry's contribution to the community. These institutions include:

- Comité International de la Pellicule Cellulosique (CIPCEL). Based in Brussels, comprises the leading producers of regenerated cellulose film products.
- Collagen Casing Trade Association (CCTA). Also based in Brussels, comprises the leading producers of collagen casings worldwide.
- Centro Español de Plásticos (CEP). This is the Spanish association of entities relating to the manufacture and processing of plastics.
- Gelatin Manufacturers of Germany (GMG). An organisation of German gelatin producers.
- AINIA. Food Technological Centre based in Spain that supports R&D of its partners, especially in the areas of quality, food safety, sustainability, environment, design and industrial production.
- ANICE. The Spanish National Association of the Meat Sector is the biggest meat association in Spain to give advice, represent and defend the sector's interests.

- National Centre for Technology and Food Safety (CNTA), the purpose of which is to provide advanced technological services to improve competitiveness in the food sector through quality and innovation and under the principle of food safety.
- AIMPLAS. The Plastics Technology Centre offers integral solutions to companies within the plastic sector through the technical implementation of R+D+i projects.
- NAITEC. Multidisciplinary Technology Centre for the Industry.

Viscofan also collaborates with different universities and research centres:

- University of Navarre (Spain)
- Public University of Navarre (Spain)
- South Carolina University (USA)
- MORE Institute Research (Germany)
- Hochschule Manheim Fraunhofer Institute (Germany)
- Tübingen University (Germany)
- Sao Paulo University (Brazil)
- Suzhou University (China)

The principal issues on which these collaborations are based are: food safety, analysis and development of new materials, process and food industry engineering, advanced physical and chemical analysis, basic research on materials and alternative uses and other packaging systems.

Moreover, Viscofan is importantly supported by the different administrations of the countries where it develops R&D activities, for example: the Center for Industrial Technical Development (CDTI) and the Ministry of Economy and Competitiveness (MINECO) in Spain, the Federal Ministry of Education Research in Germany, the National Council of Science and Technology (CONACYT) in Mexico and the Institute of Technological Research (IPT) in Brazil.

Viscofan plays an active role in the customized casings industry and is, therefore, involved in several industry associations and groups that seek to cooperate towards enhancing the industry's contribution to the community.

Bioengineering

1. Medical collagen

- Collagen suspension Viscolma® and collagen membranes that are used as coating, as a quality collagen source or as medical implants
- Cardiomesh. This product combines a CCC collagen membrane with allogeneic stem cells from fatty tissue to treat patients with heart failure.

2. Nutraceutical collagen

- COLLinstant®, a high quality collagen hydrolyzate. These collagen hydrolysates are used as a component of nutritional supplements that improve the health of skin, bones and articulations.

Bioengineering

Collagen is the most abundant protein in the human body and therefore there are numerous applications and uses that can be given to this material. Therefore, Viscofan is developing more and more businesses and activities around collagen. We started with medical applications and we also recently added advanced nutrition.

2018 has been a very important year for the Bioengineering unit, in which we have begun to develop the two alternative markets in which Bioengineering is involved: the medical and nutraceutical markets.

In the nutrition market, we have started to market COLLinstant®, a high quality collagen hydrolyzate. These collagen hydrolysates are used as a component of nutritional supplements that improve the health of skin, bones and articulations. As the biggest global manufacturer of collagen casings, with COLLinstant® Viscofan will now access this high-potential market.

In the case of medical collagen, we produce the collagen suspension Viscolma® and collagen membranes that are used as coating, as a quality

collagen source or as medical implants. Viscofan works with its customers in the development of medical products with this unique collagen. Since 2017, the new medical plant that has been installed has been equipped with cutting-edge technology to process collagen, and it worked under a quality management system certified by ISO 13485, which is required for medical products.

An example of the use of solutions developed with Viscofan's collagen materials is the product VB-C01 for cardiac repair, the Cardiomesh project. This product combines a CCC collagen membrane with allogeneic stem cells from fatty tissue to treat patients with heart failure. The trial has been approved by the Spanish Medicines Agency and recruitment began last October. This trial is financially supported by the Spanish Ministry for the Economy and Competitiveness, and Viscofan works on it through a research consortium with the Clinical University of Navarre, the Hospital Gregorio Marañón of Madrid and the Minimal Invasive Surgery Centre Jesús Usón in Cáceres.

2018 closes in Bioengineering as a year of consolidation of the productive units and startup of alternative businesses that are called to a more significant contribution to the group's profit.

Expected results in 2019

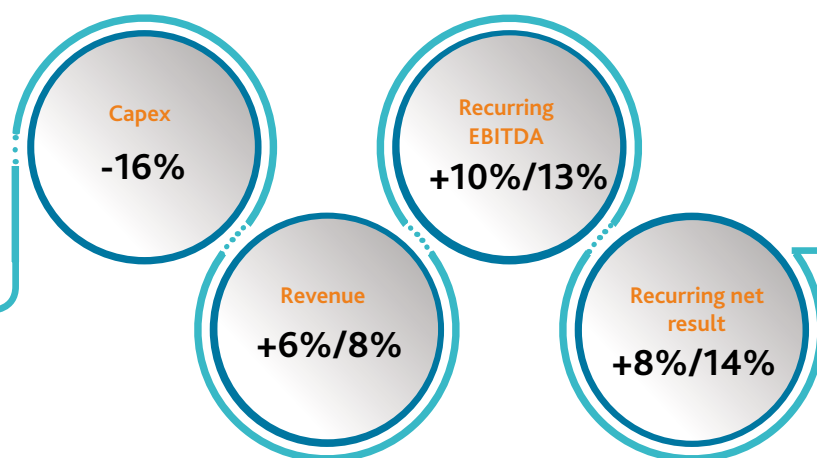
The first few months of 2019 confirm the growth trend in market volumes, although there is still certain pressure on the prices of raw materials and energy. The Viscofan Group faces the second half of the 2016-2020 MORE TO BE strategic plan with the aim of reducing its cost structure and continuing to improve the levels of service and technological development.

As such, the Viscofan Group expects to increase revenue by between 6% and 8%, recurring EBITDA by between 10% and 13%, and recurring Net Profit by between 8% and 14%, based on an investment of €60 million (down by over 15% compared to the investments made in 2018) and considering an average exchange rate of US\$/€ 1.13.

Growth figures while progress is being made in the projects framed within the 2016-2020 MORE TO BE strategic plan. Period that until now has required a significant investment and operational effort to carry out a large number of projects that are now a reality and will allow the Group to improve the value proposition in the service, technology and cost areas. In 2019, the Group will carry out an intense operational activity consolidating and advancing in the projects framed within this strategic plan, including the installation of the necessary capacity to complete the new technology project in Caseda.

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GUIDANCE 2019

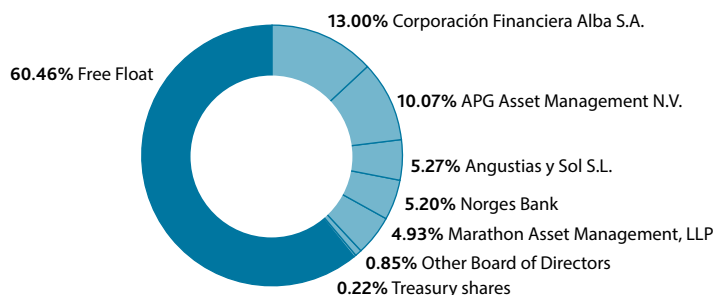


Corporate governance

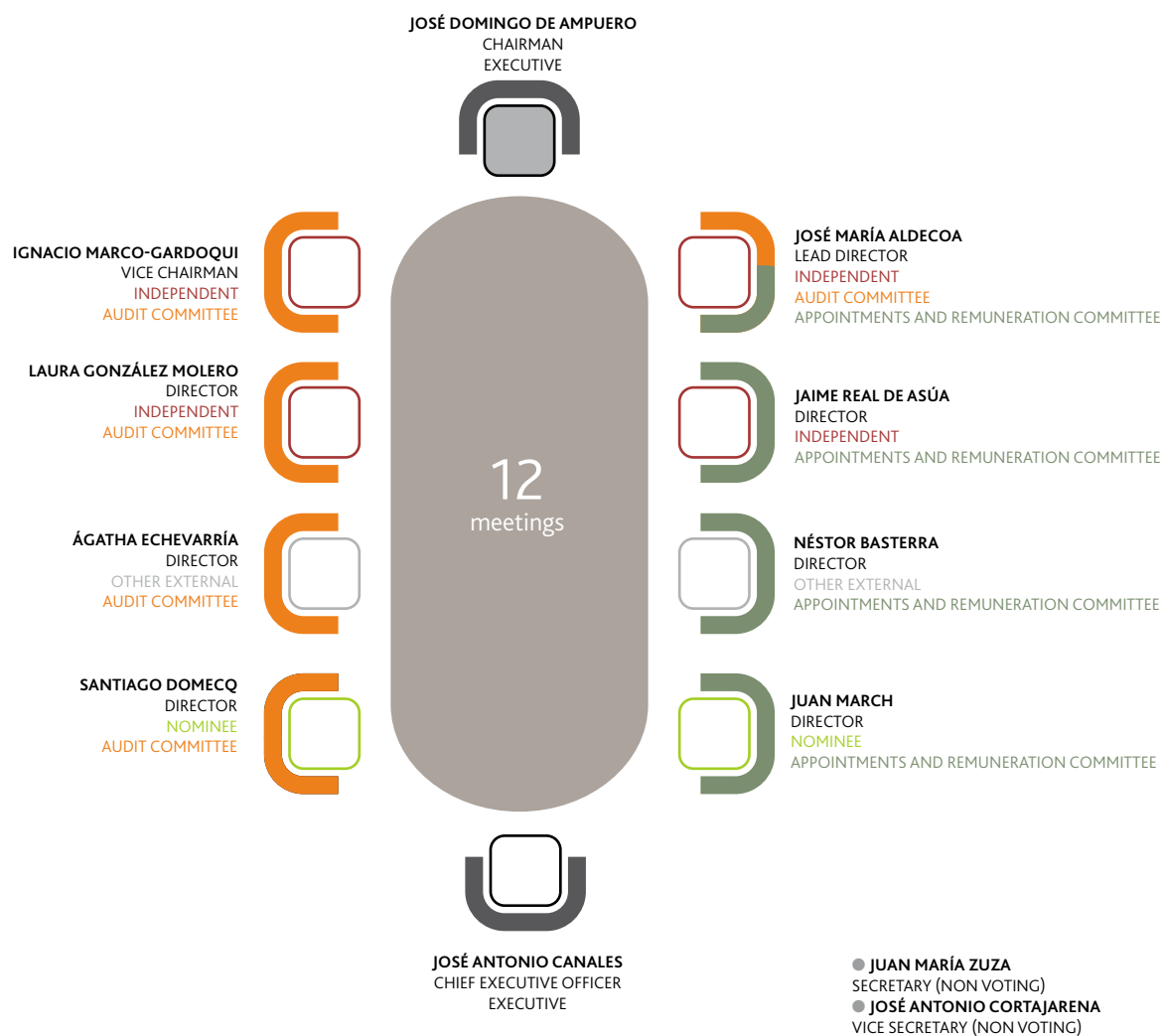
Organisational structure

Shareholder structure

At 31 December 2018, the Parent Company is aware of the following significant interests:



Board of directors (31 december 2018)



The Viscofan Board of Directors is composed of a total of 10 directors, of which two are executive, two are nominee, two are classified as other external, and the other four are independent. The secretary and vice secretary do not hold the position of directors.

On 25 May 2018, Alejandro Legarda, an independent director until that date, ended his term, and the General Shareholders' Meeting appointed Laura González Molero as Independent Director to cover the vacancy. Likewise, and as a result of the agreements reached at the General Shareholders' Meeting, the Delegate Committee was decommissioned, the composition of the Audit Committee and the Appointments and Remuneration Committee was modified, and Ignacio Marco-Gardoqui was appointed as sole vice chairman of the Board of Directors. Subsequently, José Antonio Cortajarena was appointed vice secretary non-board member of the board on 27 December.

JOSÉ DOMINGO DE AMPUERO **CHAIRMAN** **Executive Director**

Industrial Engineer from Bilbao's Higher School of Industrial Engineers and Master of Business Administration from the University of Southern California. Los Angeles. USA.

His extensive professional career has led him to hold various important positions, such as Vice-Chairman of Naviera Vizcaína, Chairman of S.A. de Alimentación, Vice-Chairman of BBVA Bancomer (Mexico), Chairman of Bodegas y Bebidas, Vice-Chairman of Banco Bilbao Vizcaya Argentaria S.A., Vice-Chairman of Iberdrola, Chairman of Cementos Lemona S.A. and member of the Board of Directors of the Asociación para el Progreso de la Dirección.

He is currently Chairman of Autopista Vasco-Aragonesa S.A. and director of Corporación Financiera Alba S.A. and Tubacex S.A.

Amongst other activities, he is member of the Basque Business Circle, and its former chairman, member of the Board of Caridad de la Santa y Real Casa de Misericordia of Bilbao, and its former chairman.

He is the Executive Chairman of Viscofan S.A.

JOSÉ ANTONIO CANALES **GENERAL MANAGING DIRECTOR** **Executive Director**

Degree in Economics and Business from Deusto Business School, Advanced course of studies in International Transport & Distribution at the London School of Foreign Trade.

He has in-depth knowledge of the casings business, thanks to his experience within the Viscofan Group, which he joined in 1996 as Managing Director of Viscofan do Brasil Sociedad Comercial e Industrial Ltda, where he led the expansion of the Viscofan Group in South America until his appointment in 2006 as Managing Director of Viscofan, S.A. and the Group of companies of which it is the parent company, a position he currently holds, and from which he has significantly contributed to strengthening Viscofan's leadership and its international expansion.

He is a member of the Board of Directors of Maxam Corporation Holding, S.L, and board member representing Viscofan Group in Fundación Cetena (CEMITEC).

He is also a member of the Board of Directors of Asociación Centro Rafaela María de Acción Social, for the integration of people with disabilities in Vizcaya.

In 2014 he joined the Board of Directors of Viscofan S.A. as Executive Director.

IGNACIO MARCO-GARDOQUI Independent Director

Economics degree from Deusto University.

Mr. Marco-Gardoqui has a long professional career, he has worked for financial institutions, and his activities have covered teaching, consulting, and the press world, where he has a strong reputation for his active contribution as economic expert and columnist for Vocento Group.

He also has developed wide experience in several industrial companies, belonging to several Board of Directors. Currently he is director of Minerales y Productos Derivados and Teknia Group.

He was a director of Tubacex and Progénika Biopharma until 2018, and he previously was member, among others, of the Boards of Directors of Técnicas Reunidas, Banco del Comercio, IBV, Banco de Crédito Local, Schneider Electric Spain, Iberdrola Ingeniería y Construcción (Iberinco S.A.) and Chairman of Naturgás.

He is the Vice Chairman of the Board of Directors of Viscofan S.A. and Chairman of its Audit Committee.

JOSÉ MARÍA ALDECOA LEAD DIRECTOR Independent Director

Technical Engineer in Electronics from the University of Mondragón and Senior Business Management Programme from IESE.

Throughout his long professional career, he has held various posts at Copreci (1971-1982), Managing Director of Fagor Electrónica and member of the Board of Directors of Fagor, S. Coop. (1982-1991).

Between 1984 and 1991, he was Vice-Chairman of ANIEL (National Association of Electronic Industries) and Board member of Asociación Europea de Componentes Electrónicos (EECA)

Since 1992, he has been developing his professional career at MONDRAGON CORPORACION as Vice Chairman (1992-2006), managing the Components Division (1992-1999) and the Automotive Division (1999-2006). He was appointed Chairman in 2007, which is a position he held until July 2012.

He has a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong and Thailand, the integration of the production plants in the industrial park of Kunshan, China.

He has sat on the Board of Directors of various automotive and components companies (Copreci in the Czech Republic and Mexico, Fagor Ederlan in Brazil and Slovakia, Paranoa-Cicautxo in Brazil, FPK, Chairman of Vitorio Luzuriaga), and he was director (1992-2006) and Chairman (2007-2012) of MONDRAGON INVERSIONES.

He was an independent director and member of the Delegated Committee of Gamesa Corporación Tecnológica, S.A. from 2012 to 2017.

He is member of the Board of Directors of Viscofan, S.A, of the Audit Committee and of the Appointments and Remuneration Committee. In 2014 he was appointed as Lead Director

NÉSTOR BASTERRA
Other External Director

Law degree and Economics graduate from the University of Deusto. He also holds an MBA from IESE.

He has spent most of his professional career working in banking, both internationally and in Spain, as head of the Capital Markets and Corporate Banking departments in Bank of America and Banco Santander.

He is currently the Vice-chairman of Iberpapel Gestión S.A. and Board Member of Amistra SGIC S.A.

He is member of the Board of Directors of Viscofan, S.A, and of its Appointments and Remuneration Committee.

ÁGATHA ECHEVARRÍA
Other External Director

Law degree and Business Studies graduate from Universidad Pontificia de Comillas (ICADE).

She has broad professional experience in a number of multi-nationals, including the audit firm Touche and Ross, S.A., British Petroleum España, S.A. and the investment bank Charterhouse Limited in which she was Managing Director and Director of its Spanish subsidiary and founder and director of D+A Documentación y Análisis S.A.

She has advised family businesses on their business strategies and is currently a Board Member of Papelera Guipuzcoana de Zicuñaga, SA and Banca March SA, forming part of its Audit Committee and the Global Risk and Technological Change Committee.

She is member of the Board of Directors of Viscofan SA and member of its Audit Committee.

JAIME REAL DE ASÚA
Independent Director

Industrial engineer, specialising in industrial organisation from the ETSII (Bilbao).

He is currently Non-executive Chairman of the Board of Directors of Elecnor S.A., Chairman of its Executive Committee and member of its Appointments and Remuneration Committee. He is also Chairman of the Committee of Elecnor Infraestructuras and Director of Enerfín Sociedad de Energía, S.L., and of Celeo Concesiones e Inversiones, S.L.U., belonging to the Elecnor Group, Director of Cantiles XXI, S.L, and Tasdey S.A. and member of the BBVA Advisory Board of the Northern Zone.

He has also been Chairman and Director of Adhorna Prefabricación S.A. until its takeover merger by Elecnor in 2015. He was also a director of Internacional de Desarrollo Energético, S.A. (IDDE) between 1987 and 2012.

At the same time, from 1981 until 2011 he was linked to Grupo Cementos Portland Valderrivas, where he held different management positions and was a member of the Board of Directors of various companies of this Group.

He is member of the Board of Directors of Viscofan, S.A, and Chairman of its Appointments and Remuneration Committee.

LAURA GONZÁLEZ MOLERO Independent Director

Degree in specialised industrial pharmacy from the Complutense University of Madrid and Executive MBA from the IE Business School 1999.

She has held the position of CEO in large international corporations in the Health Care and Chemical sectors in Europe.

She was Chairwoman for Latin America at Merck Serono Biopharmaceuticals and Bayer Healthcare, having resided in Brazil and the United States, where she was responsible for more than two thousand five hundred employees and managed business figures in excess of one billion dollars, which has made her an international benchmark in these sectors. Her work as an executive has been rewarded on numerous occasions.

She was an independent Director of Viscofan from 2010 to 2016, and a member of its Appointments and Remuneration Committee, where she carried out an important job promoting and consolidating the functions of this Committee, as well as contributing diversity to the Board's decision-making through her participation in the various debates and deliberations where her criteria and opinion have contributed to the development of the Viscofan Group until the end of her mandate as an independent Director in 2016, when her professional commitments prevented her from considering her renewal as a Director.

She is currently an independent Director of Acerinox S.A., Ezentis S.A. and Bankia S.A., member of the Advisory Board of ISS in Spain, a member of Women Corporate Director and International Women Forum and a member of the board of trustees of the Adecco Foundation, among others.

She is member of the Board of Directors of Viscofan SA and member of its Audit Committee.

JUAN MARCH Nominee Director

Degree in Administration and Business Management from Universidad Carlos III of Madrid. He has completed the Global Markets Training Program of J. P. Morgan and the Owner/President Management Program of Harvard Business School.

He has developed his professional career at J.P. Morgan, London/Madrid.

He was General Manager and Chairman of March Asset Management SGIIC, Madrid.

He is currently Executive Chairman of Banca March S.A., Vice-Chairman of Corporación Financiera Alba and Board Member of the Juan March Foundation.

Likewise, he was member of the Board of Directors and the Executive Committee of ACS, of the Board of Directors of Acerinox, S.A., and of the Board of Directors and of the Strategic Committee of Indra Sistemas, S.A.

Nominee Director of Viscofan, S.A, representing Corporación Financiera Alba S.A. and member of its Appointments and Remuneration Committee.

SANTIAGO DOMEQ
Nominee Director

He has studies at the School of Economic and Business Sciences of Universidad Pontificia Comillas-ICADE (Madrid) and at the School of Economic and Business Sciences of the University of Cádiz (UCA). Specialisation course in Managing Agrifood Companies (DEA) at the International Institute San Telmo (Seville).

Throughout his broad professional experience as a businessman he was, among others, Director of Coca-Cola Iberian Partners, S.L. until 2015, and prior to that, from 1997 Director of Refrescos Envasados del Sur, S.A. (RENDELSUR), company that joined Coca-Cola Iberian Partners S.L. in 2013.

Currently he is Director of Algar Aguas de Cádiz, S.A., Member of the Provincial Board of Cádiz, Member of the Natural Park of Los Alcornocales and Member of the Provincial Environment Council.

He is the Sole Director of Angustias y Sol, S.L and of its group of subsidiary companies operating in the financial, agriculture and livestock sectors, among others.

Nominee Director of Viscofan, representing Angustias y Sol S.L., and member of its Audit Committee.

JUAN MARÍA ZUZA
Secretary Non-Director

Law degree from the University of Navarre.

Practising lawyer with his own law office, founded by him, ZUZA ABOGADOS. Working mainly in the area of civil and mercantile private litigation, and qualified in Navarre Local Law. He has been a faculty member of the two law schools in Navarre since they were first created.

He is member of the Advisory Board of Civil Local Law of Navarre, appointed by the Lawyers' Associations of the Autonomous Community of Navarre.

He is on the list of arbitrators in Mercantile Law of the Arbitration Court of the Chamber of Commerce and Industry in Navarre and has been Treasurer for the governing committee of the professional association of lawyers (Colegio de Abogados) in Pamplona for ten years.

He also is member of Fundación Universidad-Sociedad and Member of the Guarantees Committee of the School of Legal Sciences of the Public University of Navarre.

He was awarded the Order of Merit in Law Practise by the Plenary of the General Council of Spanish Lawyers. He was also awarded the 2nd Class Distinguished Cross of the Order of St. Raimundo de Peñafort by the Ministry of Justice.

He has experience as a legal advisor to, and member of, many Boards of Directors, particularly in the role of Secretary of the Board.

JOSE ANTONIO CORTAJARENA
Vice Secretary Non-Director

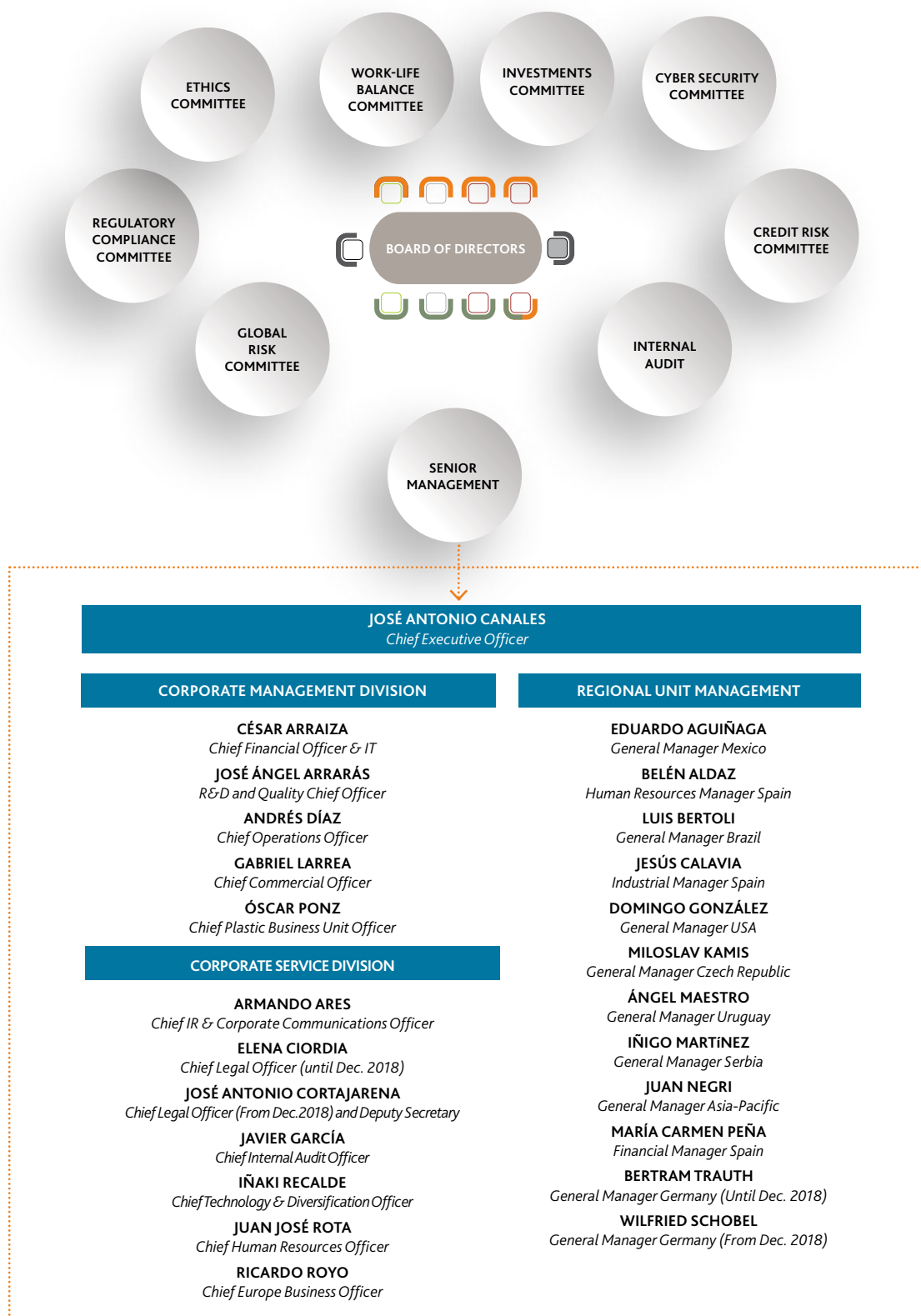
Law degree from the Basque Country University and Master's degree in Corporate Legal Services. IE Business Law. State Lawyer (on leave).

Lawyer with extensive experience in different areas of Law (mainly corporate governance, capital markets, M&A, contracting, arbitration and litigation) from holding the position of General Secretary and Vice Secretary of the Board of Directors of Siemens Gamesa Renewable Energy S.A. (formerly Gamesa Corporación Tecnológica S.A, 2007-2017) and for his active service as a State lawyer (1998-2007) and lawyer for EY Legal (1990-1993). As a member of Gamesa's senior management, he was also appointed Corporate General Manager of the Group (2013-2017).

He has also been a member of various collegiate bodies and Boards of Directors in public sector organisations and companies and has provided advisory services as secretary of their governing bodies.

In his teaching activity he has been a professor, among others, at the School of Legal Practice of the University of Navarre and member of its Office for Professional Guidance and is the author of several monographs and articles in several legal publications.

Organisational chart of the group (31 december 2018)



Note: Elena Ciordia held office until December 2018. José Antonio Cortajarena was appointed legal director and deputy secretary of the board in December 2018. Bertram Trauth held office until his retirement in December 2018, when Wilfried Schobel was appointed as General Manager in Germany. On 1 January 2019, César Arraiza was appointed Chief Strategy, Organization & Systems Officer, with responsibility in formulating strategies and supporting the business units in their execution, the organisational design and the management of the Group's information systems, and Mary Carmen Peña was appointed as CFO of the Viscofan Group.

Good governance practices

General principles of good governance in the Viscofan Group

Viscofan, as the holding company of a group of companies present in 18 countries, including those newly acquired in Australia and New Zealand, considers that good corporate governance is an essential factor for the generation of value, the improvement of economic efficiency, the integration of the business and the reinforcement of the trust of its shareholders and other stakeholders through the proper division of functions, duties and responsibilities between the governing and management bodies of the company.

To this end, Viscofan adds a strategic value to its good corporate governance to provide a high level of trust to make its business goals and structure compatible with the protection of shareholders' and other stakeholders' interests.

In recent years, Viscofan has progressively reinforced its structure to ensure the incorporation of the principles and best practices of good corporate governance both nationally and internationally, adapting them to the circumstances of the group until reaching the best level of compliance.

The Viscofan Board of Director's commitment to Good Governance is manifested in its Corporate Social Responsibility (CSR) Policy, which was approved by the board to promote the development of a culture of best practices in CSR and contribute to improving the welfare of people, promote the economic, environmental and social development of the communities in which the Viscofan Group is present, and create sustainable value through ethical behaviour for all its stakeholders: shareholders, employees, customers, suppliers and society.

To this end, the Regulations of the Boards of Directors were amended in 2018, adding new functions to the Audit Committee, which must periodically assess the adequacy of the company's corporate governance system in order to fulfil its mission of promoting corporate interest and taking into account the interests of other stakeholders. It must also review the CSR policy and ensure that it is aimed at creating value, and monitor and assess the degree of CSR compliance.





Good governance bodies

The governance structure of Viscofan is based on two main bodies: the General Shareholders's Meeting and the Board of Directors

Shareholders and the General Meeting

The General Shareholders' Meeting is the supreme governing body of the Company in which shareholders decide by a majority vote on the affairs within the scope of their authority. The General Meeting of Shareholders is one of the most important moments of corporate life and will shaping. Viscofan has established the principle of "one share, one vote", which promotes equality among all of the company's shareholders.

There is only one class of shares, giving the same rights and obligations to all of the Company's shareholders. There are no restrictions to voting and no limit to the number of votes that can be cast by one single shareholder.

Over recent years, Viscofan has taken a number of steps to facilitate transparency, fluid communications and shareholder involvement. A particularly noteworthy initiative is a bonus for attendance payable to the shares present or represented at the General Shareholders' Meeting that have duly evidenced their attendance or representation thereat, which is recorded in the Policy to encourage shareholders to take part in the General Meeting of Shareholders approved by the Board of Directors.

In 2018, a proposal was submitted again for a bonus per share of €0.01. Likewise, at the 2018 General Shareholders' Meeting, it was agreed to reduce the number of shares required to attend the meeting (from 1,000 shares to 100 shares), without prejudice to the shareholders' right to group for this purpose and also to facilitate shareholders with the option of remote voting or, where appropriate, voting by proxy through electronic means, including the possibility that said proxy contain voting instructions.

With the same purpose of encouraging and facilitating the participation of shareholders in the General Shareholders' Meeting, Viscofan published on its website an attendance, proxy appointment or remote voting card to make it easier for shareholders to exercise their rights through its use and a questionnaire to respond to the most commonly asked questions, formal and tangible, directed by its shareholders, depository institutions and other intermediaries on the development of the General Meeting and other items included in the agenda, and it continues to promote continuous dialogue with shareholders, their representatives and advisors through the Investor Relations Department and the Shareholder Desk to ensure access to information that is necessary for them to exercise their rights and take appropriate decisions.

As from the notice of the General Shareholders' Meeting, Viscofan includes a link on the landing page of its website with direct access to all the information related to the General Meeting, including electronic means for the delegation of votes and distance vote, and the card that can be used to exercise such rights, along with a list of questions received on the General Meeting and answer to them.

As a result of these measures, at the General Meeting held on 25 May 2018, 80.37% of the company's share capital participated, 79.12% in 2017 and 80.08% in 2016, maintaining the high attendance percentage in the General Meetings of the last years, above the average for listed companies, which is especially significant taking into account the company's high free-float.

General Shareholders' Meeting participation

General Meeting	25/5/18	27/4/17	21/4/16
% Attending in person	18.22%	17.20%	13.90%
% Proxy	53.83%	21.53%	18.08%
% Remote	8.31%	40.39%	48.10%
Total participation	80.37%	79.12%	80.08%

Electronic forum

To facilitate communication among shareholders with reference to the General Meeting, in which they can publish:

- Any supplementary proposals to the agenda announced in the notice of the General Meeting.
- Requests of support for such proposals.
- Initiatives to reach the percentage required to exercise statutory non-controlling shareholder rights.
- Offers or requests to act as a voluntary proxy.



**INVESTOR RELATIONS AND
SHAREHOLDER'S OFFICE:**
+34 948 198 436



**INVESTOR RELATIONS
E-MAIL:**
info-inv@viscofan.com

Board of Directors

The Board of Directors is the body in charge of the representation and administration of the Company, with its general principle of action to maximise the value of the company in a sustained manner. Its essential function is the general supervision of all aspects that form part of the Viscofan S.A. company and, as the case may be, of the companies that comprise its group of companies, and the Board must always follow the criteria of the unity of purpose, the independence of criteria, equal treatment to the shareholders and be guided by the social interest, understood as sustainably maximising the economic value of the company (Art.4 of the Board of Directors Regulations).

The Board of Directors consists of ten directors, of which two are executive, two are nominees, representing the shareholders Corporación Financiera Alba, S.A., and Angustias y Sol S.L., two are other external and the other four are independent, thus complying with the recommendations for good corporate governance in that the number of nominee and independent directors should constitute an ample majority on the Board of Directors. The secretary and vice secretary do not hold the position of directors.

In terms of gender diversity on the Board of Directors, 20% of the members are women and 80% are men.

In order to perform the functions with the required rigor and efficiency, the Board of Directors of the Company prepares an annual schedule of meetings of the Board and the various committees, so that the directors can better plan their time and to encourage commitment to, and attendance of meetings. Furthermore, the annual plan includes visits to some of the Group's centres and involvement of the management to better monitor the implementation of the Group strategy and the management of each of its companies. The Board holds regular meetings for which directors receive the information they need well in advance, including, as appropriate, the minutes or reports of the different Board Committees.

The Board met on 12 occasions in 2018, and the Board Chairman attended all the meetings. All meetings were attended by all the directors in person, or by proxy with specific instructions. The percentage of meetings attended in person of the total votes during 2018 was 95.83%.

Likewise, the Board of Directors carries out its annual evaluation of the quality and efficiency of operation, diversity and competences of the Board itself and of the Committees, coordinated by the Secretary and conducted by the Lead Director in the case of the Executive Chairman, to whom the Appointments and Remuneration Committee submits its report, where it analyses the formal and material aspects of its activity, the performance of the directors and Chairmen of each of the Committees and that of the Board itself, including any observations that may be useful to improve its work.

The Board of Directors consists of ten directors, of which two are executive, two are nominees, two are other external and the other four are independent, thus complying with the recommendations for good corporate governance in that the number of nominee and independent directors should constitute an ample majority on the Board of Directors.

In 2016, the company commissioned Spencer Stuart as an independent external advisor to evaluate the Board and its Committees with highly satisfactory results. Actions are still being carried out to guarantee the participation of the directors, facilitating their dedication and attendance to the meetings, to provide them with tools to give more in-depth knowledge of specific aspects of the activity and specific environments of the different production centres, thus improving the monitoring of the strategy of the Group and of each of its companies. The participation of an external advisor is again planned for the evaluation process for 2019.

Full information of the Board of Directors is permanently accessible in the "Corporate Governance" section of the Company's website, which also includes individualised information of the category of each of the directors, reviewed every year, once it has been verified by the Appointments and Remuneration Committee, membership in the different Committees, and other relevant details, as referred above in this report.

A new remuneration policy for directors was approved at the 2018 General Meeting held on 25 May, which came into force on that date and which is available on the company's website.

Board of Directors Committees

The Board has created two committees in support of its functions: The Audit Committee and the Appointments and Remuneration Committee.

On 25 May 2018, the Delegated Committee in effect until that date was decommissioned as a result of there being two executive directors, the adaptation of the size of the Board to the recommendations of good Governance, together with a greater specialisation and assignment of functions to the Board Committees and the development of Board meetings and committees that have improved their Visibility of the Company, empowered to request the presence of senior management and other Group employees to inform at its meetings.

Therefore, by replacing its activity with that of the Board as a whole and of the Committees in the functions assigned to them, increased fieldwork and preparation of the topics to be discussed by the Group's senior management is also required.

Until its decommissioning on 25 May 2018, the Delegated Committee comprised three directors, the Chairman and the two Vice chairmen. The Delegated Committee met 5 times in 2018 and complied with its delegated board duty.



Full information of the Board of Directors is permanently accessible in the "Corporate Governance" section of the Company's website <http://www.viscofan.com/corporate-responsibility/corporate-governance>



The Audit Committee comprises five members, 40% women and 60% men. All non-executive and the majority are independent, appointed by the Board of Directors pursuant to a report by the Appointments and Remunerations Committee, bearing in mind accounting, auditing and risk management knowledge, skills and experience. Its Chairman is the independent director Ignacio Marco-Gardoqui.

The functions of the Audit Committee include those established by law, including supervising the preparation and integrity of the Company's financial information, and reviewing the ICFR; review, analyse and comment on the financial statements and other relevant financial information with Senior Management, internal and external auditors; supervise the adequacy of the control policies and procedures in place, reviewing the internal control and risk management systems; supervise internal audit services and verify that Senior Management takes their recommendations into account; propose an external auditor, ensure its independence, review the audit plan and the results of its execution.

It shall also supervise compliance with the internal codes of conduct and the rules of corporate governance, be aware of and, where appropriate, respond to initiatives, suggestions or complaints raised by shareholders regarding the

scope of their duties, establish and supervise a mechanism that allows employees to confidentially and, if appropriate, anonymously, communicate their concern about possible irregular practices of potential importance, especially in accounting, financial or auditing, human rights and corruption within the company.

This last aspect, the new wording of the 2018 Board of Directors Regulations, includes new functions for the Audit Committee who must also periodically evaluate the adequacy of the company's corporate governance system and review, assess and monitor the Corporate Social Responsibility policy, in addition to supervising the non-financial reporting and diversity process.

To better fulfil its functions, the Audit Committee may seek the advice of external professionals. The Audit Committee issues its own annual report of activities, available to the public on the company's website.

In 2017 the Audit Committee put forward to the Board of Directors the designation of PricewaterhouseCoopers S.L. as the new Accounts Auditor of Viscofan S.A. and the consolidated Group for 2017, 2018 and 2019.

The Audit Committee met 11 times in 2018. Throughout its relationship with its external auditor (PricewaterhouseCoopers S.L. in accordance with the approval by the 2017 General Shareholders' Meeting as accounts auditor for 2017, 2018 and 2019 years) and as one of its obligations, it ensured that the financial statements were presented without reservations or qualifications, and with total independence. Whenever the Audit

Committee considered it appropriate, it required the presence of members of the management team, the internal audit and external auditors.

As in preceding fiscal years, the Audit Committee has revised and analysed, prior to its submission to the Board of Directors and disclosure to the CNMV and the stock markets, the financial statements both of Viscofan S.A as well as of its Group, and the contents of the quarterly, six-month and annual reports, to confirm that the information contained is reliable, comprehensible, relevant and that accounting criteria consistent with the previous year-end has been followed, for which it has been provided with the assistance of the Group's Senior Management, especially of the areas in charge of the Consolidation and Financial functions, as well as of external and internal auditors.

Among subjects regarded by the Committee are the analysis on the acquisition of companies Transform Pack Inc., Globus Australia PTY Ltd, Globus New Zealand Ltd and Jupiter PTY Ltd. and the monitoring of "Purchase Price Allocation", done in accordance with current regulations. Also the monitoring of indemnifications for infringement received and the agreement reached with Crown Food Spain, S.A., the monitoring of the balance of ICMS receivable in Brazil and its recoverability plan, among others. The Committee has analysed and approved the work plan for 2018 fiscal year developed by this area, has carried out a recurring supervision of its execution and has been directly informed about any incidences during its development. In relation to Directive 2014/95/UE, the Spanish legislation in force and Law 11/2018, about non-financial information, the Committee has

promoted and supervised its compliance with the Social Corporate Responsibility policy and has monitored the reporting process of the non-financial statement added in the management report.

Regarding the functions developed by the Group's Intern Audit area, on which it reports functionally to the Audit Committee, the Committee has analysed and approved the work plan for the 2018 fiscal year elaborated by this area, has carried out a recurring supervision of its execution and has been directly informed about any incidences during its development

Finally, it informed the Board of Directors of all of its activities, also delivering all the minutes of its sessions to the Board Members, as well as the information related to the risk map and the tax issues.



Appointments and Remuneration Committee

9 meetings



The Appointments and Remuneration Committee is made up of four non-executive directors appointed by the Board of Directors: two independent, one classified as other external and one nominee. It is chaired by the independent director Jaime Real de Asúa.

The Appointments and Remuneration Committee met on 9 occasions in 2018 and, whenever considered appropriate, the presence of senior management members was requested.

It fulfilled its normal duties, as established in the regulations and those set out in the Company By-Laws and the Board of Directors Regulations.

Pursuant to the functions entrusted to it, in 2018, the Committee reviewed the qualification of directors, it prepared reports for the assessment of executive directors and the assessment of the Committee itself and it headed the assessment of the Board and its committees regarding its activities in 2018.

Likewise, it analysed the competencies, knowledge and necessary experience in the Board, it requested the presence of the Lead Director to know the concerns of the non-executive directors, it made recommendations to the Board of Directors for proposals and reports for the re-election or appointment of

Directors, whose appointments will be proposed to the Company's General Shareholders' Meeting for its approval.

Finally, regarding this section of capturing and retaining talent and guaranteeing their continuity, it has reviewed the plans for the succession of the Chairman, the Director General Manager and Senior Management, and the talent management policy.

In terms of remuneration, in 2018 this Committee prepared and submitted to the Board of Directors, for approval by the General Shareholders' Meeting, a new remuneration policy for directors for the next three years that the 2018 General Shareholders' Meeting approved with the majority vote of the shareholders (95.35%). It is worth highlighting the incorporation of new good governance practices into the new policy, such as the claw-back clauses for variable remuneration paid in accordance with the recommendations of the Code of Good Governance, seeking to make moderation and supervision in remuneration compatible with attracting and retaining talent needed to help reinforce Viscofan's leadership in a competitive environment.

Likewise, the Committee has fulfilled its mission in relation to the preparation of the Annual Report on Directors' Remuneration, as well as in the setting and review of the objectives to which the annual variable remuneration is subject, and has monitored the compliance with the requirements for the three-year remuneration, both for the directors and senior management, as well as, ultimately, the salary policy for senior management.

The Committee for work-life balance of employees of the Viscofan Group also reported to this committee.

The composition, functions, organisational and operational rules, as well as the duties assigned to each one of the Board committees are detailed in the internal regulations of the company, described further on, and in the Annual Corporate Governance Report.

In 2018 the Bylaws, the Regulations of the General Shareholders' Meeting and the Regulations of the Board of Directors were amended to adapt them to legislative changes and corporate governance recommendations.

Upon call notice of the General Shareholders' Meeting, as mentioned above, the annual activities report of the Audit Committee and those of the Appointments and Remunerations Committee, as well as the independent reports of the auditor and related party transactions drafted by the Audit Committee are all published. All information on the Committees, functions, composition and activities, as well as its different reports and the proposal on the Board's remuneration referred to above can be consulted on the company website www.viscofan.com.

Compliance system

Code of conduct

The Viscofan Code of Conduct contains the ethical principles and guidelines for conduct to be followed by the administrators, directors and employees of the Viscofan Group, as well as any person who works for the Viscofan Group, in the development of their professional activity.

The general ethical principles included in such Code can be summarised in: Respect and Defence of Human Rights; Sustainability; Integrity, Responsibility and Transparency; Respect and Non-Discrimination; Efficiency; and Loyalty.

The Board of Directors has among its functions to ensure the correct application of this Code of Conduct, and to that end, it has the collaboration of the Compliance Committee and the Ethics Committee, who supervise and monitor compliance with the Code of Conduct.

INTERNAL REGULATIONS IN THE SCOPE OF THE GOOD GOVERNANCE POLICY

The internal rules governing the aforementioned bodies, supplemented by the applicable rules to ensure good corporate governance in the Viscofan Group, are available to shareholders and the general public on the Company's website (www.viscofan.com), as well as in compulsory publications and registration, on the website of the CNMV (www.cnmv.es) and the Mercantile Registry of Navarre www.rmbmnavarra.com, respectively.

The internal regulations are principally made up of:

- **Articles of Association:** These are the basic rules governing the Company and all its bodies. The articles set out the main features and operating principles of the General Shareholders' Meeting, the Board of Directors and its committees.
- **Regulations of the General Shareholders' Meeting:** This text lays down the regulations governing the General Meeting to ensure transparency and safeguard shareholders' rights, and their access to Company information. The rules stipulate the formalities of calling, attending, holding and recording General Meetings of Shareholders and of access to prior and General Meeting information by shareholders.
- **Regulations of the Board of Directors:** These set down the principles of action of the Board of Directors, including an appraisal mechanism, and its organisational and operating rules, the standards of conduct of Directors, their duties (including the duty to avoid conflict of interest) and the overarching principles that should guide their decisions. They also govern committees existing within the Board of Directors, their organisational and operational rules, and their remit and powers. On 25 May 2018, the Board of Directors approved new text for the Board of Directors Regulations that is available on the company's corporate website.

Likewise, within the regulatory compliance system, the Viscofan Group has approved and made available to employees on the internal network, action policies in the following areas:



Good Governance

- **Anti-corruption policy:** This policy is intended to minimise the risk of employees and third parties committing any type of corruption, and to reinforce the Group's position in the event of any breach to avoid actions involving bribery, extortion and other forms of corruption.
- **Risk Control and Management Policy:** The purpose of the Risk Control and Management Policy is to set the basic principles and the general action framework to control and manage risks of all nature faced by the Viscofan Group in order to identify, measure, prevent and mitigate their impact in its activity, in case of any occurrence.
- **Corporate Social Responsibility Policy:** It acknowledges the commitment of the Viscofan Group to developing its activities responsibly, maximising the creation of sustainable and shared value for its stakeholders (shareholders, employees, the market and the society as a whole), identifying, preventing and correcting the possible negative impacts of its actions.
- **Human Rights Policy:** The Viscofan Group aims to highlight its support and contribution to the spreading and respect of Human Rights within its scope of action, with its

adherence to the United Nations Global Compact with regard to Human Rights, work, environment, anti-corruption and with the incorporation of the Human Rights Policy and the Global Compact to its internal regulations. By doing so, it emphasises its promotion and compliance, by incorporating the policy to the organisational and compliance control structure of the Group.

- **Communication policy with shareholders, institutional investors and its representatives or advisors:** In order to ensure on-going communication and give certainty to shareholders on the transparency and access to information and pay particular attention to their points of view on corporate governance rules and practices, among others, the Company's Board of Directors approved a Communication policy with shareholders, institutional investors and their representatives or advisors based on the principles of equality, transparency and legality.
- **Internal Code of Conduct on Matters Relating to the Securities Market:** Rules of conduct to ensure that the institutional and personal acts of the Company Directors and employees strictly comply with current laws and regulations on transparency in the markets and to protect investors' interests.
- **Board Remuneration Policy:** The Board of Directors approved the remuneration policy that includes the characteristics of the remuneration system of the directors who perform

executive functions, including the objectives and metrics of the variable remuneration, ex post adjustments, the table with all the remuneration components and the summary of the main contractual conditions of the executive directors, as well as the characteristics of the remuneration system of the directors in their condition as such. Including the maximum amount of the annual remuneration to be paid to all directors.

- **Director Selection Policy:** The Appointments and Remunerations Committee drafts this policy in order to provide the Board of Directors with candidates that can offer the competencies, knowledge and experience required for the Board at all times, taking account of the vacancies to be covered and the structure and composition of the Board.
- **Policy to encourage shareholders to take part in the General Shareholders' Meeting:** attendance fee. All shareholders may exercise their attendance and participation rights in accordance with objective non-discrimination criteria and, therefore, the application of this policy will benefit all shareholders who comply with such requirements.



Commercial:

— Commercial Practices Manual:

The commercial activity has the opportunity and the obligation of providing a reliable picture of the quality and good practices of the Viscofan Group, to all those interlocutors with which we are likely to have a relationship.

This document notes the guidelines and standards that have to be taken into account throughout the development of a commercial activity within the Viscofan Group. Its aim is to ensure the security of such activity

and reduce its risks, by guiding and setting the conduct guidelines that are admitted by the organisation.

— Policy of Business Courtesies:

Around the world there are generally accepted customs and practices which include awards, gifts or other courtesies as a show of cordiality, fondness and appreciation. However, under the guise of business courtesies, there might be a granting of advantages with the hidden purpose of influencing decisions of one of the parties to the commercial relationship, vitiating it.

The purpose of the policy of business courtesies of the Viscofan Group is to establish an objective criterion that sets the difference between business

courtesies and the eventual granting of advantages with another purpose, as to avoid the latter.

— Policy to outsource commercial

services: distributors, agents and other: The policy to outsource commercial services is developed due to the growing need of incorporating new control guarantees in business management. An important part of our sales takes place through external business services and, therefore, their correct identification, follow-up and control are required for smooth business operation



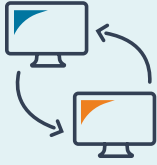
Financial and tax resources

— **Policy on Internal Control of the Financial Information:** Viscofan trades in the Spanish stock market, and therefore the internal control systems of the Viscofan Group need to be able to give reasonable

assurance on the financial information that is prepared, showing an accurate, true, correct, complete and homogeneous picture of the economic situation, complying with the applicable legal obligations of Viscofan SA and of each of the companies comprising the Group.

This policy includes the basic general principles of the Policy on Internal Control of the Financial Information, which shall be further developed in manuals and guidelines.

— **Tax Strategy:** It embodies the principles and basic lines that will govern the tax strategy of the Viscofan Group in accordance with the applicable legislation and with best tax practices, avoiding risks and inefficiencies and ensuring adequate coordination of tax practise in each jurisdiction and its alignment with the long-term business strategy of the Group and the achievement of corporate profit.



Information and systems

- **Personal Data Protection Policy:** The protection of natural persons with regard to the processing of personal data is a fundamental right that must be respected.

The Data Protection Policy establishes the commitment of the Viscofan Group with personal data privacy and protection of all natural persons linked with the Viscofan Group. The purpose of the Personal Data Protection Policy is to ensure personal data protection, setting the common principles and guidelines for the Viscofan Group in compliance with and adequacy of the applicable legislation.

- **IT Security Policy:** The information storage, management and use environment is evolving exponentially, and the Viscofan Group is aware of the importance of information security for the proper conduct of its activities. The policy therefore establishes the basic principles of security,

the organisational structure, and indicates the actions necessary to guarantee the security of the systems and networks of the Viscofan Group.

- **Authorisation Policy on Computer Access and Profiles:** The computer systems and networks of the Viscofan Group form a unit of work and information the protection of which requires the creation of measures that ensure its correct use. Resources management must be performed through authorisations. In the area of computing, authorisation access and user permissions are used as a security system to limit and control access to computer systems and networks.

- **Password Policy:** One of the basic principles to ensure security of computer systems and networks within the Viscofan Group, is to regulate and limit their access.

- **Computer Systems and Networks Management Policy:** This document outlines the Computer Systems and Networks Management Policy of the Viscofan Group. The computing departments manage and support the computer systems and networks of the Viscofan Group, to assist the operational processes of the Group and match its objectives and

strategies. Its management must ensure availability, and combine both the functionality and operability of systems and networks, and their security.

- **Policy on Audiovisual Information Control:** Viscofan's leadership of the casings sector is greatly underpinned by the development and constant evolution of manufacturing technologies in the different product families. Protecting this technology and its know-how is vital for the company to continue the creation of value in the long-term. This, and the fact that capturing audiovisual means are readily available, requires standardisation in its use through the Policy on Audiovisual Information Control.



People

- **Policy on Staff Selection and Recruitment:** The activity and the development of the Viscofan Group are largely determined by the effort, work and commitment of the people that make it up. This requires a solid policy on staff selection and recruitment so as to ensure objectivity and qualification of new staff, and the selection of the people who best meet the requirements in each case.
- **Policy on New Recruits' Reception:** The purpose of the reception policy reflected in this document is to ensure an appropriate reception, with an overall and efficient view, to all our new staff members of the Viscofan Group, so as to guarantee their knowledge of the position, duties to be performed and the

internal rules and procedures that have to be complied with, and to speed up the adaptation of new employees to the Group.

- **Training Policy:** The aim of the Training Policy is to guarantee that Viscofan Group's employees have all the knowledge and skills necessary for optimum execution of the duties assigned to them, improving or updating their performance.
- **Staff Leave Procedure:** The aim of the Staff Leave Procedure of the Viscofan Group is to establish a smooth and safe process that is able to guarantee business security and continuity due to any person's leave, with the same guarantees and level of confidentiality, and avoiding the loss of other resources.
- **Policy on Business Expenses:** The international expansion of the Viscofan Group and its commitment to deliver products in the world market result in the need for continuous staff movements and give rise to numerous expenses away from

the location of each company, its offices or production plants.

Such expenses and the requirements that must be met in accordance with the internal regulations and applicable laws have to be regulated in each case, so that they are borne by the different companies of the Group.

- **Code of conduct for trips and stays abroad:** It sets out the action principles and behavioural patterns that must be followed by directors, managers and employees of the Viscofan Group in their trips, travel or stays, both temporary and permanent, in countries other than their country of origin, as a result of their professional relationship with the Viscofan Group.



Production

- **EHS (environment, health & safety) policy:** This is the commitment to undertake industry best practices on this matter, as befits our position and world leading vocation.
- **Basic principles in safety, health and hygiene matters:** The basic principles in safety, health and hygiene matters embody the commitment of the Viscofan Group to implement and follow-up a Prevention Management System to ensure safety, health and hygiene at the facilities of the Viscofan Group, in accordance with the applicable

rules in each case and based on the internal requirements set across the Group or in each one of the companies. The main purpose of these principles is prevention, through the performance and implementation of effective actions prior to the materialisation of risks, in order to avoid them, or to reduce their impact if they were to take place.

- **Food Regulation Policy:** Its purpose is to ensure compliance with and adequacy to food regulations that are applicable to the activities and products of the Viscofan Group, identifying the necessary channels for their control, analysis and monitoring.
- **Control procedure instructions in case of product recall:** The purpose of this procedure is to set action

recommendations to ensure the quick identification and recall of products that might represent a risk for food safety, in case of crisis, in order to protect consumers, brand image in the market and the interests of the Viscofan Group and its customers.

- **Policy on Management of Purchases for Assets and Contracts for Services:** The management of purchases for assets and contracts for services must satisfy the needs of the Viscofan Group as best possible. This policy aims to increase the activity's security and control and reduce its risks, by guiding and setting the conduct guidelines that are admitted by the Group.

Regulatory system supervision

In order to watch and monitor the adequate implementation and follow up of the regulations, and the management and maintenance of an internal channel for complaints, the Viscofan Group has specific committees:

Regulatory Compliance Committee: Its duties include that of overseeing risks specific to the Company in relation to criminal liability or any other breach (internal or external) of Company regulations.

Ethics Committee: Responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may give rise to a situation of risk for the Viscofan Group, as a result of a breach of the Viscofan Group's internal regulations or any other circumstance. To this end, Viscofan has a channel for complaints that is also accessible to all employees, to communicate any signs that might be seen as a risk, available through Vinsite (internal communication platform for employees of the Viscofan Group), mail or physical mail to the Ethics Committee at Viscofan's head offices in Navarre.

In 2018 the Ethics Committee met on 4 occasions and completed the investigation of 3 matters raised.

Fight against corruption

The Viscofan Group is firmly committed to and ensures that its operations are based on the rule of law, ethical principles and fighting corruption. Commitment underlying Principle 10 of the Global Compact of which Viscofan is a signatory "Companies must work against corruption in all its forms, including extortion and bribery". From this premise, Viscofan worked in 2018 on preparing an anti-corruption policy that was approved by the Board of Directors in January 2019.

This policy is governed by the principle of zero tolerance towards any breach, and is a reflection of Viscofan's commitment to the fight against bribery, extortion and other forms of corruption. Its purpose is to minimise the risk of any act of such nature being carried out by employees and third parties, thus reinforcing the position of the Group in the event of any breach.

To avoid any type of corruption, this policy establishes a series of guidelines that define actions that are not allowed and that may be subject to corruption: Bribery, extortion, facilitating payments and influence peddling, gifts, business courtesies, donations and sponsorships, relationships with third parties.

Neither have there been any acts that have been subject to relevant legal actions related to unfair competition, monopolistic practices and against free competition, nor have processes or complaints been opened due to breaching laws or regulations in the social and economic field.

The Code of Conduct, which is provided in the protocol for welcoming new employees, also includes the prevention of corruption in all its forms. This policy, which is applicable to 100% of the business units, is supported by the policy of Human Rights which, among its commitments, lays down that the Viscofan Group will fight corruption in all its forms, including extortion and bribery.

Viscofan has its own presence in 18 countries and sells in more than 100 countries around the world, some of them listed as having a high risk of corrupt practices, although no cases of corruption have been reported on which the Ethics Committee have had to take action.

The Global Risk Committee carries out an analysis of fraud risks, and its different forms are regulated in various policies; and sets specific controls and mechanisms to reduce their likelihood. Identified risks are conflict of interest and internal fraud, private corruption, and fraud and misleading advertising.

The Code of Conduct, which is provided in the protocol for welcoming new employees, also includes the prevention of corruption in all its forms. This policy, which is applicable to 100% of the business units, is supported by the policy of Human Rights.

Risk management

The Global Risk Committee met four times in 2018 to update the methodology of the Risk Management process and the composition of the risk map.

In line with the corporate social responsibility policy, risk management aims to balance the will of value creation for our stakeholders and the risks associated with business, commercial, operational, labour, financial and social initiatives.

The risk management system of the Viscofan Group is regulated by the Policy on risk management control approved in 2017, whose object is to establish basic principles and the general framework for acting for the control and risk management of any nature to which the Viscofan Group faces with the purpose of identifying, measuring, preventing and mitigating their possible impact on its activity in the case of occurrence.

Likewise, the Company's Risk Management System is based on a code of conduct that indicates the ethical principles and behaviour guidelines, supplemented by the internal operational policies, divided into: general policies, specific policies, and local policies. This risk management system and its policies come within the limits provided for in the rules and regulations applicable to the activity of the Viscofan Group.

These policies are applicable to all the companies of the Viscofan Group over which the parent company has effective control, and encompass the employees, including senior management, and the actual Company Board of Directors.

There are several bodies within the Viscofan Group in charge of the supervision and control of different risks that could arise in the course of Viscofan activities with different level of occurrence and materiality:

- Board of directors
- Audit committee
- Internal audit
- Regulatory compliance committee
- Ethics committee
- Global risk committee
- Credit risk committee
- Investments committee
- Cyber-safety committee. Created in 2018
- Senior management
- Employees

See section E.2 of the Annual Corporate Governance Report for a more detailed description of the bodies of the company responsible for the preparation and execution of the Risk Management System, including taxation.

The Global Risk Committee met four times in 2018 to update the methodology of the Risk Management process and the composition of the risk map.

Risk map

The Viscofan Group, through the different risk control and supervision bodies, entrusts the Global Risk Committee with the preparation of an inherent and residual map of risks that, due to their materiality, may compromise the creation of value for its stakeholders and therefore may hinder the attainment of its objectives, which is included in the MORE TO BE strategic plan and that materialise in the search for triple leadership in service, technology and costs.

The organisation's risk map has been defined in accordance with the code of ethics, internal regulation and the Strategic Plan MORE TO BE, which encompasses the period from 2016-2020, and is presented adopting the COSO reference framework, grouping the existing risks in four categories:

1. Strategy,
2. Transactions,
3. Information,
4. Compliance.

Knowing the location of each risk on the inherent and on the residual map requires an on-going dialogue between the interest groups through the channels established by the company. This system enables the Organisation to measure the effectiveness of the mitigating measures adopted and to focus on the risks that are still outside of the comfort zone, adding corrective and preventive measures that allow the impact and/or probability of the risk occurring to be lowered.

In line with the task of adapting to the environment, especially in the area of risk management, the methodology for the realisation of the risk map was revised in 2018. In this revision, the risk map has been simplified, merging or deleting risks with a very high or redundant correlation, the weighting in the risk assessment of the main party responsible for the risk has been increased in the new model, and KRIs (Key Risk Indicators) have added or refined to reach a total of 218 to be periodically assessed.

As a result of the risk assessment carried out in the last quarter of 2018, the Group's risk map has been updated. The assessment of the inherent risk (before mitigating and/or corrective measures) of the 43 identified risks is shown below:



The inherent risks identified as being most critical (having a major expected impact and greater probability of occurrence) are:



— **Competitive environment of the sector.** Competitors: The strategies of our competitors could affect our position and, therefore, the achievement of our objectives, especially price drops and greater commercial efforts in certain markets.



— **Exchange rate:** It is associated with fluctuations between one currency and another, whereby changes in currency value lead to changes in the valuation of total wealth. Especially due to the fluctuation of the Euro against US\$, given the long exposure of the Viscofan Group to the US currency, with a higher percentage of revenue in US\$ than that of costs.



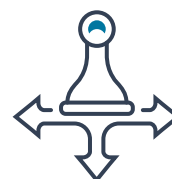
— **Budget control:** The budget process requires several assumptions that are required to set budgets and objectives. Errors or simply variations beyond the expected tolerances can affect the development of the corresponding operational and financial plans.



— **Cybersecurity:** A cyber-attack is a malicious action that aims to damage the availability of assets, data confidentiality or the integrity of an organisation's information. The risk of an attack is a growing issue, due to the increase in Viscofan's visibility in recent years as sector leader and example of best industry practices, due to greater mobility of our human teams and due to the opening up of our industrial environment to the Internet (remote access to entities and persons outside Viscofan). An organisation that is aware of the risk that exists both inside and out of its perimeter can minimise the likelihood of being attacked.



— **Environmental issues:** Industrial processes involve the use of natural resources and although the Group is fully aware of its responsibility with respect to the environment, our production processes could involuntarily affect or damage its immediate environment.



— **Competitive environment of substitute products:** The Group evolves its processes and products in line with meeting its strategic objectives, as our competitors evolve theirs. As a result of this evolution, our competitors could obtain products that could replace our current products in quality and/or price.



— **Customer discontent:** Customer satisfaction is the basis for continuity, stability and loyalty of relationships. It is mainly linked to product quality and to customer-orientation and services provided. Shortcomings in any of these aspects can lead to customer loss.



— **Framework and tax compliance:** Multinational presence and the large number of commercial transactions and financial operations are subject to regulation and tax laws in the different countries, which may take back or generate resources for the Group.



— **Scarcity of raw materials:** The Viscofan Group needs to purchase certain specific raw materials in multiple locations, which means that our production process may be affected in the event of shortages and/or lack of quality in such items. The strategies of our suppliers could also affect our production process.



— **Group cohesion:** The internationalisation and dispersion of the productive centres could affect the communication and interaction of the people who work there with the rest of the organisation. Likewise, the variety of cultures and countries in which the Group operates is a daily challenge when establishing operational and commercial practices consistent with such diversity



— **Reputation:** The value creation and sustainability are closely linked to the impact of our business activity, the results obtained and the adaptation to the expectations of our stakeholders and the environment in which they are developed.

The information in reference to risk management has been developed in section E) of the Annual Corporate Governance Report. In this section, the Viscofan Group describes the main risks and uncertainties, the bodies responsible for drawing up and enforcing the risk management system, the description of the main risks, level of tolerance and risks occurred in the year.

Commercial management

The position of Viscofan as “The Casing Company” saves costs and facilitates interaction with meat processors, who decide to use technology according to product specifications.

Product families and divisions. Our range of products

Viscofan offers the widest range of solutions for the production of sausages in a market, the meat industry, that seeks to meet consumer demands.

In response to all these needs, Viscofan, as the world leader in the production and distribution of casings, is the only company whose products are manufactured with the main four customized casing technologies: cellulose, collagen, fibrous and plastic, and combines all its efforts to improve and evolve year after year, offering a wide range of innovative products and solutions.

Each of our casings is developed to reduce time and eliminate production stages, allowing substantial saving, and fostering the production of new products and appliances (different cold meats, such as mortadellas, frankfurters, mini-snacks, salamis, etc.).

Viscofan offers a Technical Support service for customers. This service is a competitive advantage and provides great assistance to customers at deciding, from our wide range of casings, which one fits better to the needs of each product. This work is especially important because we are increasingly seeing that our customers do not divide by technology, but rather use various technologies for different products, depending on the degree of sophistication of the meat processor.

The position of Viscofan as “The Casing Company” saves costs and facilitates interaction with meat processors, who decide to use technology according to product specifications. In this regard, 53.8% of revenue came from customers who purchased products in all our technologies compared to 53.1% in 2017. A trend that is gaining greater weight in terms of the sophistication of meat processors.

Cellulose casings

Cellulose casings are made from natural cellulose. They are used primarily in the production of industrially cooked sausages.

Small size cellulose casing is characterised by its high elasticity, consistency of size and homogeneity. The easy peel of this casing guarantees a fast and uninterrupted production process. It also stands out for the excellent smoking properties and for the perfect absorption of colour and flavour. It can be printed in a large variety of colours and stripes; what's more, the transparency and brightness that they deliver to the product gives them a very appetizing appearance. It is especially designed for those more traditional applications, such as frankfurters, Vienna sausages, hot-dogs and raw-cured products.

Collagen casings

They are made using collagen as a raw material, a protein that is extracted from the skin of cattle and pigs. Following a complex treatment, collagen is suitable for further processing and can be shaped into casings.

It is an alternative to animal guts. They are casings that improve the appearance of the product, thanks to their smoked properties and perfect development of colour and flavour, fulfilling the consumer's wish to obtain a product with a classic and appetizing appearance; ideal both for cooked and raw-cured sausages. Collagen has great resistance because it stands fast filling, over cooking and hanging. As a result, it is very efficient in the production process.

Collagen products stand out for being very uniform (standard size), and small sizes have good properties for frying and for achieving a perfect "bite".

The classic collagen sheet (Coffi), and the pleated collagen with a net (Coffinet) offer new possibilities that go beyond traditional shapes, making it possible to produce cooked hams, cylindrical sausages and marinated and smoked items.

Fibrous casings

Fibrous casings are made with a mixture of cellulose and abaca paper, a paper obtained from vegetable fibers that provides high strength and a standardized size to the casing, but less elasticity than that of the cellulose casing.

Fibrous casing is mainly used for large sausages, products such as mortadella or salamis, which require excellent size consistency, high mechanical resistance during the production process and ease of peeling.

They transfer colour and aroma homogeneously. The variety of colours available adds value to the final product by improving its visual appearance, making it look really appetising.



Plastic casings and specialities

Plastic casings are made from a range of polymers. There is a wide variety of types (in tube format and also in film format) that allow us to offer the most suitable product for each type of application. The tubular plastic casings are extremely resistant to the filling process and their barrier properties maintain the constancy of the aroma, colour and weight of the product during its distribution and sale. These barrier properties maximise product life and cooking performance.

The plastic casings offered by Viscofan also incorporate exceptional characteristics such as a great ease of product moulding, peeling and slicing, and they maintain the organoleptic properties of the final product during its useful life.

Within the plastics division there is a family of products focused on food packaging. Viscofan specialises in two of these types of products. On the one hand the "Nanopack" plastic films, which are sheets for separation of sliced foods. These films - also called interleavers - enhance the visual characteristics of the product, its colour and brightness, and its presentation, since they avoid slices of the product from sticking together. On the other hand, retractable bags and "Vector" packaging films extend the catalogue of retractable bags that the company has had for many years, adding

a new technology that provides options and properties to cover with a wider range of applications in the meat and dairy sector.

Our catalogue also contains products that can transfer spices, aromas, flavours or colours, depending on the added value requirements requested by our customers.

Machinery solutions

The machines sold by Viscofan are intended to help our customers use our casings. These machines have been designed for casings for which the meat machinery market does not offer adequate solutions due to their special application.

Trademarks

The Viscofan Group carries out its commercial activity through a series of trademarks, in particular: Viscofan-The Casing Company®, Viscofan Bioengineering®, Naturin®, Vector®, Nanopack-Technology and Packaging®, Supralon®; Collinstant® (in bioengineering); Edicurve®, Efidry® and the most recent Vispice® and V-Film® in the products area.

Service quality and customer satisfaction

The Viscofan Group places the customer at the centre of its operational decisions, continuously trying to provide him with the best value proposition in order to strengthen efficiency and have a greater diversification in the product, while maintaining strict quality and food safety controls.

In this respect, Viscofan has the largest commercial network in the industry and the level of service of its technicians is widely recognised throughout the market. As artificial casing experts, we are the only company of the sector offering a global and integrated service to our customers, so we can offer the casing alternative that better suits customer's needs.

In a continuous improvement model, through multidisciplinary teams representing sales, production, and research & development areas, the Viscofan Group identifies the issues the meat industry is more concerned about and analyses, develops and implements the related improvements.

Thinking of maintaining our leading position in the global market, in an environment as dynamic as the present one, would be impossible if it wasn't because of without Viscofan's excellent level of service and diversification; as a result of our presence in 18 countries, we are able to provide suitable casing solutions to more than 1,689 customers in 100 different countries.

In addition to quality of service and customer satisfaction service quality and customer satisfaction, another key objective for Viscofan is to ensure the safety of customers and consumers, thereby Viscofan has a very comprehensive end-to-end system of claims and complaints that facilitates dialogue and communication to register, identify, monitor and analyse any dissatisfaction or complaint placed by the customer with regard to a product or service provided by the Viscofan Group to its customers. It is a transversal system in which the departments involved must analyse the cause of the dissatisfaction and provide the corrective actions that will be established in the organisation to avoid its repetition. The system is established as a result of the Group's philosophy of continuous improvement. Any dissatisfaction is analysed, making it possible to control both the material that is returned as a result of the complaints and the compensations paid to customers. In 2018, a total of 3,036 claims were registered by our systems, including service, administrative or product complaints, compared to the 2,748 claims in the previous year.



The Group's global presence exposure has been recognised on several occasions. Viscofan received, among others, the Aster Award for Business Trajectory 2013, granted by ESIC (Business and Marketing School), the Award for a Trajectory of Internationalisation was granted to Viscofan by the Business Circle, along with Wharton University of Pennsylvania; and the export award granted by the Chamber of Commerce and Industry of Navarre.

Meanwhile, the Supply Chain department has the purpose of improving the service to our customers and optimising working capital. To attain these objectives, initiatives have been carried out to improve and standardise the supply chain management tools to meet the standards demanded by various customers and the coordination of corporate teams has been strengthened, as well as simplifying the number of people involved in the assessment of the orders and the complaints, taking advantage of a unique scale in the casings market, which contributes to streamlining procedures and improving the service for our customers.

Additionally Viscofan's sales team is keen to receive feedback on their products and know to what extent their customers' satisfaction is achieved. For this reason there's a satisfaction assessment system that allows them to collect customers' opinion. The survey measures four parameters mainly (Product Quality, Delivery Service, Financial Competitiveness and Technical Assistance). Up to date the evidence has shown a level of satisfaction above the average set as objectives.

Labelling of products and services

The Viscofan Group provides an adequate extent of information and labelling with regard to the characteristics of its products and services.

In this respect, it is crucial for the Viscofan Group to provide reliable and explicit information on its products, upholding commercial practices that preserve the interests of the recipients of such information, making it easier to choose the most suitable product in relation to their interests. Viscofan's Code of Conduct establishes that "relationships with customers will be based on respect and transparency".

Therefore, commercial messages fall within the principles of transparency and veracity where no subjective comparisons are made nor information that could collide with third party rights is provided. These action policies expand to all geographical areas where the Viscofan Group has a commercial presence.

There were no sanctions or reports of breaches related to marketing communications or labelling of products and services in 2018.

Customer safety

Product safety and food hygiene from the supplier to the customer

One of the main purposes of casing is to protect the meat it contains. Processed meat is a basic food product for thousands of millions of people across the world. Viscofan, as leader in this sector, is highly aware of industry requirements that ensure both the production process and the resulting end-product strictly comply with legal specifications and have passed appropriate controls to achieve an optimal quality and ensure the safety and hygiene of the product to customers.

On the other hand, to guarantee at all times the excellence of products and services, ensured for customers and for the final consumer, Viscofan has a product safety and food hygiene system that covers all of these aspects: Manufacturing facilities are built following food safety specifications, employees are trained in food hygiene and product safety, raw materials are tested to adhere to specifications agreed previously with certified suppliers, systems for detecting any defective materials in the production process are in place, pest control is implemented and policies to monitor hazardous substances, personal hygiene and visitors are also arranged.

Hazard analysis and critical control point

Compliance with the applicable laws

Product traceability and certification

Audit and certification

Product safety and quality system

These protocols configuring our product safety and quality system are based on the following core principles:

1. Hazard analysis and critical control point: Viscofan has a hazard analysis and critical control point (HACCP) system in place. The Company formed an inter-disciplinary team that assesses every step of the production process to detect possible hazards (physical, chemical and microbiological pollution, including allergens), identify critical control points, establish relevant controls and take any required corrective action. The system is annually updated in line with any changes in the production process.

2. Compliance with the applicable laws: Casings manufacturing is becoming more tightly regulated, in the area of food safety, by countries and supranational institutions, making up a growing and constantly changing battery of rules.

This regulatory framework directly affects the activity of different production plants due to laws in the country of origin and requirements in the receiving countries, and internationally recognised standards.

Given how complex this situation is, the Patents & Regulatory Affairs Division reinforces the compliance of our products with different food safety regulations. This division's main functions are as follows:

— Monitoring food industry regulatory frameworks at a national and international level, especially any regulation concerning the casings sector, and ensuring said regulations are adopted and complied with internally.

— Review regulatory compliance in each of the production plants, coordination and establishment of action plans.

— Liaising with public agencies and trade associations related with the regulation of matters affecting the food and meat product casings industry.

3. Product traceability and certification: Viscofan operates a product traceability system that enables us to identify, at any time and in full detail, the history of every unit and even sub-unit sold, from receipt of raw materials to product use by our customers. In Europe, Viscofan fully implements a food traceability system under Regulation (CE) 178/2002.

4. Audit and certification: To ensure that our product safety and food hygiene systems comply with requirements, our production processes are audited internally on a regular basis. They are also audited by the health authorities, numerous customers and as appropriate, certification authorities, as is the case for the European facilities successfully certified every year in accordance with the most stringent standards on the market (British Retail Consortium Standards).



What's more, Viscofan has internationally developed certifications for meat processors to homologate new suppliers and commercialise their products in the main distribution chains around the world:

- BRC - Global Standard for Food Safety: The global standard for food safety is aimed at ensuring that suppliers comply with the requirements that guarantee the safety of food.
- BRC/IoP - Global Standard For Packaging and Packaging Materials: This certification is aimed at producers of packages and materials in contact with food.

Certificates that prove the organisation's commitment to safety, health and quality at its work centres and for its products, as well as in all the activities carried out around the world. This highlights the company's continued interest in offering and ensuring compliance with the highest standards.

The certification, by means of an audit by an accredited external entity, guarantees that the Viscofan group plants have the necessary systems to identify and control the hazards that may adversely affect food safety through a Hazard Analysis and Critical Control Point system (HACCP) and with the firm commitment of the company's management team.

Certifications

Underlying key aspects

- Ensure food safety. Efficient and dynamic control of risks.
- Compliance with applicable legislation in producing countries and with the requirements of the receiving countries and with internationally recognised standards.
- Reduction of costs of possible errors of any production chain.
- Organised and efficient communication of all interested parties (internal, suppliers, customers, authorities).
- Provide trust to customers/ consumers.

The Viscofan Group also has Halal and Kosher certifications. These certifications, referring to food products, are based on regulations that are key to attend different markets and to explore new growth opportunities. The Halal certification is specifically designed for products sold in Muslim countries and Islamic communities, while Kosher certification is a requirement for food consumption by the Jewish community.

The Company's commitment to quality and food safety takes the form of our mandatory processes applied throughout the production process and involve stringent working practices that are audited both internally and externally.

Customer privacy and data protection

Another important aspect in relationships with customers is the attention to the privacy and protection of their data. In this sense, Viscofan also has a complaints system to report incidents and/or violations to the customer's privacy, as well as the loss of customer data. No incidents were reported in this area in 2018.

Certifications

Certifications	ISO 9001	BRC
Germany	✓	BRC Food
Belgium	✓	BRC Packaging
Brazil *	✓	BRC Food and BRC Packaging
Canada	✓	BRC Food
China	✓	BRC Food and BRC Packaging
Spain	✓	BRC Food and BRC Packaging
Mexico	✓	BRC Packaging
Nanopack	✓	BRC Packaging
Czech Republic	✓	BRC Food and BRC Packaging
Serbia	✓	BRC Packaging
Uruguay	✓	BRC Food
USA	✓	BRC Packaging and SQF M-2**

✓ Certified

*The Viscofan Group is expecting to extend BRC Packagin certification to the Ermelino plant in Brazil

**SQF. Food safety system based on hazards analysis



Management of the supply chain

Viscofan Group is committed to its suppliers and establishes with them relationships based on respect and trust, on the quality of products and services, and on the reciprocal opportunity for growth and learning.

Responsible management

In 2018, the Viscofan Group allocated €452 million, which reflects the distribution of wealth among suppliers of goods and services.

The Viscofan Group carries out its activities by transforming raw materials through a physical and chemical complex process into casings customised to meet the requirements of our customers.

Aware of the strategic importance and the impact an adequate supply of raw materials and services has over the entire organisation, as well as the optimal management of the supply chain, the Viscofan Group is committed to its suppliers and establishes with them relationships based on respect and trust, on the quality of products and services,

and on the reciprocal opportunity for growth and learning.

This is a commitment that we believe must be two-way and shall engage all the employees in the organisation in the use of best practices in product purchase management and any other service contracted.

Under this premise, Viscofan is considering new actions to be carried out so that the management of the supply chain is developed in accordance with ethical standards and environmental criteria, in line with the Group's ethical code.



Viscofan uses different raw materials in its production process. According to the technology used and the desired final product, different materials are required. The most important raw materials in our production process are the following:

Cellulose

Cellulose is a linear polymer composed of glucose units found in the wall of cells in plants, wood and natural fibres, usually combined with other substances such as lignin, hemicelluloses, and other components. To produce casings, the cellulose chain must be broken to re-polymerise it with the appropriate structure for its extrusion in the form of a casing. This process requires cellulose with a high level of purity, also called "Premium cellulose" or "special cellulose" by our approved suppliers.

Abaca paper

It is obtained from a herbaceous plant called musa textiles. Paper made from its fibres has a high mechanical and moisture resistance, and is used at Viscofan to produce fibrous casings. Abaca fibre is also used by other industries to produce high quality paper and non-woven textiles for various uses such as tea bags, paper money, and filters.

Skins of cattle and swine

Collagen is a very common long fibrous protein with very remarkable chemical and mechanical properties; it has been used for many years as a basic raw material for several applications, as well as for sausage casings. Among others, it is used in the fields of biomedicine and cosmetics, as well as applications in the food industry. It is also the basic material for the large gelatine industry. The corium, or inner part of the skin of cattle is mainly used to produce collagen casings, which is very rich in collagen, and it can also be obtained from pig skin for applications in very specific markets.

Plastic polymers

Plastic casings are obtained by treating different plastic polymers widely used in different industries. The most commonly used polymers are polyethylene, polypropylene and polyamides.

Purchases of these raw materials, together with auxiliary raw materials for chemical processing - such as glycerine and caustic soda - represent 52% of the Group's total supply.

Viscofan has established a supplier approval system, included in the purchasing management policy, that allows a non-discriminatory treatment in the selection processes of suppliers and contractors, while seeking to ensure their compliance with quality, safety and cost criteria. In addition to this commitment, Viscofan expects suppliers to be innovative and efficient, to meet the legal and functional requirements, as well as the ethical practices required. In this sense and in accordance with our code of conduct and with our Human Rights policy, Viscofan rejects any type of child labour and, in accordance with this, our suppliers are asked to make a commitment similar to that included in our code of ethics.

In particular, our approval system for suppliers of raw materials and packaging includes a declaration of conformity on their performance commitments in accordance with internationally accepted ethical principles and human rights.

As of 2017, all the companies that make up the Viscofan Group have begun to request this commitment in the field of human rights and environmental criteria from 100% of the new suppliers of raw materials, and it is foreseen that this commitment will be ratified by 100% of the suppliers of raw materials in 2020.

To this end, all suppliers of raw materials, packaging and maintenance must approve an internal accreditation procedure comprising an on-site auditing by the quality team of Viscofan, or the completion of a questionnaire. In both cases, among other matters, the following systems are assessed: quality management (ISO 9001, IFS), food safety management in the case of suppliers of raw materials (FSSC 22000, BRC Global Standard, BRC Packaging), occupational health and safety management (OHSAS 18001/ISO 45001), environmental management (ISO 14001) and human rights management (UN Global Compact, BSCI).

For the production of collagen, the acquisition of animal hide (mainly cows) is required. In Europe this must comply with the European regulations of welfare of animals at the time of slaughter.

Commitment with local suppliers

The activity of Viscofan Group in those countries where the company operates is aimed at generating value to all stakeholders, these including local suppliers. In 2018, 54% of raw material purchases made were from suppliers based in the countries where our plants are located, thus favouring the economic development of those regions (55% in 2017).

Supplier average payment period

In 2015, Law 31/2014 of December 3, modifying Corporate Enterprises Act with regards to corporate governance, took effect. It establishes that companies unable to present condensed income statements must mention their average payment periods to suppliers; these calculations must be based on the criteria approved by the Ministry of Finance and Public Administrations, in accordance with guidelines established in the third section of the Second Final Provision of Organic Law 2/2012, dated April 27, on budget stability and sustainability.

In compliance with this requirement, the average payment period of the Viscofan Group during 2018 was 28 days (2017: 26 days), which is lower than the maximum established by the late payment legislation.

The calculation of the average payment period was conducted as indicated in the Resolution of January 29, 2016, passed by the Spanish Institute of Accounting and Audits of Accounts ("Instituto de Contabilidad y Auditoría de Cuentas" - ICAC, in Spanish), on the information that needs to be included in the accounts annual report with regard to the supplier average payment period applicable to commercial transactions.

Note 18 of the notes to the consolidated financial statements reflects information on the average payment period to suppliers during the year.

Work management

Composition of the team

The Viscofan Group's leadership is underpinned by the differential value of know-how and commitment of all employees. An average workforce of 4,641 people formed by a multicultural, competitive, qualified team in constant training, which grows and shares solid values and common ethical principles, despite having different cultures.

International staff in a Global Group

Viscofan consist of a large group of people who are spread across different areas where the company has a strategic presence: Spain, Germany, Brazil, Canada, China, Costa Rica, United States, Mexico, United Kingdom, Czech Republic, Russia, Serbia, Thailand, Uruguay, Belgium, France, Australia and New Zealand. 18 countries where the company is present, and which reflect its international character.

A rich and complex multicultural environment, which is both a challenge and an opportunity for the international development of all the employees. In fact, there are numerous projects to transfer knowledge between the different production plants, and to develop specific global training seminars for Group workers.



At Management Committee level (see details in the section on Corporate Governance), it should be noticed that 83% of the members were hired from the local community, that is, they were born in the country where they hold office.

International mobility is constant in Viscofan. An example of this is that in 2018 an average of 41 employees participated in international projects, sent abroad for long periods of time. The vast variety of nationalities both of origin and destination is the result of an internationalisation strategy and the initiatives to strengthen international mobility and transfer some of the best practices through benchmarking from the Group to all its subsidiaries.

Average workforce

4,641 people

Average workforce by country





			TOTAL	% covered by collective agreement
Spain	605	189	794	66%
Czech Republic	374	301	675	100%
Germany	494	74	568	77%
Serbia	321	174	495	0%
Belgium	60	12	72	0%
United Kingdom	10	3	13	0%
France	8	2	10	0%
Russia	5	2	7	0%
China	213	133	346	0%
Thailand	4	8	12	0%
Europe and Asia	2,094	898	2,992	55%
Canada	34	8	42	0%
United States	333	181	514	46%
Mexico	436	112	548	100%
North America	803	301	1,104	71%
Brazil	324	130	454	100%
Uruguay	66	12	78	0%
Costa Rica	6	7	13	0%
Latin America	396	149	545	83%
TOTAL	3,293	1,348	4,641	62%

Note: The scope of the Globus companies in Australia and New Zealand, acquired in November 2018, is not included in the scope. The Viscofan Group is in the process of integrating these companies, which will make it possible to obtain and unify information related to labour management. By way of information, as of 31 December 2018, Globus companies have 98 employees, 76 men and 22 women.





Age

The workforce has become younger in recent years, with the average age being 41 in 2018. Of the total of the average workforce, 34% are people under 35 years old, 40% are between 35 and 50 years old, and 26% are over 50 years old. In line with the principle of contributing to avoid child labour, at Viscofan there are no employees under the age of 17.

Average workforce by age

	2017			2018		
			TOTAL			TOTAL
Between 17 and 35 years	1,046	505	1,551	1,046	514	1,560
Between 35 and 50 years	1,294	531	1,825	1,335	551	1,886
More than 50 years	901	277	1,178	912	283	1,195
TOTAL	3,241	1,313	4,554	3,293	1,348	4,641

Average workforce by category

	2017			2018		
			TOTAL			TOTAL
Directors	85	14	99	92	17	109
Technicians and supervisors	765	264	1,029	832	263	1,095
Administratives	46	145	191	55	176	231
Specialists	653	226	879	611	212	823
Labourers	1,692	664	2,356	1,703	680	2,383
TOTAL	3,241	1,313	4,554	3,293	1,348	4,641



Categories

The industrial nature of Viscofan needs to combine a great number of skilled labourers with specialised staff. This is an increasingly demanding and global industry in terms of requirements, which implies greater knowledge and expertise of the workforce. To take on this challenge, the Group constantly invests in staff's know-how, added to the continuous training effort carried out in the organisation.

In this sense, Viscofan has 957 employees with university degrees, of which 37 hold a doctorate. This aspect clearly distinguishes the nature of the group of people that comprises the organisation, this being an essential element to achieve excellent levels in production as well as maintaining the level of innovation that is fundamental in our activity.

Categories. Management



	2018	%
Men	92	84%
Women	17	16%
TOTAL	109	

	2018	%
Between 17 and 35 years	6	5%
Between 35 and 50 years	50	46%
More than 50 years	53	49%
TOTAL	109	

Categories. Type of contract

The learning requirements, the complexity of the production process and the long-term growth vision are reflected in the composition of the workforce.

In 2018, 98.1% of the workforce (4,555 employees) were hired on a full-time basis. Of these workers, 91.9% had a permanent contract and 8.1% a temporary contract.

			TOTAL
Open-ended contracts	2,998	1,189	4,187
Temporary contracts	244	124	368
Part-time contracts	51	35	86
TOTAL	3,293	1,348	4,641

Growing group

In 2018 Viscofan's average workforce increased once again due to the hiring of additional staff to improve the level of service and increase its global leading position. This year, the net change in average workforce was 88 people, giving rise to an average workforce of 4,641 people. An increase of 1.9% on 2017 and which is mainly due to the increase in the workforce in Spain due to the start-up of a factory with new production technology in Caseda for cellulose and fibrous casings, as well as to the incorporation of the staff from the new Supralon (November 2017), and TransformPack (February 2018) acquisitions. Staff from Globus joined this team in November 2018.

The need for training in the production process, the strategies for creating long-term value, and the high level of commitment of the people who make up our team are reflected in the voluntary turnover rate of the average workforce for 2018, which stands at 4.2%.

The breakdown of dismissals by category, age and gender based on the business activity of the Viscofan Group, as a result of the needs of the market and the different locations, the lack of competitiveness and efficiency, is as follows:

Average workforce net change. 2018 vs. 2017

Breakdown by age

Between 17 and 35 years	9
Between 35 and 50 years	62
More than 50 years	17
TOTAL	88

Breakdown by category

Directors	10
Technicians and supervisors	67
Administratives	40
Specialists	-56
Labourers	27
TOTAL	88

Breakdown by gender

Men	53
Women	35
TOTAL	88

Dismissals

Breakdown by age

Between 17 and 35 years	47
Between 35 and 50 years	38
More than 50 years	13
TOTAL	98

Breakdown by category

Directors	1
Technicians and supervisors	15
Administratives	3
Specialists	10
Labourers	69
TOTAL	98

Breakdown by gender

Men	70
Women	28
TOTAL	98

Efficient and competitive team

Employees are a fundamental part of the MORE TO BE Strategic Plan. Thus, their commitment, constantly evolving work and improvement are a clear competitive advantage for the Group.

The average revenue per employee in the Viscofan Group is above the average of other companies in the sector. This ratio decreased in 2018 with respect to 2017 as a consequence of the erosion in revenues due to the variation in exchange rates.

The importance of these stakeholders - the employees - can be seen in the generated and distributed resources table. Viscofan Group employees have received €161 million of distributed costs.

Competitive remuneration

The activity and the development of the company are largely determined by the know-how of the employees.

In this regard, Viscofan's contracting policy is based on objectivity, equal opportunities and training, and one of its aims is to favour gender diversity, among other aspects.

This implies a competitive remuneration, adapted to the capacities and competences of the different profiles required according to the industrial or commercial process, and also according to the realities of the multitude of countries in which Viscofan is present.

Revenue per employee

	2016	2017	2018 *
Average workforce	4,363	4,554	4,641
Revenue. Mn €	731	778	784
Revenue per employee (Thousand €)	167.5	170.9	169.0

*It excludes Globus

Average compensation

Breakdown by age	
Between 17 and 35 years	19,033
Between 35 and 50 years	27,951
More than 50 years	40,195
TOTAL	28,106
Breakdown by category	
Directors	115,182
Technicians and supervisors	39,827
Administratives	29,721
Specialists	23,062
Labourers	20,322
TOTAL	28,106



Within the area of remuneration, about 62% of the company's employees are covered by general collective bargaining agreements, therefore improving the minimum conditions set by different labour legislations. Collective Bargaining Agreements regulate the remuneration received by the workers who sign them, and in particular establish an equity criterion between similar jobs, thus avoiding gender discrimination and the salary gap between equivalent jobs. However, the mathematical calculation of the remuneration gap, understood as the difference between the average hourly remuneration for men and women and the average hourly remuneration for men stands at 26.5%, with the average remuneration for the Group being €28,106: €30,404 for men and €22,487 for women. This difference relates to multiple factors, from the gender composition of the Group to its geographical presence, the occupation, the different specialisation requirements of the jobs, the night shifts needed for a continuous production process of 24 hours, bonuses awarded for dangerous work, seniority, etc. which are in line with the industrial context, the composition of the workforce and the historical trajectory of the Viscofan Group.

The individual remuneration of all the members of the Board of Directors is detailed in note 24 of the company's annual accounts in accordance with the remuneration policy of the Board as shown in the Remuneration Report available on the company's website, www.viscofan.com.

The Group makes contributions to various different defined benefit plans. The relevant information is in note 17 of the consolidated annual accounts.

Promotion and career development

Within a group that is ever growing a growing team, the policy on staff selection and recruitment is key to ensure continuity in leadership. In this sense, development and recognition of merits of Viscofan group's staff is being promoted stepped up by listing the company's job vacancies in internal information channels and the intranet. In 2018, the talent-attraction strategy was consolidated through international management tools for selection, hiring, internal mobility and expatriation processes.

Viscofan also aspires to be a company where the talent of its employees can develop and reach its highest level. In this sense, several of its corporate directors have been recognised with awards for the best professional career, as is the case of the Group's Financial Director and R&D Director.

Equality and work-life balance policies

We are committed to creating a working environment for our employees that allows them to develop and give the best of themselves. A place where they feel integrated and provides them with the opportunity to take part in the future of the company, regardless of their race, ethnicity, gender or gender identity, sexual orientation, age, religion or nationality, among others.

Within this subject, the 2016-2019 II Equality Plan is being executed in Viscofan S.A. The objective, as with the preceding plan, is to propose improvements and establish equality and work-life balance objectives within the company. Through the GEW (Gender Equality in the Workplace) process, the plan has focused on four main areas: Leadership; Policy and strategy; People; and Process management and relationship with the environment; so that a specific action plan is in place for each through to 2019.

The Viscofan Group has created a Corporate Equality committee, reporting to the Appointments and Remuneration Committee, which analyses opportunities and monitoring initiatives to facilitate a balance between the professional activity and the family. This Committee met twice in 2018. By way of example, in 2018, thanks to the proposal of this Committee, a license was established for the birth of children and death of spouses and children, a universal measure for all the Group companies located in countries whose legislation does not include it.

To Increase women's employability within an industrial sector which has traditionally employed manpower is one of Viscofan's equality objectives. In 2018, the average workforce of women increased by 35 people to 1,348, which represents 29% of the total workforce.

Likewise, in the opinion survey carried out in 2018, all the Group employees were specifically asked about issues of gender and work-life balance so as to consider the application of specific measures. As such, the Group is analysing the possibility of incorporating flexible organisation systems in the future that are not included in legal regulations.

In this regard, it should be noticed that Naturin Viscofan GmbH, the German subsidiary of the Viscofan Group, has been certified by the "Berufundfamilie", which recognises the best work-family reconciliation policies of companies in that country.

In addition, in order to promote and improve the management of this matter, the Viscofan Group participates as a Collaborating entity and member of the Management Committee of the Observatory of conciliation and joint responsibility of the Pontifical University of Comillas.



Development and retention of talent. Committed team

The Viscofan Group, via the Human Resources departments of its various subsidiaries, promotes personal development through initiatives that enhance knowledge management and enable employees' skills to be harnessed with a view to achieving the Group's objectives. Training is a primordial goal within the Group for its personnel. Training is continuous, thereby boosting personal and professional development. With this aim, the Human Resources team managed more than 115,000 training hours in 2018, an average of 24.8 hours per employee.

For this commitment to human capital training, the group has invested about €2.2 million, of which €0.7 million correspond to training and explicit


awareness in health and safety (more information in the workplace safety section).

Within the training plan, subjects related to aspects of Human Rights have been addressed, such as the use of non-sexist language, corporate social responsibility, gender equality and sexual harassment, for a total of 2,247 hours.

Likewise, looking towards the promotion of employment, the Group also fosters participation in the main universities of the countries where it develops its activity. With the purpose of attracting and developing talent, and average of 55 internships took place in 2018.

In line with the results obtained from the Work Environment surveys, the purpose of the Viscofan Group is to forward enhance the development of a

Training

Training Viscofan Group			TOTAL
Number of hours	81,776	33,386	115,162
Average number of hours per employee	24.8	24.8	24.8
% of employees who have received training	85.8%	83.4%	85.1%

Training in Spain (hours)			TOTAL
Directors	623	201	824
Technicians and supervisors	4,685	1,956	6,641
Administratives	100	991	1,091
Specialists	1,031	424	1,455
Labourers	2,449	629	3,078
TOTAL	8,888	4,201	13,089

high-performance culture for individuals and evaluate the establishment of objectives by means of an assessment process. In particular, performance assessment consists of a process of planning, monitoring and evaluation of those objectives defined by the leaders of a group for the members in their teams. This methodology improves the professional capacity of each person and aligns individual's expectations with the strategy and objectives as a company.

In 2018, 31% of the Group's staff was subject to a performance assessment process, compared to 27% the previous year.

There is also an assessment on a bilateral basis that the Group promotes through global opinion surveys (Viscofan Opinion Survey). In 2018, the third opinion poll of the Viscofan Group was held, with 70% of employees from around the world taking part, to learn more about our strengths and our areas of improvement.

As strong points, workers pointed out quality and customer service and sustainable commitment. Certain aspects in need of improvement were also detected, such as remuneration, internal communication and the development of careers and training, on which the Group is developing initiatives as mentioned above.





Workplace and safety

Corporate workplace safety policies are the responsibility of the Environment Health and Safety (EHS) department, working in close partnership with the corporate and local Human Resource departments. In this regard, measures and investments continue to be implemented to improve working conditions. In addition, the Viscofan Group works to obtain reliable and consistent indicators to measure and compare performance in the various countries in which the Group operates, in this way extending best health and safety practices to its production centres.

Viscofan considers that accidents may be prevented, and that is why not only does the Group work to have safer facilities but to make all staff aware of the importance of attitude in relation to safety. For Viscofan, the material aspects that affect safety are essentially based on the characteristics of the position and the activities that are required, and it is not relevant to disaggregate the management of safety in our systems due to gender.

Viscofan still makes huge efforts to standardize its procedures while also communicating its policies throughout the companies using specific courses and informational materials, available to employees at their areas of work.

Performance assessment

	2017				2018			
			TOTAL	% on average workforce			TOTAL	% on average workforce
Directors	57	10	67	68%	71	13	84	77%
Technicians and supervisors	287	111	398	39%	466	144	610	57%
Administratives	20	76	96	50%	26	85	112	48%
Specialists	138	66	204	23%	154	92	246	28%
Labourers	295	149	444	19%	239	168	407	17%
TOTAL	797	412	1,209	27%	956	502	1,458	31%

In order to carry out these initiatives, the Group has an EHS policy, approved by the Board of Directors, pointing out the following relevant guidelines with regard to workplace safety:

- Provide employees with a safe and healthy workplace.
- Identify and comply with applicable legislation and regulation in terms of Environment, Health and Safety (EHS) in each of the locations where the group does business, and any other voluntarily-acquired commitments of Viscofan to improve these areas.
- Ensure that management, employees and all staff working for the organisation (or on its behalf) are aware of this policy and are trained, according to their responsibilities, to comply with it.
- Set indicators to assess the evolution of our performance in these areas.
- Promote a culture of continuous improvement in EHS, defining objectives and implementing corporate standards.
- Develop a cooperation relationship with stakeholders, so as to enable open and objective dialogue and help ease joint responsibility on these issues.

Occupational safety and health

	2016	2017	2018 *
Hours lost per accident	26,728	31,228	32,864

2018			TOTAL
Number of accidents	121	40	161



2018	
Number of accidents	161
Number of working hours	8,751,368
Work-related accidents. Frequency *	18

*Number of accidents occurred per million hours worked

Work-related accidents. Severity *	0.38%
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*Number of hours lost due to accident between hours worked

Absenteeism 2018	
Index	3.92%

Health and Safety training			TOTAL
Number of hours	23,261	5,104	28,366
Average hours per employee	7.1	3.8	6.1
% of employees who have received training	87%	87%	87%

Explanatory note: The number of hours lost due to sickness and accidents is taken into account in the indicator calculation.

Alongside this, certain specifications are determined within the Collective Bargaining Agreements of the different locations in which the Viscofan Group is present in matters related to health and safety.

Ensuring the health and safety of workers is a priority for Viscofan. The figure regarding loss of work hours due to accident or illness incidents have been re-assessed in relation with the variable remuneration of the management staff.

There were no fatal accidents in 2018.

Providing safety training to prevent and mitigate accidents, as well as to prompt importance on safe behaviour patterns, is the basis to the wellbeing of our employees. In 2018 we accumulated more than 28,000 hours of training in safety and prevention, an average of six hours per employee. This training includes basic prevention measures that have to be adopted in the workplace, or the relevance of daily healthy-habits the notable role of mid-level management staff and the improvement of their leadership with regard to security.

The importance that the Viscofan Group concedes to occupational health and safety can be seen in the investments made to improve the machines in Montgomery (USA), fire-fighting facilities in Weinheim (Germany), Zacapu and San Luis Potosi (Mexico), and ergonomic adaptations in the new plant 4 in Caseda (Spain).

Group's plants with OHSAS 18001

Certifications	OHSAS 18,001
Spain *	✓
Germany	✓
Serbia	✓
Czech Republic	✓
USA	
Mexico	✓
Brazil	✓
China	✓
Uruguay	✓
Belgium **	✓

*The Nanopack plant is pending in Spain

**The plant in Belgium has obtained the ISO 45001 (2018) certificate as a replacement for OHSAS 18001.

At the same time, it is also reflected in the inclusion of the OHSAS 18.001 certification in all the production plants as it is regarded in the objectives to be achieved throughout the MORE TO BE 2016-2020 period. This is an internationally recognised standard that indicates the requirements for the establishment, implementation and operation of an effective Occupational Health and Safety Management System.

In 2018, the plant in the Czech Republic certified its health and safety management system according to the OHSAS 18,001 standard and the Belgium plant under the ISO 45001 standard (2018) which replaces the OHSAS 18001.

The global nature of our company means the volume and the frequency of occasional trips is significantly high, and consequently one of the objectives of Viscofan is to promote a greater level of safety in such displacements. In order to achieve this, there are "Risk-Assessment Reports" in those countries where the group is present, either way at a productive or subsidiary commercial stage, and which include recommendations, emergency telephones, a directory of medical facilities, etc.

Defence of human rights

Viscofan's Code of Conduct states that all the employees, upon their scope of action, must contribute to the compliance and protection of human rights, and shall avoid any misbehaviour contrary to these principles.

The Viscofan Group highlights its support and contribution to the transmission and respect of Human Rights by adhering to the United Nations Global Compact and its ten principles on human rights, labour, environment and anti-corruption, its commitment to the Sustainable Development Goals (SDG) of the 2030 Agenda, as well as the incorporation of a Human Rights Policy approved by the Company's Board of Directors.

Based on this policy, the Viscofan Group seeks to respect Human Rights throughout all its activities, anywhere in the world. This policy is based on the following principles: universality, progressivity, integrity and complementarity, inalienability, transnationality and international protection

Viscofan's Code of Conduct states that all the employees, upon their scope of action, must contribute to the compliance and protection of human rights, and shall avoid any misbehaviour contrary to these principles.

The employees of the Viscofan Group, as for their geographical and cultural diversity, will especially abstain from any misbehaviour involving discrimination on the grounds of race, sex, nationality, language, religion, ideology or any other individual, social or personal circumstance (disability, economic position, trade union membership, etc.), and promote dignity at work, preventing any type of exploitation, with special care taken to avoid child labour.

The Anti-Corruption Policy also seeks to minimise the risk of acts of corruption, bribery, extortion and other acts of this nature that may undermine human rights and be an obstacle to sustainable

development affecting the most vulnerable unprotected societies.

Therefore, the Viscofan Group puts all the means available to avoid our activities and decisions from having a negative impact on human rights. In this sense, the Group has mechanisms to address claims and concerns on this matter, covered by the Ethics Committee.

The Viscofan Group sets common basic guidelines on Human Rights, which are related to various areas of the organisation, from Human Resources, to supplier relationship management. Guidelines on aspects like freedom of association, abolition of child and forced labour, equality, or facilitating access to the labour market of anyone with a disability.

Viscofan understands that training in human rights and Corporate Social Responsibility (CSR) is a fundamental tool to improving human rights, therefore provides training in this area. In 2017, 398 employees in the main offices and production centres of Cáseda and Urdiain (Spain) received specific training in this aspect. This training was continued in the USA centres in 2018.

This training plan has also addressed issues relating to gender equality and sexual harassment, and the use of non-sexist language through courses taught in Spanish centres.

With regard to people with disabilities, Viscofan has 90 people with disabilities (82 men and 8 women) among its workers and has signed contracts with special employment centres to carry out certain tasks that contribute to the development of our production activity.



Human Rights training



Training hours in Human Rights (*)

1,577

670

(*) RSC, Gender equality, Harassment, Intimidation, etc...

Furthermore, in line with the commitment taken on, in 2018 Viscofan successfully audited its Caseda plant in one of the most widely used social audit processes in the world, SMETA, which offers a globally recognised method for assessing chain of supply activities such as labour rights, health and safety, work environment and commercial ethics, and has joined Sedex, the largest collaborative platform to responsibly share data on supply chains.

As signatories of the Global Compact, the Viscofan Group protects free association of employees. Within equality and protection of employee's interests, about 62% of the company's employees are covered by general collective conditions governing their work activity, therefore improving the minimum conditions set by different labour legislations. The employees of the plants of Spain, Czech Republic, United States, Mexico, Brazil and Germany are protected by collective agreements.

China approved a new regulation in 2017 which enables employees' representation, thus bringing the possibility of employees' right to association in 100% of the companies that belong to the Viscofan Group.

The minimum remuneration of employees is considered in accordance with the salary level and regulations of each country where Viscofan carries out its activities. Given the training needs, the characteristics of the production process, and the internal policies of the Viscofan Group that respect current legislation in each country, the minimum remuneration of the workforce is above the minimum wage established in the country.

Within the Collective Bargaining Agreements of the different locations in which the Viscofan Group is present, certain specifications are determined in terms of the notice periods for operational changes.

Within the Code of Conduct, Viscofan rejects any form of child labour. As stated in the section on labour management, there are no staff under the age of 17 hired at Viscofan. Likewise, the Viscofan Group requires suppliers to have a similar commitment in accordance with our code of ethics.

To defend and protect human rights Viscofan promotes dignity at work and the prevention of forced labour. This risk has been specifically included by the Global Risk Committee in its risk matrix so as to detect any breach thereof.

Within these objectives, the Ethics Committee is responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may give rise to a risk for the Viscofan Group, as a result of a breach of the internal regulations or any other circumstance. To this end, Viscofan has a channel for complaints that is also accessible to all employees, to communicate any evidence that might be seen as a risk, available through Vinsite (internal communication platform for employees of the Viscofan Group), mail or physical mail to the Ethics Committee at the Group's head offices in Navarre.

No cases of human rights violations were reported in 2018, nor has any case of forced labour or child exploitation been registered through the whistleblowing channel.

Environment

Viscofan has been participating in the United Nations Global Compact since 2015, clearly in line with its aim towards sustained growth, and with the Sustainable Development Objectives concerning the environment.

Management approach

Viscofan is a global company that operates in a world whose population and consumption rates increase. The greater use of natural resources and the growing social awareness towards its efficient use therefore require a perspective that joins together economic growth and environmental and social needs to enable a sustainable future. As such, Viscofan acknowledges and undertakes to responsibly protect and preserve the environment and to efficiently use energy and resources. We also believe in the effectiveness of dialogue with our different stakeholders in order to get to know about their concerns and different improvement proposals on this matter.

Viscofan has been participating in the United Nations Global Compact since 2015, clearly in line with its aim towards sustained growth, and with the Sustainable Development Objectives concerning the environment (climate change, conservation of marine resources, protection of ecosystems, sustainable water management).

This company's commitment is based on human rights and on the following principles:

- Maintain a preventive approach that favours the Environment.
- Undertake initiatives to promote greater environmental awareness.
- Encourage the development and dissemination of environmentally friendly technologies.

In this way, the Environment, Health and Safety (EHS) corporate policy, defining the values of the organisation and laying down as priorities:

- Identify and comply with applicable legislation and regulation in terms of EHS in each of the locations where the group does business, and any other voluntarily-acquired commitments of Viscofan to improve these areas.
- Pursue constant improvement in all areas of operation, especially in those related to environment, health and safety of employees.
- Responsibly use raw materials, energy and water.
- Ensure that management, employees and all staff working for the organisation, or on its behalf, are aware of this policy and are trained, according to their responsibilities, to comply with it.
- Set indicators to assess the evolution of our performance in these areas.
- Promote a culture of continuous improvement in EHS, defining objectives and implementing corporate standards.
- Develop a cooperation relationship with stakeholders, so as to enable open and objective dialogue, and help ease joint responsibility on these issues.

To ensure the application of the principles contained in the policy, EHS Management guidelines have been developed by the Viscofan Group, setting the common implementation bases for safety, occupational health and environment management systems. It covers a total of 15 guidelines, specifying requirements for many other areas such as regulatory compliance, risk identification and assessment, and environmental aspects or emergency preparedness. Such work continued in 2018 with the implementation at Vector Europe, Supralon and the US subsidiaries.

The importance given to the EHS area is reflected in the advances in environmental management systems and the achievement of sustainable management certificates. In this regard, the ISO 14001 certification in all the production plants should be highlighted as one of the objectives to be achieved in the "2016-2020 MORE TO BE" period. In 2018 the Group made progress in that direction, Viscofan's plants of Belgium and Uruguay certified their environmental management systems according to ISO 14001 standards.

With these certifications the Viscofan Group substantially exceeds the target of certifying quality management systems in at least half of the manufacturing plants (ISO 14001) Although, the target for 2019 is to continue with the certification process of those plants that haven't yet obtained it.

Group's plants with ISO14.001

Certifications	ISO 14001
Spain	✓
Germany	✓
Serbia	✓
Czech Republic	✓
USA	
Mexico	✓
Brazil Itu	✓
China	✓
Uruguay	✓
Belgium	✓

*The Nanopack plant in Spain and the Supralon plant in Germany are pending, and the United States is planning to be certified in the 2016-2020 MORE TO BE strategic period.



Focal points

The Viscofan Group's basic tenets are two-fold, covering and guiding all of the company's environmental projects:

- The sustainable use of resources
- Contribute to avoiding climate change

The sustainable use of resources

The Viscofan Group will approach its sustainability target as it strengthens its capabilities of more efficiently employing available resources, including yet not limited to raw materials, energy or water resources.

Viscofan's manufacturing plants in 13 different countries (including Australia and New Zealand), each one with its specific environmental legislation, present a particular challenge to establish uniform reporting criteria. New resources and tools were incorporated in 2016 to unify the reporting criteria throughout all Group manufacturing plants. New environmental management indicators were established for the MORE TO BE 2016-2020 strategic period, which, including water management, extend the raw materials-production-waste management cycle and also establish direct and indirect CO₂ emissions measurements.

Viscofan also encourages measures to promote the values and commitments of the Group among employees with respect to environmental management, highlighting the realisation of training, which is an essential element in the management approach.

Water management

As we are working in an environment where there is a growing demand for industrial water, responsible water management is one of the cornerstones sustaining Viscofan's environmental policy. Viscofan's production process requires the use of water, mainly in phases of the process that involve washing the casings. In general terms, water is obtained from different sources depending on the location of the production plant: surface water, groundwater or municipal supplies. Once the water has been used, the

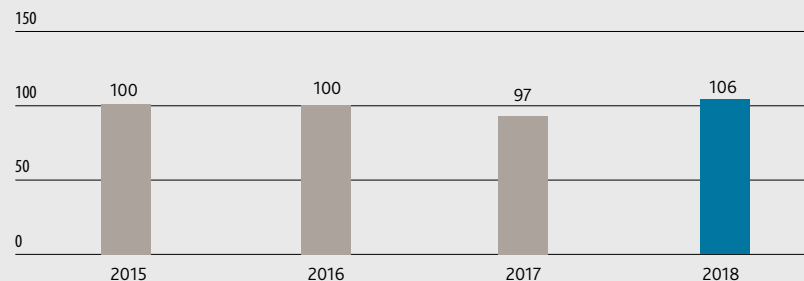
production plants have water treatment plants to treat it before being poured into freshwater or municipal treatment plants.

When managing the impacts related to water use, the Viscofan group has identified key management indicators with a double purpose: optimise water consumption at the company subsidiaries whenever possible and improve the water purification process with a view to reducing the pollution load thereof.

A baseline of 100 was set for the 2015 water usage intensity ratio (cubic metres per metre of production) to track the intensity of our water consumption in the following years.

Water consumption increased in 2018, mainly due to the inefficiencies inherent in the startup processes of the new plant in Caseda (Spain) and increased

Water consumption in cbm / Metres produced



* Does not include Supralon, Transform Pack and Globus

production linked to the expansion of capacity in Serbia.

Moreover, the Viscofan Group continues to work on water recycling projects at the production plants in Koteks (Serbia), Pando (Uruguay) and Suzhou (China), where we have managed to reuse 26,635 m3 in 2018 and 9,510 m3 in 2017.

There was no record in 2018 of the organisation's water capture significantly affecting any water sources. All captures are strictly regulated by the public sector, which assign permits and determine the maximum permitted capture volumes to preclude significant effects.

Additionally, in terms of waste treatment, Viscofan is aware that proper water management also includes correctly purifying its wastewater and minimising the impact of its activities on the environment. To improve waste management, several projects are being carried out in different plants of the Group.

In Koteks (Serbia), the wastewater treatment plant was expanded in 2018; an improvement project is underway in Casada (Spain), which is expected to end in 2019. Due to the increase in production capacity at the plant in Suzhou (China), the wastewater treatment capacity was expanded in 2017 with a new technology consisting in the installation of membranes; this and other alternatives are being considered to give more capacity to this plant in 2019.



Water consumption by source

m ³	2016	2017	2018 *
Surface water	3,361,935	3,301,733	3,755,026
Groundwater	2,380,630	2,443,000	2,636,088
Local water supply	2,990,228	2,809,491	3,021,961
Rainwater	0	0	0
Waste water	0	0	0
TOTAL	8,732,793	8,554,224	9,413,076

%	2016	2017	2018 *
Surface water	38%	39%	40%
Groundwater	28%	28%	28%
Local water supply	34%	33%	32%
Rainwater	0%	0%	0%
Waste water	0%	0%	0%
TOTAL	100%	100%	100%

* Does not include Supralon, Transform Pack and Globus

Water discharge by destination

m ³	2016	2017	2018 *
Surface freshwater	4,035,741	3,930,315	4,279,567
Local treatment plant	3,467,453	3,300,921	3,387,789
TOTAL	7,503,194	7,231,236	7,667,357

%	2016	2017	2018 *
Surface freshwater	54%	54%	56%
Local treatment plant	46%	46%	44%
TOTAL	100%	100%	100%

* Does not include Supralon, Transform Pack and Globus

Raw materials and waste

Within the circular economy, an essential point of the EHS policy is to use raw materials efficiently, contribute to minimising the generation of waste, and, insofar as possible, estimate the damages.

This commitment starts in all production locations by choosing the raw materials, both main ones (cellulose, collagen skin, manila hemp, polyamides and natural gas) and auxiliary substances, used for the chemical and mechanical transformation of raw materials throughout the productive process.

Within the objective of an efficient management of raw materials, the Viscofan Group carried out several projects in 2018, including the installation of a new technology for the production of viscose (cellulose and fibrous) casings, which is a step forwards in reducing production waste, among other aspects.

Waste and intensity ratio

	2016	2017	2018 *
TOTAL waste. In tonnes (T)	44,201	46,498	53,423
Waste in T./ Metres produced. Base 100 year 2016	100	104	119

* Does not include Supralon, Transform Pack and Globus

The Group's commitment continues with the reduction of waste generation and the optimisation of its management, prioritising recovery or recycling above other systems such as destruction or disposal.

Waste disposal methods have been determined locally based on local regulations and good practices within the Group, taking into consideration the characteristics of the production process and the raw materials used.

The number of tonnes of waste increased in 2018, mainly due to the inefficiencies inherent in the start-up processes of the new plant in Caseda (Spain) and the increased production associated with the expansion of Serbia capacity.

The Viscofan Group has implemented an environmental management system with a view to preventing spills and leaks, in which it has established management mechanisms and technical control elements. Should they occur, this system has detection, reporting and anomaly correction methods, including ones for predictive purposes.

There were no spills or leaks at Viscofan Group facilities in 2018 that had to be reported to the competent authorities, understood as those that cause damage to the external environment of the facility and must be reported to the corresponding administration.

Management of waste and by-products by category

	2016			2017			2018		
	Non-hazardous	Hazardous	TOTAL	Non-hazardous	Hazardous	TOTAL	Non-hazardous	Hazardous	TOTAL
Reused	0.0%	18.3%	18.3%	0.1%	16.0%	16.1%	0.1%	6.3%	6.4%
Recycled	11.0%	0.0%	11.0%	11.7%	0.1%	11.7%	7.6%	5.6%	13.2%
Composted	29.6%	0.0%	29.6%	27.0%	0.1%	27.1%	26.3%	0.0%	26.3%
Recovered	0.4%	0.1%	0.6%	0.5%	0.2%	0.6%	2.2%	0.2%	2.3%
Incinerated	7.7%	0.2%	7.9%	7.2%	0.2%	7.4%	7.0%	0.5%	7.5%
Landfill	29.3%	2.4%	31.7%	33.2%	2.1%	35.3%	37.6%	1.2%	38.8%
Other	0.0%	0.9%	0.9%	0.1%	1.6%	1.7%	1.2%	4.3%	5.5%
TOTAL	78.0%	22.0%	100.0%	79.7%	20.3%	100.0%	81.9%	18.1%	100.0%

* Does not include Supralon, Transform Pack and Globus



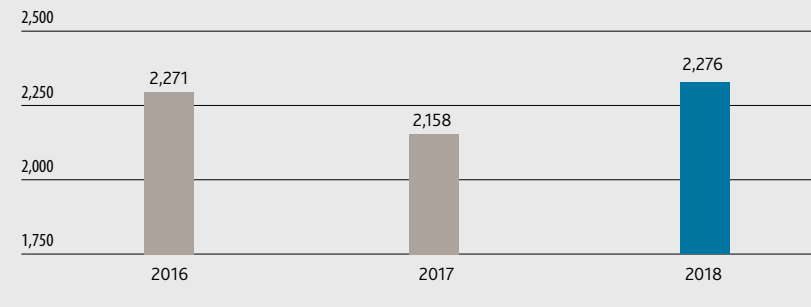
Contribution to prevent climate change

The Viscofan Group's sustainability approach also focuses on an efficient use of energy with low environmental impact. We strive to promote the rational and efficient use of energy throughout Viscofan's chain of value. To do so, our strategy entails reducing greenhouse gas emissions while mitigating the adverse effects of these gases on our environment.

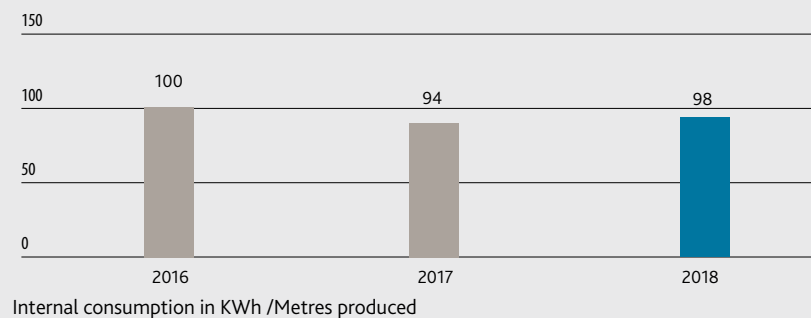
The casing production process requires a lot of heat, especially in the drying processes. The current technology for obtaining thermal energy through renewable sources is inefficient, making it difficult to ensure the continuity of energy supply in a continuous 24 hours a day and 365 days a year production process.

We understand that efficiency in the use of energy, reducing our energy requirements and making maximum use of the different ways in which this energy is present in our processes, is key to achieving the objective of helping to prevent climate change. Viscofan's strategy for reducing overall CO₂ emissions includes using heat, even in the effluents from our production processes, and replacing systems requiring elevated amounts of energy with more efficient systems.

Energy consumption within the organization (Giga Wh)



Energy intensity. Base 100 year 2016



The Viscofan Group also established the energy intensity indicator for analysing the efficiency of harnessing the different forms of energy throughout the organisation. The calculation was made on baseline of 100 for 2016, dividing consumed energy in absolute terms by metres of production.

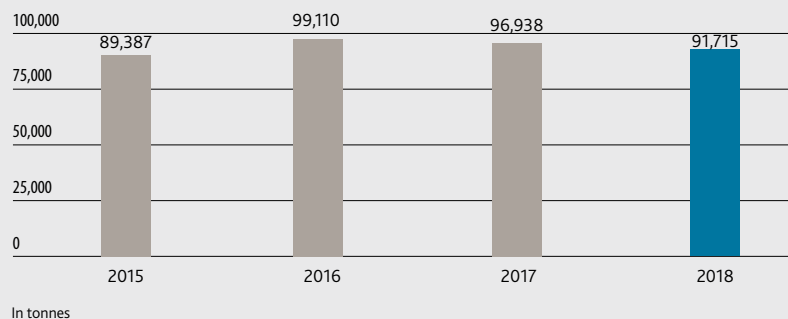
With energy efficiency in mind, also including the reduction of greenhouse gas emissions, Viscofan invests continuously in new, more efficient technologies in different areas of its processes.

In 2017, at the Caseda plant (Spain), an investment was made to install an energy exploitation system in the drying air that was completed in 2018 with the installation of a second phase of the heat recovery system. Another example was the new and more efficient energy model implemented in Zacapu (Mexico) for reducing gas consumption by 34% and CO₂ emissions by over 1,300 tonnes monthly.

The efficient use of energy when manufacturing packaging is a competitive advantage. As such, the Viscofan Group has cogeneration plants that have allowed greater energy and production savings in Caseda (Spain), with an installed capacity of 48MW, in Zacapu (Mexico), with 0.6MW, and in Weinheim (Germany), with 8.7MW.

Below is the figure of equivalent tons of CO₂ avoided by using cogeneration compared to that theoretically emitted to obtain the steam obtained in cogeneration using conventional boilers in the plants at Caseda (Spain), Zacapu (Mexico) and Weinheim (Germany).

CO₂ avoided by energy optimization



CO₂ Emissions

Tonnes	2016	2017	2018
Direct	384,292	375,561	378,128
Indirect	119,069	154,144	164,138
TOTAL	503,361	529,705	542,266

* Supralon Transform Pack Inc and Globus companies are not included in this calculation.

CO ₂ emissions intensity (Base 100 year 2015)	2016	2017	2018
CO ₂ emissions intensity	90	95	97

* Supralon Transform Pack Inc and Globus companies are not included in this calculation.

The Viscofan Group sells part of the electricity obtained from the Caseda and Zacapu cogeneration facilities that is not used in the production process. The breakdown by sales made in megawatts is as follows: 391.038 MWh at Caseda and 752 MWh at Naturin.

This energy management models lets the Group produce over half of its total energy using ISO 50001 certified energy efficiency management systems. This energy efficiency management system prepares us for compliance with RD 56/2016 on energy efficiency, which concerns energy audits and transposes the European Union's Energy Efficiency Directive (2012/27/EU).

The use of cogeneration as energy and heat generation sources entails a reduction in emissions compared with other conventional steam generation systems. The avoided CO2 emissions in Cáseda, for instance, was 30.5%.

Moreover, with the intention of improving management and analysing polluting gases, information was collected in 2018 from the EHS corporate department regarding other emissions, at a consolidated level. This is the case of nitrogen oxide (NOX) emissions, for which 643 tonnes were recorded in 2018.

Financial resources dedicated to environment, health and safety projects

This growing commitment to sustainability is also apparent in the financial dimension, where the 2018 investments in environmental and H&S projects stood at €5.7 million, representing 7.9% of the Group's total investments.

A large part of the total investment went to the installation of a new gas washer for plant 4 at Caseda, a sulphates crystalliser at Caseda, extension of the water treatment plant at Caseda, the extension of the waste water treatment plant in Serbia, and improvements

in fire protection at different Group plants; property security and ergonomic improvements.

There is more information about the resources destined to the protection of the environment in note 25 of the consolidated annual accounts.



Our relationship with the community

Viscofan believes that it is essential to maintain a fluid dialogue with local institutions to understand the needs that these societies have and formalise collaborative actions and investment initiatives, whether short-term or oriented towards the sustainability of longer-term projects.

Pursuant to its CSR policy, the Viscofan Group is firmly committed to carrying out its activity in a responsible manner, thereby contributing to improving the welfare of people by promoting the economic, environmental and social development of the communities in which the Group operates. This commitment leads it to contribute its own resources and know-how to support social initiatives that contribute to the improvement of the environments with which the Group interacts.

Under this premise, Viscofan understands that it is essential to maintain a fluid dialogue with local institutions to understand the needs that these societies have and formalise collaborative actions and investment initiatives, whether short-term or oriented towards the sustainability of longer-term projects.

To this end, Viscofan supports social investment initiatives in different areas and fields of action. These are some of the initiatives with which we have worked and collaborated in 2018:

— **Ayuda en Acción (Help in Action).** In Mexico, Viscofan works with the Mexican Association to Help Children With Cancer (AMANC). 2018 is the fourth year that Viscofan has been supporting this initiative. This new contribution of 5,000 dollars supports the work that this association carries out in the state of San Luis Potosí, where Viscofan has a production centre. The donation will go to supporting treatments, easing the burden of housing, and providing psychosocial support to sick children and their families.



- **In Spain, Viscofan S.A. is a co-sponsor of the sixth edition of the “Impulso Emprendedor”** (Entrepreneurial Drive) promoted by the Navarran European Business Innovation Centre, whose purpose is to create innovative companies in the region. Viscofan participates as a co-sponsor and mentor in one of the selected projects, providing its corporate vision and knowledge.
- **Viscofan is part of the CETENA** (Cemitec) foundation, which was founded to promote and develop scientific research, technology development and boosting innovation activities to improve company competitiveness.
- **Orizont Project.** Viscofan is collaborating with this project led by the Government of Navarre, which aims to finance and advise on various agri-food entrepreneurship projects intended to be implemented in the region.
- **Museo del Prado Foundation.** Viscofan’s desire to promote art and culture was supported by a series of lectures on pictorial art at the Prado Museum.
- **Library of the Monastery of Leyre.** Viscofan has renewed its commitment to this project for a further two years, restoring several books of the Monastery of Leyre (Navarre) dating back to the 16th and 17th centuries.

In addition to these initiatives, Viscofan maintains contact and collaborates with local institutions, business institutions, research centres and training centres such as Universities and vocational training centres, both private and public, to encourage local development. This collaboration ranges from collaborative framework agreements in the form of scholarships and work experience, research and development projects, participations in meetings and forums, and collaboration with local development clusters. This collaboration activity was recognised with the University-Enterprise Award, granted by the Red Española de Fundaciones Universidad Empresa (REDFUE).

As a result of some of these relationships, there are now common projects with which it collaborates and for which financial support has been received through grants and loans from official organizations.

Viscofan is aware of the social impact generated by its activity, ranging from direct or indirect employment generated by its implementations, to the financial benefit it obtains from its activity in each of the different companies in which it operates (note 7 of the Viscofan S.A. financial statements) for which it contributes through taxes. In 2018, income tax payments amounted to 31.7 million euros as a result of its business activity in different countries. There is more information about taxes in note 21 of the consolidated report. There is

information about capital grants in note 18 of the consolidated annual accounts. Finally, at 31 December, the loan from COFIDES (Spanish Development Finance Company) for 2.5 million euros is included in the financial statements. There are also loans with the CDTI and the Ministry of Economy and Competitiveness in Spain for 10.6 million euros (note 19 of the consolidated accounts).

Viscofan on the stock market





Viscofan on the stock market

During the year, overall over 29.8 million shares in Viscofan were traded, with a trading volume of €1.669 billion, which is equivalent to a daily average of €6.5 million.

Stock markets

In 2018, the world experienced a slowdown in economic growth compared to 2017, especially in the second half of the year, a trend that is expected to continue in 2019. According to estimates from the International Monetary Fund (IMF), global GDP will grow by + 3.7% in 2018 and + 3.5% in 2019, down from 3.8% in 2017. The worsening in the performance and outlook is due to the uncertainty caused by commercial tensions, particularly between the USA and China, the economic slowdown in Europe and the instability experienced in several emerging countries. This context has coexisted with a high volatility of the currency market, as well as the price of oil.

Given this adverse context, the main global equity indices closed the year with declines. Of note in Europe is the Euro Stoxx 600, which closed 2018 with a decline of -13.2%, in Spain the Ibex 35 with -15.0%, the German DAX -18.3% and the French CAC with -11.0%. In the United States, the S&P 500 index recorded a depreciation of -6.2%.

Viscofan shares

Viscofan shares are listed on the Spanish stock markets of Madrid, Barcelona and Bilbao. In addition, the shares traded on the continuous market since its flotation in December 1986, belong to the Ibex 35 index, the Madrid Stock Exchange General Index (IGBM) and form part of the Consumer Goods segment of the food subsector, as well as the Euro Stoxx Food & Beverage index and the Eurostoxx 600 index.

In the first nine months of the year, Viscofan shares maintained a positive trend, marking a new record high of €66.20 per share in September. However, the announcement in the 3Q18 results publication of the non-compliance of the initial growth targets expected for the year caused shares to fall, reversing this trend. Viscofan shares closed 2018 with a securities listing of €48.12, registering an interannual decrease of -12.5% and -9.7% after including the dividends paid during the year.

During the year, overall over 29.8 million shares in Viscofan were traded, with a trading volume of €1.669 billion, which is equivalent to a daily average of €6.5 million.

Creating shareholder value

Throughout the different strategic plans, the Viscofan Group has built a sound and flexible business model. This characteristic entails the creation of cash flows that allow investment projects to be carried out in order to improve value creation, which is shared with shareholders in cash and at the same time maintaining a sound balance sheet structure.

In this respect, the stock market continues to recognise the Viscofan Group's value creation, and is combined with the Group's commitment to shareholder remuneration. Thus, in the last ten years the average annual return has been 13% and 15%, taking into account shareholder remuneration. Analysing the creation of value over time, this is greater for shareholders who have held shares in Viscofan for a longer period of time. For example:



The investment of a shareholder who invested 1,000 euros in Viscofan shares at the end of December 2008, and held them at 31 December 2018, was worth 3,417 euros, and in these 10 years this individual also received 803 euros in dividends, a combined return of 322%.

The Viscofan Group is immersed in the strategic plan known as MORE TO BE, which covers the period between 2016 and 2020, looking ahead in its value creation proposal that entails the objective of leading the main packaging markets in service, technology and cost. An ambitious and investment-intensive target, with €265 million earmarked for investments between 2016 and 2018 but without requiring additional efforts from shareholders while maintaining a sound balance sheet.

Alongside this, the financial and operational strength of the company allows for a further increase in shareholder remuneration. As such, the ordinary dividend proposed by the Board of Directors for 2018 amounts to €1.60 per share. The payment of an extraordinary dividend must be added to this payment, charged to the non-

recurring results from the compensation for patent infringement of €0.13 per share. This joint proposal increases total remuneration by 11.6% as compared to the total of 1.55 euros per share approved for the previous year.

In terms of profitability, the total dividend proposed for 2018 is 3.1% of the average share price during the year.

Likewise, during the year, the company acquired 103,682 shares at a cost of €5.3 million. Subsequently, in January 2019, the Board approved the execution of a capital reduction for a nominal amount of €72,577.40, through the redemption of the 103,682 existing shares.

In terms of profitability, the total dividend proposed for 2018 is 3.1% of the average share price during the year.

Viscofan, its shareholders and investors

One of Viscofan's objectives, through its Department of Investor and Shareholder Relations, is to create value for the investor community by improving accessibility, the transparency of information and providing shareholders with relevant information in order to gain a better understanding of the company itself and its results, strategy and operations.

Viscofan return vs. Ibex 35

Buy (31/12)		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TSR
2008	Viscofan	26.3%	101.7%	103.8%	204.5%	194.1%	213.4%	295.7%	233.2%	291.3%	242.2%	13.1%
2008	Ibex 35	29.8%	7.2%	-6.8%	-11.2%	7.8%	11.8%	3.8%	1.7%	9.2%	-7.1%	-0.7%
2009	Viscofan		59.7%	61.4%	141.0%	132.8%	148.1%	213.3%	163.8%	209.7%	170.9%	11.7%
2009	Ibex 35		-17.4%	-28.3%	-31.6%	-16.9%	-13.9%	-20.1%	-21.7%	-15.9%	-28.5%	-3.7%
2010	Viscofan			1.1%	51.0%	45.8%	55.4%	96.2%	65.2%	94.0%	69.7%	6.8%
2010	Ibex 35			-13.1%	-17.2%	0.6%	4.3%	-3.2%	-5.1%	1.9%	-13.4%	-1.8%
2011	Viscofan				49.4%	44.3%	53.8%	94.1%	63.5%	91.9%	67.9%	7.7%
2011	Ibex 35				-4.7%	15.8%	20.0%	11.4%	9.2%	17.2%	-0.3%	0.0%
2012	Viscofan				-3.4%	2.9%	30.0%	9.4%	28.5%	12.4%	2.0%	
2012	Ibex 35				21.4%	25.9%	16.9%	14.5%	23.0%	4.6%	0.7%	
2013	Viscofan					6.6%	34.6%	13.3%	33.0%	16.4%	3.1%	
2013	Ibex 35					3.7%	-3.8%	-5.7%	1.3%	-13.9%	-2.9%	
2014	Viscofan						26.3%	6.3%	24.8%	9.2%	2.2%	
2014	Ibex 35						-7.2%	-9.0%	-2.3%	-16.9%	-4.5%	
2015	Viscofan							-15.8%	-1.1%	-13.5%	-4.7%	
2015	Ibex 35							-2.0%	5.2%	-10.5%	-3.6%	
2016	Viscofan								17.4%	2.7%	1.3%	
2016	Ibex 35								7.4%	-8.7%	-4.4%	
2017	Viscofan									-12.5%	-12.5%	
2017	Ibex 35									-15.0%	-15.0%	

Communication channels

Viscofan provides the investment community with a multitude of communication channels: presentations at seminars and events organised by the financial community, road shows with institutional investors, whether they be promoted by the company or by brokers, earnings presentations, the General Meeting of Shareholders, organised visits to Viscofan's head office, telephone calls to a dedicated investor and shareholder helpline, a special e-mail address, the notifications and regular public information submitted to the CNMV (Spanish National Securities Market Commission), as well as the information published on the website www.viscofan.com, especially in the Investor Relations section in which Viscofan makes the latest news, relevant facts, reports and quarterly presentations of results, annual report, share price performance, etc. available to the public.

The communication effort carried out throughout all these years has been recognised by the investment community. Institutional Investor in its "All European Executive Team" awarded Viscofan in 2016 the 1st CEO for Sell-Side and 2nd Best CEO combined, and 3rd IR for Sell-Side of the Paper & Packaging sector. Also in previous years, in 2015 the 2nd Best IR for Sell-Side and in 2012 the 1st Best IR professional for the Sell-Side in the packaging and food sector.

Bidirectional communication is important, since the questions and concerns of the Financial Community are taken into account and transmitted within the company, making it possible to have a better overall view of it. In 2018, the most frequent questions were related to the development of the MORE TO BE strategic plan, the increase in sales prices, the decrease in sales in China and other countries of the Asian continent in the third quarter, the price inflation of the raw materials (caustic soda and glycerine), shareholder remuneration, the impact of exchange rate variations, investments made, especially in fibrous and plastic technologies, and the acquisitions of Supralon, Transform Pack and Globus.

Viscofan maintains fluid communication with the financial markets, so that in 2018 a total of 15 analysis companies, Spanish and international alike, covered Viscofan on a recurring basis.

At the same time, in 2018 Viscofan held 210 face-to-face meetings with investors, both shareholders and non-shareholders interested in the company, in 2017 there were 257. These meetings were held in 6 different countries.

Viscofan maintains fluid communication with the financial markets, so that in 2018 a total of 15 analysis companies, Spanish and international alike, covered Viscofan on a recurring basis.

Communication with shareholders



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SECTION
www.viscofan.com/investor-relations

Stock exchange highlights

	Strategy MORE TO BE 2016-2020			Strategy Be MORE Period				Strategy Be One Period		
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Share price €	48.12	55.01	46.85	55.64	44.07	41.35	42.81	28.66	28.36	17.76
Year-end price	48.12	55.01	46.85	55.64	44.07	41.35	42.81	28.66	28.36	17.76
Year high	66.20	56.33	56.06	60.93	48.36	43.70	42.81	30.59	29.65	18.20
Year low	46.20	46.75	41.84	43.04	36.24	35.65	28.45	22.51	17.64	12.81

Viscofan in the stock market evolution	Year end 2018	Year end 2017	Year end 2016	Year end 2015	Year end 2014	Year end 2013	Year end 2012	Year end 2011	Year end 2010	Year end 2009
% annual change Viscofan	-12.5%	17.4%	-15.8%	26.3%	6.6%	-3.4%	49.4%	1.1%	59.7%	26.3%
% annual change IGBM	-15.0%	7.6%	-2.2%	-7.4%	3.0%	22.7%	-3.8%	-14.6%	-19.2%	27.2%
% annual change IBEX 35	-15.0%	7.4%	-2.0%	-7.2%	3.7%	21.4%	-4.7%	-13.1%	-17.4%	29.8%
% annual change Euro STOXX 600	-13.2%	7.7%	-1.2%	6.8%	4.4%	17.4%	14.4%	-11.3%	8.6%	28.0%
% annual change Medium Cap	-13.7%	4.0%	-6.6%	13.7%	-1.8%	52.0%	13.8%	-20.7%	-5.6%	13.8%
% annual change Sub sector Food and beverages IGBM	-8.4%	5.2%	-5.4%	26.4%	-5.2%	4.7%	25.0%	-6.3%	25.3%	7.0%

Stock market trading data	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Market capitalization at year-end (million of €)	2,242.6	2,563.7	2,183.4	2,593.0	2,053.6	1,927.1	1,995.1	1,335.7	1,321.7	827.7
Traded volume (million of €)	1,669.1	1,995.2	2,707.1	3,179.9	3,233.0	2,506.4	1,426.9	1,274.1	925.4	663.1
Daily average trading volume (million of €)	6.5	7.8	10.5	12.3	12.6	9.8	5.6	5.0	3.6	2.6
Traded shares	29,807,220	38,658,041	54,701,597	58,329,352	78,062,343	63,212,344	41,360,939	47,049,517	41,668,063	42,112,723
Daily average of traded shares	116,891	151,600	212,022	225,210	304,931	247,892	161,566	183,787	162,766	165,798

Share ratios	Year end 2018	Year end 2017	Year end 2016	Year end 2015	Year end 2014	Year end 2013	Year end 2012	Year end 2011	Year end 2010	Year end 2009
Listed shares	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682
Earnings per share ⁽¹⁾	2.658	2.620	2.684	2.575	2.284	2.178	2.254	2.172	1.745	1.379
Remuneration per share ⁽²⁾	1.600	1.550	1.450	1.350	1.180	1.120	1.100	1.000	0.800	0.623

(1) Net earnings per share is calculated by dividing net profit by the average weighted number of ordinary shares in circulation during the year, excluding treasury stock

(2) Includes: dividends, capital reimbursement, refund of issue premium and bonus for attending the General Meeting

Annual evolution Viscofan vs. Ibex 35



Point of contact for report-related queries

For questions regarding this report, please contact the Department of Investment Relations and Communication:

- Telephone no.: +34948198436

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Events after the
balance sheet
date, alternative
performance
measures and GRI
indicators table and
contained in law
11/2018





Events after the balance sheet date

The events after the balance sheet date are described in note 27 of the Viscofan, S.A. and subsidiaries financial statements.

Alternative performance measures

The Viscofan Group has included in this report various Alternative Performance Measures (hereinafter APMs), as established in APM Guidelines published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es) and adopted by the National Securities Market Commission (the CNMV).

This involves a series of measures designed using the financial information of Viscofan, S.A. and its subsidiary companies, and they are complementary to the financial information drawn up in agreement with International Financial Reporting Standards (IFRS). Under no circumstance should they be assessed separately or considered a substitute.

They are measures used internally in decision making processes and which the Board of Directors decides to report externally if it believes they provide additional information that is useful in the analysis and assessment of the Viscofan Group's results and its financial situation.

The APMs included in this report are as follows:

— The EBITDA, or operating income before depreciation and amortisation, is calculated excluding depreciation and amortisation costs from the operating profit. The EBITDA is a

measure that is commonly reported and widespread among analysts, investors and other stakeholders in the casing industry. The Viscofan Group uses this measure to monitor the business' development and to establish operational and strategic objectives in Group companies. However, it is not a defined indicator in IFRS and, therefore, it may not be compared with other similar indicators employed by other companies in their reports.

— Consumption costs: This is calculated as the net amount of supplies plus the change in finished and unfinished products. Management monitors consumption costs as one of the main cost components for Viscofan. The weight of net income for this cost component on income or gross margin is also analysed to study the operating margin's development. However, it is not a defined indicator in IFRS and consumption costs must not be considered a substitute for the different items in the profit and loss account that comprise them. Furthermore, it may not be compared with other similar indicators employed by other companies in their reports.

— Net bank debt: This is calculated as non-current borrowings plus current borrowings netted from cash and cash equivalents. Management considers

net bank debt to be relevant to shareholders and other stakeholders as it provides an analysis of the Group's solvency. However, net bank debt should not be considered a substitute for gross bank debt in the consolidated balance sheet, nor other liability or asset items that may affect the Group's solvency.

— Like-for-like income and EBITDA: This measure excludes the impact of exchange rate variations on the comparable previous period, the effect of the change in the consolidation scope, and the non-recurring gains of the business in order to present a homogeneous comparison of the Viscofan Group's development. However, like-for-like income and EBITDA are not defined indicators in IFRS and, therefore, they may not be compared with other similar indicators employed by other companies in their reports, nor may they be considered a substitute for the business development indicators defined in IFRS.

GRI indicators table and contained in law 11/2018

GRI 102: GENERAL CONTENTS

GRI Standard	Description	Section-Comments	Page No.	Omission
1. Organisational profile				
102-1	Name of the organisation	Viscofan Group		
102-2	Activities, brands, products and services.	Business model Commercial management	21-33. 60-67.	
102-3	Location of the headquarters	Polígono Industrial Berroa C/Berroa. 15 – 4ª planta 31192 Tajonar (Navarra) - España		
102-4	Location of the operations	Business model	25.	
102-5	Property and legal status	Corporate Governance	16, 34-55.	
102-6	Markets served	Business model	21-33.	
102-7	Size of the organisation	Financial results	6,7. 8-13.	
102-8	Information about employees and other workers	Work management	71-81.	
102-9	Supply chain	Management of the supply chain Letter from the Chairman	68-70. 2.3.	
102-10	Significant changes in the organisation and its supply chain	Financial results Basis of presentation	6,7. 8-13. 16.	
102-11	Precautionary principle or approach	Environmental issues Letter from the Chairman Basis of presentation	84-91. 2, 3. 16.	
102-12	External initiatives	Defence of human rights Environmental issues	82,83. 84-91.	
102-13	Affiliation to associations	MORE TO BE strategy Our relationship with the community	26-33. 92, 93.	
2. Strategy				
102-14	Statement of senior management responsible for decision-making	Letter from the Chairman	2.3.	
102-15	Main impacts, risks and opportunities	Risk management	56-59.	
3. Ethics and integrity				
102-16	Values, principles, standards and rules of conduct	Good governance practices Defence of human rights Fight against corruption	41-48. 82, 83. 55.	
102-17	Mechanisms of advice and ethical concerns	Good governance practices	41-48.	
4. Governance				
102-18	Governance structure	Corporate Governance Organisational structure Good governance practices	34-55. 34-40. 41-48.	
102-19	Delegation of authority	Good governance practices	41-48.	

GRI Standard	Description	Section-Comments	Page No.	Omission
4. Governance (cont.)				
102-20	Executive responsibility regarding financial, environmental and social issues	Good governance practices	41-48.	
		Fight against corruption	55.	
		Environmental issues	84-91.	
		Defence of human rights	82,83.	
102-21	Consultation with stakeholders regarding financial, environmental and social issues	Materiality	17-20.	
102-22	Composition of the senior governance body and its committees	Organisational structure	34-40.	
		Good governance practices	41-48.	
120-23	Chairman of the senior governance body and its committees	Organisational structure	34-40.	
120-24	Appointment and selection of the senior governance body	Good governance practices	41-48.	
102-25	Conflicts of interest	Good governance practices	41-48.	
102-26	Function of the senior governance body in the selection of objectives, values and strategy	Good governance practices	41-48.	
102-27	Collective knowledge of the senior governance body	Good governance practices	41-48.	
102-28	Performance assessment of the senior governance body	Good governance practices	41-48.	
102-29	Identification and management of financial, environmental and social impacts	Good governance practices	41-48.	
		Risk management	56-59.	
		Materiality	17-20.	
		Environmental issues	84-91.	
102-30	Efficacy of the risk management processes	Good governance practices	41-48.	
		Risk management	56-59.	
102-31	Assessment of financial, environmental and social issues	Good governance practices	41-48.	
102-32	Function of the senior governance body in the preparation of sustainability reports	Good governance practices	41-48.	
102-33	Communication of critical concerns	Good governance practices	41-48.	
		Work management	71-81.	
		Viscofan on the stock market	96-101.	
102-34	Nature and total number of critical concerns	Compliance system	49-54.	
102-35	Remuneration policies	The Board of Directors annual remuneration report is available at www.viscofan.com		
102-36	Process for determining the remuneration	Good governance practices	41-48.	
102-37	Involvement of stakeholders in the remuneration	The Board of Directors annual remuneration report is available at www.viscofan.com		

GRI Standard	Description	Section-Comments	Page No.	Omission
5. Participation of stakeholders				
102-40	List of stakeholders	Materiality	17-20.	
102-41	Collective bargaining agreements	Defence of human rights	82,83.	
102-42	Identification and selection of stakeholders	Basis of presentation	16.	
		Materiality	17-20.	
		Good governance practices	41-48.	
		Viscofan on the stock market	96-101	
102-43	Approach for the participation of stakeholders	Management of the supply chain	68-70	
		Work management	71-81.	
		Environmental issues	84-91.	
		Our relationship with the community	92,93.	
102-44	Key issues and concerns mentioned	Viscofan on the stock market	96-101.	
6. Practices for preparing reports				
102-45	Entities included in the consolidated financial statement	Consolidated financial statement of the Viscofan group		
102-46	Definition of the contents of the reports and the coverage of the issue	Basis of presentation	16.	
		Materiality	17-20.	
102-47	List of material issues	Materiality	17-20.	
102-48	Re-expression of the information	No significant re-expressions in the period		
102-49	Changes in the preparation of reports	Basis of presentation	16.	
102-50	Period covered by the report	The integrated annual report reflects the financial, social and environmental activity carried out by the Viscofan Group in 2018.		
102-51	Date of last report	2017 Annual Integrated Report, Financial Statement and Annual Accounts		
102-52	Cycle of the preparation of reports	Annual		
102-53	Point of contact for report-related queries	Viscofan on the stock market	96-101	
102-54	Declaration of preparation of the report in accordance with GRI standards	Basis of presentation	16.	
102-55	Table of GRI contents	Table of GRI indicators		
102-56	External verification	Table of GRI indicators		

GRI 103: MANAGEMENT APPROACH

GRI Standard	Description	Section-Comments	Page No.
GRI 103: Management approach			
103-1	Explanation of the material issue and its coverage	Materiality	17-20.
103-2	The management approach and its components	Materiality See sections: Commercial management; Supply chain management; Labour management; Environmental issues; Defence of Human Rights; Fight against corruption. The policies of the different areas are detailed in the Good Governance Practices, within the Corporate Governance section.	17-20.
103-3	Assessment of the management approach	Materiality	17-20.

GRI 200: FINANCIAL

GRI 201: Financial performance

201-1	Direct generated and distributed financial value	Materiality Work management Environmental issues Our relationship with the community Viscofan on the stock market	17-20. 71-81. 84-91. 92,93. 96-101
201-2	Financial implications and other risks and opportunities derived from climate change	Environmental issues	84-91.
201-3	Obligations of the benefits plan and other retirement plans	Financial results	6, 7, 8-13.
201-4	Financial aid received from the government	Our relationship with the community	92,93.

GRI 202: Presence in the market

202-1	Ratio of standard initial category salary by gender compared to the local minimum wage	Defence of human rights	82,83.
202-2	Proportion of senior management hired from the local community	Work management	71-81.

GRI 203: Indirect financial impacts

203-1	Investments in infrastructure and supported services		
203-2	Significant indirect financial impacts	Business model	21-33.

GRI 204: Purchase practices

204-1	Proportion of expense with local suppliers.	Management of the supply chain	68-70.
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GRI 205: Anti-corruption

205-1	Transactions assessed for corruption-related risks	Fight against corruption	55.
205-2	Communication and training about anti-corruption policies and procedures	Fight against corruption	55.
205-3	Confirmed cases of corruption and measures taken	Fight against corruption	55.

GRI 206: Unfair competition

206-1	Legal actions related to unfair competition, monopolistic practices and against free competition	Fight against corruption	55.
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GRI 300: ENVIRONMENTAL ISSUES

GRI Standard	Description	Section-Comments	Page No.
GRI 302: Energy			
302-1	Energy consumption within the organisation	Environmental issues	89
302-3	Energy intensity	Environmental issues	89
302-4	Reduction of energy consumption	Environmental issues	89-91.
GRI 303: Water			
303-1	Water extraction by source	Environmental issues	86,87.
303-2	Water sources significantly affected by water extraction	Environmental issues	86,87.
303-3	Recycled and reused water	Environmental issues	86,87.
GRI 305: Emissions			
305-1	Direct emissions of GHG (scope 1)	Environmental issues	89-91.
305-2	Indirect emissions of GHG from generating energy (scope 2)	Environmental issues	89-91.
305-4	Intensity of GHG emissions	Environmental issues	89-91.
305-5	Reduction of GHG emissions	Environmental issues	89-91.
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions	Environmental issues In 2018, information was collected from the EHS corporate department of regarding other issues, at a consolidated level.	89-91.
GRI 306: Efluentes y residuos			
306-1	Wastewater according to its quality and destination	Environmental issues	86,87.
306-2	Waste by type and disposal method	Environmental issues	88.
306-3	Significant spills/leaks	Environmental issues	88
306-5	Bodies of water affected by wastewater and/or run-off		
GRI 307: Environmental compliance			
307-1	Non-compliance with environmental legislation and regulations	Environmental issues Note 25 of the Consolidated Annual Accounts Report	84-91.
GRI 308: Environmental evaluation of suppliers			
308-1	New suppliers that have passed screening filters according to environmental criteria	Management of the supply chain	68-70.

GRI 400: SOCIAL

GRI Standard	Description	Section-Comments	Page No.
GRI 401: Employment			
401-1	New employee hiring and staff rotation	Work management	74.
401-3	Parental leave	Work management	77.
GRI 402: Worker-company relations			
402-1	Minimum warning periods for operational changes	Defence of human rights	83.
GRI 403: Workplace health and safety			
403-1	Representation of workers in formal worker-company health and safety committees	Work management	79-81.
403-2	Types of accidents and frequency of accidents, occupational illnesses, days lost, absenteeism and number of deaths due to work-related accidents or occupational illnesses	Work management	79-81.
GRI 404: Training and teaching			
404-1	Average number of training hours per employee	Work management	78.
404-2	Programmes to improve employee skills and transition assistance programmes	Work management	76,78,79.
404-3	Percentage of employees who receive periodic performance and professional development assessments	Work management	79.
SOCIAL. HUMAN RIGHTS			
GRI 405: Diversity and equal opportunities			
405-1	Diversity in governing bodies and employees	Organisational structure	44.
		Work management	71-73.
405-2	Ratio of base salary and remuneration of women to men	Work management	75,76.
GRI 406: Non-Discrimination			
406-1	Cases of discrimination and corrective actions undertaken	Defence of human rights	82,83.
GRI 407: Freedom of association and collective bargaining			
407-1	Operations and suppliers whose right to freedom of association and collective bargaining could be at risk	Defence of human rights	82,83.
GRI 408: Child labour			
408-1	Operations and suppliers with significant risk of cases of child labour	Defence of human rights	82,83.
GRI 409: Forced or compulsory labour			
409-1	Operations and suppliers with significant risk of cases of forced or compulsory labour	Defence of human rights	82,83.
		Management of the supply chain	68-70

GRI 412: Assessment of human rights			
GRI Standard	Description	Section-Comments	Page No.
412-1	Operations subject to impact assessments or reviews on human rights	Defence of human rights	82,83.
412-2	Training of employees in human rights policies or procedures		82,83.
GRI 413: Local communities			
413-1	Operations with local community participation, impact assessments and development programmes	Our relationship with the community	92,93.
		Environmental issues	84,85.
GRI 414: Social assessment of suppliers			
414-1	New suppliers that have passed screening filters according to social criteria	Management of the supply chain	68-70
414-2	Negative social impacts on the supply chain and measures taken	Management of the supply chain	68-70
		Defence of human rights	82,83.
GRI 416: Health and safety of customers			
416-1	Assessment of the health and safety impacts of the categories of products or services	Commercial management	60-67.
GRI 417: Marketing and labelling			
417-1	Requirements for information and labelling of products and services	Commercial management	64
GRI 418: Customer privacy			
418-1	Complaints based on violations of the customer's privacy and loss of the customer's data	Commercial management	67

CONTENTS OF LAW 11/2018 INF

Contents of Law 11/2018 INF		Standard used
Business Model	Description of the group's business model	GRI 102-2 Activities, brands, products and services
		GRI 102-4 Localisation of the activities
		GRI 102-6 Markets served
		GRI 102-15 Key impacts, risks and opportunities
		GRI 102-7 Size of the organisation
Policies	GRI103-2 The management approach and its components	
	GRI 103-3 Assessment of the management approach	
Main risks	GRI 102-15 Key impacts, risks and opportunities	
	GRI 102-11 Precautionary principle or approach	
	GRI 102-30 Efficacy of the risk management processes	
General	GRI 201-2 Financial implications and other risks and opportunities derived from climate change	
	GRI 102-15 Main impacts, risks and opportunities	
	GRI 102-29 Identification and management of financial, environmental and social impacts	
	GRI 102-31 Assessment of financial, environmental and social issues	
	GRI 102-11 Precautionary principle or approach	
Information on environmental issues	Contamination	GRI 102-30 Efficacy of the risk management processes
		GRI 307-1 Non-compliance with environmental legislation and regulations (Autonomous Community)
		GRI 103-2 Management Approach (with a view to GRI 302 and 305)
	Circular Economy and prevention and waste management	GRI 302-4 Reduction of energy consumption
		GRI 305-5 Reduction of GHG emissions
		GRI 305-7 NOx, SOx and other significant atmospheric emissions
		GRI 103-2 Management Approach (Effluents and waste)
		GRI 303-3 Recycled and reused water
		GRI 306-1 Wastewater according to its quality and destination
		GRI 306-2 Waste by type and method of disposal
GRI 306-3 Significant spills/leaks		
Sustainable use of resources	GRI 303-1 Water extraction by source	
	GRI 303-2 Water sources significantly affected by water extraction	
	GRI 303-3 Recycled and reused water	
	GRI 102-2 Management approach (Energy)	
	GRI 302-1 Energy consumption within the organisation (energy from renewable and non-renewable sources)	
GRI 302-3 Energy intensity		
GRI 302-4 Reduction of energy consumption		

CONTENTS OF LAW 11/2018 INF

Contents of Law 11/2018 INF		Standard used
Information on environmental issues	Climate Change	GRI 305-1 Direct emissions of GHG (scope 1)
		GRI 305-2 Indirect emissions of GHG from generating energy (scope 2)
		GRI 305-4 Intensity of GHG emissions
		GRI 102-15 Main impacts, risks and opportunities
		GRI103-2 The management approach and its components
		GRI 201-2 Financial implications and other risks and opportunities derived from climate change
		GRI 305-5 Reduction of GHG emissions
		GRI 103-2 Management Approach (Reduction of GHG emissions)
	Protection of biodiversity	Non material
	Information on social and staff-related issues	Policies
GRI 103-3 Assessment of the management approach		
GRI 102-35 Remuneration policies		
Main risks		GRI 102-15 Key impacts, risks and opportunities
		GRI 102-30 Efficacy of the risk management processes
Employment		GRI 102-7 Size of the organisation
		GRI 102-8 Information about employees and other workers
		GRI 405-1. b) The percentage of employees by employment category for each of the following diversity categories: gender and age group
		GRI 102-8 Information about employees and other workers
		GRI 401-1.b) Total number and turnover rate of personnel during the reporting period, by age group, gender and region (in relation to dismissals)
	GRI 405-2: Ratio of base salary and remuneration of women to men for each job category	
	GRI 405-2 Ratio of standard initial category salary by gender compared to the local minimum wage	
GRI 102-35 Remuneration policies		
GRI 102-36 Process for determining remuneration (for the management approach)		
GRI 201-3 Obligations derived from social benefit plans and other retirement plans		
GRI 103-2 Management Approach (work disconnection)		
GRI 405-1. b) Percentage of employees by employment category for each of the following diversity categories (iii. Vulnerable groups).		

CONTENTS OF LAW 11/2018 INF

Contents of Law 11/2018 INF		Standard used
Information on social and staff-related issues	Work organisation	GRI 102-8. c) The total number of employees by type of employment contract (full-time or part-time) and by gender.
		GRI 103-2 Management Approach (Organisation of work)
		GRI 403-2 Types of accidents and ratios of occupational accidents, occupational diseases, lost days, and absenteeism, and number of related deaths (section a)
		GRI 401-3 Parental leaves
	Health and safety	GRI 103-2 Management approach
		GRI 103-2 Management Approach (Health and Safety)
	Social Relations	GRI 403-2 Types of accidents and ratios of occupational accidents, occupational diseases, lost days, and absenteeism, and number of related deaths
		GRI 102-43 Approach for the participation of stakeholders (regarding unions and collective bargaining)
		GRI 402-1 Minimum warning periods for operational changes
	Training	GRI 102-41 Collective bargaining agreements
		GRI 403-1 Representation of workers in joint health and safety committees
	Accessibility	GRI 103-2 Management Approach (Training and Teaching)
		GRI 404-1 Average training hours per employee per year
	Equality	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
GRI 103-2 Management Approach (Diversity and equal opportunities)		
GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)		
GRI 103-2 Management approach (Employment)		
Information on social and staff-related issues	Policies	GRI 406-1 Cases of discrimination and corrective actions undertaken
		GRI 103-2 The management approach and its components
	Main risks	GRI 103-3 Assessment of the management approach
		GRI 412-2 Training of employees in human rights policies or procedures
		GRI 102-15 Key impacts, risks and opportunities
Information on social and staff-related issues	Human Rights	GRI 102-30 Efficacy of the risk management processes
		GRI 103-2 Management Approach (Assessment of Human Rights)
		GRI 414-2 Negative social impacts on the supply chain and measures taken
		GRI 412-1 Operations subject to impact assessments or reviews on human rights
		GRI 102-17 Mechanisms of advice and ethical concerns
		GRI 102-17 Mechanisms of advice and ethical concerns (complaints received and resolution)
GRI 419-1 Non-compliance with laws and regulations in the social and economic fields		
		GRI 103-2 Management Approach (Non-discrimination, Freedom of association and collective bargaining, Child Labour, Forced or compulsory labour and Human Rights)

CONTENTS OF LAW 11/2018 INF

Contents of Law 11/2018 INF	Standard used	
Information related to the fight against corruption and bribery	Policies	GRI103-2 The management approach and its components
		GRI 103-3 Assessment of the management approach
		GRI 205-2 Communication and training about anti-corruption policies and procedures
	Main risks	GRI 102-15 Key impacts, risks and opportunities
		GRI 102-30 Efficacy of the risk management processes
		GRI 205-1 Transactions assessed in relation to corruption-related risks
		GRI 103-2 Management Approach (with a view to GRI 205 Anti-corruption) - Presenting indicator 205-2 also covers this requirement of law
	Corruption and bribery	GRI 103-2 Management Approach (Anti-corruption)
		GRI 201-1 Direct economic value generated and distributed (Investments in the Community)
		GRI 203-2 Significant indirect financial impacts
Company information	Policies	GRI103-2 The management approach and its components
		GRI 103-3 Assessment of the management approach
	Main risks	GRI 102-15 Key impacts, risks and opportunities
		GRI 102-30 Efficacy of the risk management processes
		GRI 203-2 Significant indirect financial impacts
		GRI 204-1 Proportion of expense with local suppliers.
		GRI 413-1 Operations with local community participation, impact assessments and development programmes
		GRI 413-2 Operations with significant negative impacts -real or potential- in local communities
		GRI 102-43 Approach for the participation of stakeholders (regarding the community)
		GRI 102-13 Affiliation to associations
	GRI 201-1 Direct economic value generated and distributed (Investments in the Community)	

CONTENTS OF LAW 11/2018 INF

Contents of Law 11/2018 INF	Standard used
Company information	GRI 103-3 Management Approach (Environmental and social assessment of suppliers)
	GRI 102-9 Supply chain
	GRI 308-1 New suppliers that have passed assessment and screening filters according to environmental criteria
	GRI 407-1 Operations and suppliers whose right to freedom of association and collective bargaining could be at risk
	GRI 409-1 Operations and suppliers with significant risk of cases of forced or compulsory labour
	GRI 414-1 New suppliers that have passed screening filters according to social criteria
	GRI 414-2 Negative social impacts on the supply chain and measures taken
	GRI 308-1 New suppliers that have been assessed according to environmental criteria
	GRI 103-2 Management Approach (Health and Safety of Customers)
	GRI 416-1 Assessment of the health and safety impacts of the categories of products or services
Consumers	GRI 416-2 Cases of non-compliance related to the health and safety impacts of the categories of products and services
	GRI 417-1 Requirements for information and labelling of products and services
	GRI 102-17 Mechanisms of advice and ethical concerns (complaints received and resolution)
Tax information	GRI 418-1 Substantial complaints related to gaps in customer privacy and loss of customer data.
	GRI 201-1 insofar as it affects payments to public administrations
	GRI 201-4 Financial aid received from the government



INFORME ANUAL DE GOBIERNO CORPORATIVO EJERCICIO 2018

Datos identificativos del emisor:

Fecha fin ejercicio de referencia: 31/12/2018

C.I.F. A31065501

Denominación Social: **Viscofan S.A.**

Domicilio Social:

**Polígono Industrial Berroa 15-4ª planta
31192 Tajonar. Navarra-España**





2018 ANNUAL CORPORATE GOVERNANCE REPORT

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Issuer identification:

End of year reference date: **31/12/2018**

Company Tax ID No. (C.I.F.) **A31065501**

Registered Name: **Viscofan S.A.**

Registered Address:

**Polígono Industrial Berroa 15-4ª planta
31192 Tajonar. Navarra-Spain**



2018 ANNUAL CORPORATE GOVERNANCE REPORT. CONTENTS

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A. OWNERSHIP STRUCTURE OF THE COMPANY

A.1 Fill in the following table on the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of total voting rights
14/04/2011	32,622,577.40	46,603,682	46,603,682

Remarks:

In accordance with the Relevant Event reported to the CNMV with registration number 274147 and dated 25 January 2019, the Company's Board of Directors has agreed to execute a capital reduction for a nominal amount of 72.577.40 euros, through the amortisation of the 103.682 own shares in the portfolio acquired under the authorisation granted by the General Shareholders' Meeting held on 25 May 2018 under item five of the agenda.

The share capital remaining after the reduction is set at 32,550,000 euros represented by 46,500,000 shares with a par value of 0.70 euros per share.

Indicate if there are different classes of shares with different rights associated with them:

Yes No

Type	Number of shares	Par value per unit	Unitary number of voting rights	Rights and obligations conferred

Remarks:

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A.2 Detail the direct and indirect owners of significant holdings at year-end, excluding directors:

Name or company name of the Shareholder	% Voting rights attributed to the shares		% of voting rights from <i>financial instruments</i>		% total voting rights
	Direct	Indirect	Direct	Indirect	
CORPORACION FINANCIERA ALBA, S.A.	13.004%	0.000%	0.000%	0.000%	13.004%
APG ASSET MANAGEMENT N.V.	10.067%	0.000%	0.000%	0.000%	10.067%
NORGES BANK	5.201%	0.000%	0.000%	0.000%	5.201%
MARATHON ASSET MANAGEMENT, LLP	0.000%	4.928%	0.000%	0.000%	4.928%

Remarks:

--

Details of the indirect investment:

Name or company name of the indirect shareholder	Name or company name of the direct shareholder	% Voting rights attributed to the shares	% of voting rights from financial instruments	% total voting rights
MARATHON ASSET MANAGEMENT, LLP	OTHER COMPANY SHAREHOLDERS	4.928%	0.000%	4.928%

Remarks:

--

Indicate the most significant movements in the shareholding structure during the year:

Name or company name of the shareholder	Date of the transaction	Description of the transaction
APG ASSET MANAGEMENT N.V.	10.12.18	10% of the share capital has been exceeded due to the acquisition of shares.
NORGES BANK	02.11.18	5% of the share capital has been exceeded due to the acquisition of shares.
NORGES BANK	22.03.18	3% of the share capital has been exceeded due to the acquisition of shares.
NORGES BANK	16.03.18	3% of the share capital has been reduced due to the sale of shares.

A.3 Fill in the following tables about members of the Board of Directors of the Company with voting rights on company shares:

Name of director (person or company)	% Voting rights attributed to the shares		% of voting rights from <i>financial instruments</i>		% total voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JOSE DOMINGO DE AMPUERO Y OSMA	0.131%	0.000%	0.000%	0.000%	0.131%	0.000%	0.000%
JOSÉ ANTONIO CANALES GARCÍA	0.037%	0.015%	0.000%	0.000%	0.052%	0.000%	0.000%
IGNACIO MARCO-GARDOQUI IBAÑEZ	0.065%	0.011%	0.000%	0.000%	0.076%	0.000%	0.000%
JOSÉ MARÍA ALDECOA SAGASTASOLOA	0.002%	0.000%	0.000%	0.000%	0.002%	0.000%	0.000%
NESTOR BASTERRA LARROUDÉ	0.456%	0.000%	0.000%	0.000%	0.456%	0.000%	0.000%
AGATHA ECHEVARRÍA CANALES	0.092%	0.000%	0.000%	0.000%	0.092%	0.000%	0.000%
JAIME REAL DE ASÚA ARTECHE	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
SANTIAGO DOMEQ BOHORQUEZ	0.000%	5.270%	0.000%	0.000%	5.270%	0.000%	0.000%
JUAN MARCH DE LA LASTRA	0.000%	0.039%	0.000%	0.000%	0.039%	0.000%	0.000%
LAURA GONZÁLEZ-MOLERO	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

% of voting rights of the Board of Directors:	6.12%
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Remarks

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Details of the indirect investment:

Name of director	Name or company name of	% voting	% of voting	% total	% of voting rights
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(person or company)	the direct shareholder	rights attributed to the shares	rights from financial instruments	voting rights	that can be transferred through financial instruments
JOSÉ ANTONIO CANALES GARCÍA	OTHER COMPANY SHAREHOLDERS	0.015%	0.000%	0.015%	
JUAN MARCH DE LA LASTRA	ATACAMPA S.A.	0.039%	0.000%	0.039%	
IGNACIO MARCO-GARDOQUI IBAÑEZ	PROMOCIONES GARDAL XXI, S.L.	0.011%	0.000%	0.011%	
SANTIAGO DOMEQC BOHORQUEZ	ANGUSTIAS Y SOL, S.L.	5.270%	0.000%	5.270%	

Remarks:

--

A.4 Describe, if applicable, the family, commercial, contractual or corporate relationships between significant shareholders, to the extent known to the Company, unless they are immaterial or result from the ordinary course of business, except those shown in the section

Related name (person or company)	Type of relationship	Short description

A.5 Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Short description

A.6 Describe the relationships, unless they are scarcely relevant to the two parties, between the significant shareholders or those represented on the board, and the directors, or their representatives, in the case of legal entity administrators.

Explain, if applicable, how significant shareholders are represented. Specifically, indicate the directors who have been appointed on behalf of significant shareholders, those whose appointment would have been encouraged by significant shareholders, or those who are linked to significant shareholders and/or entities of their group, with a specification of the nature of such associating relationships. In particular, mention, where appropriate, the existence, identity and position of board members, or representatives of directors of the listed company who are, in turn, members of the administrative body, or their representatives, in companies that hold significant participations of the listed company or in entities of the group of said significant shareholders.

Name or company name of the associated director or representative	Name or company name of the associated significant shareholder	Company name of the significant shareholder's group company	Relationship / position description
JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION FINANCIERA ALBA S.A.		Corporate. José Domingo de Ampuero y Osma is a Member of the Board of Directors of Corporación Financiera Alba S.A.
JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA S.A.		Corporate. Juan March de Lastra is Vice Chairman of the Board of Directors of Corporación Financiera Alba S.A. and therefore holds the

			position of nominee director.
SANTIAGO DOMECQ BOHORQUEZ	ANGUSTIAS Y SOL S.L.		Corporate. Santiago Domecq holds 100% of the Share Capital of Angustias y Sol S.L. and therefore holds the position of nominee director.

A.7 Indicate whether the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

Yes No

Parties involved in the shareholders' agreement	Affected share capital	Short description of the agreement	Agreement maturity date, if any

Remarks:

Indicate whether the company is aware of the existence of concerted actions amongst its shareholders. If so, describe them briefly:

Yes No

Parties involved in the arranged action	% of the share capital affected	Short description of the agreement	Agreement maturity date, if any

Remarks:

Expressly indicate whether any of such agreements, arrangements or concerted actions have been modified or terminated during the fiscal year:

A.8 Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 5 of the Securities Exchange Act. If so, identify names:

Yes No

Name (person or company):

Remarks:

A.9 Fill in the following tables about the Company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital

103,682	0	0.222%
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Remarks:

In accordance with the Relevant Event reported to the CNMV with registration number 274147 and dated 25 January 2019, the Company's Board of Directors has agreed to execute a capital reduction for a nominal amount of 72,577.40 euros, through the amortisation of the 103,682 own shares in the portfolio acquired under the authorisation granted by the General Shareholders' Meeting held on 25 May 2018 under item five of the agenda.

The share capital remaining after the reduction is set at 32,550,000 euros represented by 46,500,000 shares with a par value of 0.70 euros per share.

Explain the significant changes that occurred during the year:

Explain the significant changes
In 2018, the Company purchased 103,682 shares.

A.10 Describe the conditions and term of the current mandate from the general shareholders' meeting to the Board of Directors to issue, buy back and transfer treasury shares.

Extract of the Minutes of the General Shareholders Meeting held on 25 May 2018 on second call, the following resolution was adopted by majority:

The proposal is to authorise the Board of Directors to buy and sell on the market, through the person, Company or institution that it deems advisable, shares in the Company at the market price on the transaction date, for the maximum number of shares permitted by the Corporate Enterprises Act and related provisions, with the minimum price not being below the nominal value or more than 15% higher than the share price listed on the Spanish Automated Quotation System at the time of the acquisition.

The proposed authorisation has a maximum as established by law, from the date of the resolution and is granted to the Board subject to existing legal restrictions on the purchase of treasury shares and, more specifically, those restrictions contained in articles 146 and 509 of the Corporate Enterprises Act.

In the event of the Board needing to avail itself of the authorisation granted to it by the General Shareholders' Meeting, the shares in the Company's portfolio would be subject to the regime laid down by article 148 of the aforementioned law.

It is also proposed that the Board of Directors be delegated to carry out the redemption of the shares acquired by virtue of this authorisation, by means of a reduction in the Company's capital, determining their amount and their destination, all in accordance with the provisions established in current legislation.

It is expressly stated that this acquisition of treasury shares is also in accordance with the provisions established in current legislation with the possibility that the purpose of the acquisition, in addition to that indicated in the preceding paragraphs, is that they are to be granted directly to the Company's employees and/or Directors, or as a consequence of the option rights they hold, and therefore this resolution of the General Meeting states that the authorisation is also granted for this purpose, in accordance with the provisions of article 146.1.a), third paragraph of the aforementioned legal text.

A.11 Estimated floating capital:

	%
Estimated floating capital	60.46%

A.12 Indicate whether there is any restriction (statutory, legislative or of any other nature) on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market, as well as authorisation or prior notice systems that are applicable to the acquisitions or transfers of the company's financial instruments by sectorial regulations.

Yes No

Description of the restrictions

A.13 Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

Yes No

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

Describe the approved measures and the terms on which the restrictions will become ineffective.

A.14 Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

Yes No

Where applicable, indicate the different types of shares, and what rights and obligations each share class confers.

Indicate the different types of shares

B. GENERAL SHAREHOLDERS' MEETING

B.1 Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Corporate Enterprises Act ("CEA") in connection with the quorum needed to hold a valid General Shareholders' Meeting.

Yes No

	Quorum differing from that set forth in Article 193 of the CEA for general circumstances	Quorum differing from that set forth in Article 194 of the CEA for the special circumstances set forth in Article 194
Quorum required on first call		
Quorum required on second call		

Description of the differences

B.2 Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

Yes No

Describe any differences from the minimum standards established under the CEA.

	Quorum differing from that set forth in Article 201.2 of the CEA for the special circumstances set forth in Article 194.1	Other cases of reinforced majority
% established by the company for adopting agreements		

Description of the differences

B.3 Indicate the rules applicable to amendments to the company by-laws. In particular, report the majorities established for the modification of the Bylaws, and, if applicable, the rules established to safeguard member rights when modifying the Bylaws.

There is no specific regulation for amending the bylaws other than that provided for by applicable regulations concerning the requirements established by art. 194 of the Corporate Enterprise Act for a reinforced quorum and by the remaining provisions of section VIII of the aforementioned act.

The requirements for passing resolutions set forth in article 20 of the Bylaws and articles 18 and 22 of the Regulations of the General Shareholders' Meeting match those stated above

B.4 Indicate the data on attendance at the general shareholders' meetings held the year to which this report refers and the previous two years:

GSM date	% shareholders present	% Attending by proxy	% voting remotely		Total
			Electronic vote	Other	
21/04/2016	13.90%	18.08%	0.00%	48.10%	80.08%
Of floating capital	0.55%	18.08%	0.00%	33.70%	52.33%
27/04/2017	17.20%	21.53%	0.00%	40.39%	79.12%
Of floating capital	0.26%	21.53%	0.00%	24.82%	46.61%
25/05/2018	18.22%	53.83%	0.00%	8.31%	80.36%
Of floating capital	0.54%	44.62%	0.00%	5.10%	50.26%

Remarks

--

B.5 Indicate whether there have been any items on the agenda at the general meetings held during the year that, for any reason, have not been approved by the shareholders.

Yes No

Items on the agenda that were not approved	% against (*)

(*) If the non-approval of the item is due to a cause other than the vote against it, please explain in the text part and enter n/a in the "vote against %" column.

B.6 Indicate if there is a statutory restriction that establishes a minimum number of shares necessary to attend the general shareholders' meeting, or to vote remotely:

Yes No

Number of shares necessary to attend the General Shareholders' meeting:	100
Number of shares necessary to vote remotely	1

Remarks:

--

B.7 Indicate whether it has been established that certain decisions, other than those established by law, involving an acquisition, transfer, contribution of essential assets to another company or other similar corporate operations must be submitted for the approval of the general shareholders' meeting.

Yes No

Explanation of the decisions that must be submitted to the board, other than those established by Law

B.8 Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

<p>The information is published on Viscofan's website whose address is: www.viscofan.com</p> <p>The information relating to Corporate Governance is available on the Corporate Responsibility tab, which can be found at the top of the website homepage. Once inside the tab, the information can be accessed by clicking on Corporate Governance to be found in the menu on the left.</p> <p>The information relating to the General Shareholders Meetings is permanently available on the Investor Relations tab, located at the top of the website homepage. Once inside the tab, the information can be accessed by selecting the General Shareholders' Meeting section. Moreover, as of the date of publication of the notice to hold a new General Meeting, a direct link is enabled on the company's Home Page to the notice of meeting. In accordance with the shareholders' right to information, there is also access to legally-required documentation and other documentation for information purposes.</p>
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C. CORPORATE GOVERNANCE STRUCTURE

C.1 BOARD OF ADMINISTRATORS

C.1.1 Maximum and minimum number of directors established in the bylaws and the number set by the general meeting:

Maximum number of Directors	12
Minimum number of Directors	5
Total number of Directors set by the board	10

Remarks:

--

C.1.2 Fill in the following table on the Board members:

Name or company name of the director	Representative	Type of directorship	Position on the board	Date first elected	Date of last election	Election procedure
JOSE DOMINGO DE AMPUERO Y OSMA		EXECUTIVE	CHAIRMAN	27/02/2009	07/05/2015	GSM Agreement
JOSÉ ANTONIO CANALES GARCÍA		EXECUTIVE	GENERAL MANAGING DIRECTOR	11/04/2014	25/05/2018	GSM Agreement
IGNACIO MARCO-GARDOQUI IBAÑEZ		INDEPENDENT	VICE CHAIRMAN	01/01/2010	21/04/2016	GSM Agreement
JOSÉ MARÍA ALDECOA SAGASTASOLOA		INDEPENDENT	LEAD INDEPENDENT DIRECTOR	23/05/2012	25/05/2018	GSM Agreement
NESTOR BASTERRA LARROUDÉ		OTHER EXTERNAL	DIRECTOR	29/07/1997	25/05/2018	GSM Agreement
AGATHA ECHEVARRÍA CANALES		OTHER EXTERNAL	DIRECTOR	24/06/1998	25/05/2018	GSM Agreement
JAIME REAL DE ASUA Y ARTECHE		INDEPENDENT	DIRECTOR	11/04/2014	25/05/2018	GSM Agreement
JUAN MARCH DE LA LASTRA		NOMINEE	DIRECTOR	07/05/2015	07/05/2015	GSM Agreement
SANTIAGO DOMEcq BOHORQUEZ		NOMINEE	DIRECTOR	21/04/2016	21/04/2016	GSM Agreement
LAURA GONZÁLEZ-MOLERO		INDEPENDENT	DIRECTOR	25/05/2018	25/05/2018	GSM Agreement

Total number of Directors	10
----------------------------------	-----------

Remarks:

On 25 May 2018, Alejandro Legarda Zaragüeta, an independent director until that date, ended his term
--

Indicate the severances that have occurred as a result of resignation, dismissal or any other cause on the Board of Directors during the reporting period:

Name of director (person or company)	Condition of director at time of severance	Date of last election	Date of leaving	Specialised committee's he/she belonged to	Indicate whether they left before the end of their term
ALEJANDRO LEGARDA ZARAGÜETA	Independent	23/05/2012	25/05/2018	Audit Committee	No

Reasons for leaving and other remarks

C.1.3 Fill in the following tables on the Board members and their different kinds of directorship:

EXECUTIVE BOARD MEMBERS

Name of director (person or company): JOSÉ DOMINGO AMPUERO OSMA

Position within company organisation: **EXECUTIVE CHAIRMAN**

PROFILE: JOSÉ DOMINGO AMPUERO OSMA

Industrial Engineer from Bilbao's Higher School of Industrial Engineers and Master of Business Administration from the University of Southern California. Los Angeles. USA.

His extensive professional career has led him to hold various important positions, such as Vice-Chairman of Naviera Vizcaína, Chairman of S.A. de Alimentación, Vice-Chairman of BBVA Bancomer (México), Chairman of Bodegas y Bebidas, Vice-Chairman of Banco Bilbao Vizcaya Argentaria S.A., Vice-Chairman of Iberdrola, Chairman of Cementos Lemona S.A. and member of the Board of Directors of the Asociación para el Progreso de la Dirección.

He is currently Chairman of Autopista Vasco-Aragonesa S.A. and director of Corporación Financiera Alba and Tubacex S.A.

Amongst other business activities, he is member of the Basque Business Circle, (formerly chairman), member of the Board of Caridad de la Santa y Real Casa de Misericordia of Bilbao, (formerly chairman).

He is the Executive Chairman of Viscofan S.A.

Name of director (person or company): JOSÉ ANTONIO CANALES GARCÍA

Position within company organisation: **CEO**

PROFILE: JOSÉ ANTONIO CANALES GARCIA

Degree in Economics and Business from Deusto Business School, Advanced course of studies in International Transport & Distribution at the London School of Foreign Trade.

He has in-depth knowledge of the casings business, thanks to his experience within the Viscofan Group, which he joined in 1996 as Managing Director of Viscofan do Brasil, where he led the expansion of the Viscofan Group in South America until his appointment in 2006 as Managing Director of Viscofan, S.A. and the Group of companies of which it is the parent company, a position he currently holds, and from which he has significantly contributed to strengthening Viscofan's leadership and its international expansion.

He is a board member of Maxam Corporation Holding, S.L., and board member of the Viscofan Group of the Cetena Foundation (CEMITEC).

He is also a member of the Board of Directors of Asociación Centro Rafaela María de Acción Social, for the integration of people with disabilities in Vizcaya.

In 2014, he joined the Viscofan S.A. Board of Directors as Executive Director

Total number of Executive Directors	2
% of total directors	20.00%

Remarks:

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NOMINEE DIRECTORS

Name of director (person or company): JUAN MARCH DE LA LASTRA

Name or business name of the significant shareholder represented or proposing nomination:
CORPORACIÓN FINANCIERA ALBA S.A.

PROFILE: JUAN MARCH DE LA LASTRA

Degree in Administration and Business Management from Universidad Carlos III of Madrid. He has completed the Global Markets Training Program of J. P. Morgan and the Owner/President Management Program of Harvard Business School.

He has developed his professional career at J.P. Morgan, London/Madrid.

He has been Managing Director and Chairman of March Gestión de Fondos SGIC, Madrid.

He is currently Executive Chairman of Banca March S.A, Vice Chairman of Corporación Financiera Alba S.A. and Board Member of the Juan March Foundation.

Likewise, he was member of the Board of Directors and the Executive Committee of ACS, of the Board of Directors of Acerinox, S.A and of the Strategic Committee of Indra Sistemas, S.A.

Nominee Director of Viscofan, S.A, representing Corporación Financiera Alba S.A. and member of its Appointments and Remuneration Committee.

Name of director (person or company): SANTIAGO DOMEQ BOHÓRQUEZ

Name or business name of the significant shareholder represented or proposing nomination: **ANGUSTIAS Y SOL S.L.**

PROFILE: SANTIAGO DOMEQ BOHORQUEZ

He has studies at the School of Economic and Business Sciences of Universidad Pontificia Comillas-ICADE (Madrid) and at the School of Economic and Business Sciences of the University of Cádiz (UCA). Specialisation course in Managing Agrifood Companies (DEA) at the International Institute San Telmo (Seville).

Throughout his broad professional experience as a businessman he was, among others, Director of Coca-Cola Iberian Partners, S.L. until 2015, and prior to that, from 1997 Director of Refrescos Envasados del Sur, S.A. (RENDELSUR), a company that joined Coca-Cola Iberian Partners S.L. in 2013.

Currently he is Director of Algar Aguas de Cádiz, S.A., Member of the Provincial Board of Cádiz, Member of the Natural Park of Los Alcornocales and Member of the Provincial Environment Council.

He is the Sole Administrator of Angustias y Sol, S.L and of its group of companies in the financial, agricultural and livestock sectors, among others.

Nominee Director at Viscofan representing Angustias and Sol S.L., and member of its Audit Committee.

Total number of Nominee Directors	2
% of total directors	20.00%

Remarks:

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EXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company): IGNACIO MARCO-GARDOQUI IBAÑEZ

PROFILE: IGNACIO MARCO-GARDOQUI IBAÑEZ

Economics degree from Deusto University.

Marco-Gardoqui has a long professional career, he has worked for financial institutions, and his activities have covered teaching, consulting, and great recognition in the press world, where he has a strong reputation for his active contribution as an economic expert and columnist for Vocento Group.

He also has developed wide experience in several industrial companies, belonging to several Board of Directors. Currently he is director of Minerales y Productos Derivados and Teknia Group.

He was a director of Tubacex and Progénika Biopharma until 2018, and he used to be on the Boards of Directors, among others, of Técnicas Reunidas, Banco del Comercio, IBV, Local Credit Bank, Schneider Electric Spain, Iberdrola Ingeniería y Construcción (Iberinco SA) and Chairman of Naturgás.

He is the Vice Chairman of the Board of Directors of Viscofan SA and Chairman of its Audit Committee.

Name of director (person or company): JOSÉ MARÍA ALDECOA SAGASTASOLOA

PROFILE: JOSÉ MARÍA ALDECOA SAGASTASOLOA

Technical Engineer in Electronics from the University of Mondragón and Programa de Alta Dirección de Empresas (PADE) from IESE.

Throughout his long professional career, he has held various posts at Copreci (1971-1982), Managing Director of Fagor Electrónica and member of the Board of Directors of Fagor, S. Coop. (1982-1991).

Between 1984 and 1991, he was Vice-Chairman of ANIEL (National Association of Electronic Industries) and Board member of Asociación Europea de Componentes Electrónicos (EECA)

Since 1992, he has been developing his professional career at MONDRAGON CORPORACION as Vice Chairman (1992-2006), managing the Components Division (1992-1999) and the Automotive Division (1999-2006). He was appointed Chairman in 2007, which is a position he held until July 2012.

He has a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong and Thailand, the integration of the production plants in the industrial park of Kunshan, China

He has sat on the Board of Directors of various automotive and components companies (Copreci in Czech Republic and Mexico, Fagor Ederlan in Brazil and Slovakia, Paranoa-Cicautxo in Brazil, FPK, Chairman of Vitorio Luzuriaga), and he was director (1992-2006) and Chairman (2007-2012) of MONDRAGON INVERSIONES.

He was an independent director and member of the Executive Committee of Gamesa Corporación Tecnológica, S.A. from 2012 to 2017.

He is member of the Board of Directors of Viscofan, S.A, of the Audit Committee and of the Appointments and Remuneration Committee. In 2014 he was appointed as Lead Independent Director.

Name of director (person or company): JAIME REAL DE ASÚA Y ARTECHE

PROFILE: JAIME REAL DE ASÚA Y ARTECHE

Industrial engineer, specialising in industrial organisation from the ETSII (Bilbao).

He is currently Non-executive Chairman of the Board of Directors of Elecnor S.A., Chairman of its Executive Committee and member of its Appointments and Remuneration Committee. He is also Chairman of the Committee of Elecnor Infraestructuras and Director of Enerfín Sociedad de Energía, S.L., and of Celeo Concesiones e Inversiones, S.L.U., belonging to the Elecnor Group, Director of Cantiles XXI, S.L, and Tasdey S.A. and member of the BBVA Advisory Board of the Northern Zone.

He has also been Chairman and Director of Adhorna Prefabricación S.A. until its takeover merger by Elecnor in 2015. He was also a director of Internacional de Desarrollo Energético, S.A. between 1987 and 2012. (IDDE).

At the same time, from 1981 until 2011 he was linked to Grupo Cementos Portland Valderrivas, where he held different management positions and was a member of the Board of Directors of various companies of this Group.

He is member of the Board of Directors of Viscofan, S.A, and Chairman of its Appointments and Remuneration Committee.

Name of director (person or company): LAURA GONZÁLEZ-MOLERO

PROFILE: LAURA GONZALEZ MOLERO

Degree in Pharmacy (industry specialisation) from the Complutense University of Madrid and Executive MBA from the IE Business School 1999.

She has held the responsibilities of CEO in large international corporations in the Health Care and Chemical sectors in Europe.

She has been the Chairman for Latin America at Merck Serono Biopharmaceuticals and Bayer Healthcare, having resided in Brazil and the United States, where she was in charge of more than two thousand five hundred employees, and managed business figures of over one billion dollars, which has made her an international benchmark in these sectors. Her work as an executive has been rewarded on numerous occasions.

He was an independent board member of Viscofan between 2010 and 2016, and a member of its Appointments and Remuneration Committee, where she carried out important work to promote and consolidate the functions of said Committee, as well as providing diversity to the Board's decision-making through her participation in the various debates and deliberations where her opinion has contributed to the development of the Viscofan Group until the end of her mandate as independent director in 2016, when her professional commitments prevented her from proposing her renewal as a director.

She is currently an independent director of Acerinox SA, of Ezentis SA and Bankia SA, a member of the ISS Advisory Board in Spain, a member of Women Corporate Director and of the International Women Forum and a member of the board of the Adecco Foundation, among others.

She is a member of the Board of Directors of Viscofan S.A and its Audit Committee

Total number of Independent Directors	4
% of total directors	40.00%

Remarks:

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Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for his/her directorship, or maintains or has maintained over the last year a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the Board with the reasons why it deems that this director can perform his/her duties as an independent director.

Name of director (person or company)	Description of the relationship	Motivated declaration

OTHER EXTERNAL DIRECTORS

Identify all other external Directors and explain why these cannot be considered nominee or independent Directors and detail their relationships with the company, its executives or its shareholders:

Name of director (person or company): NÉSTOR BASTERRA LARROUDÉ

Reason: For having remained on the Board of Directors for more than 12 years

Company, officer or shareholder to which he has ties: None

PROFILE: NESTOR BASTERRA LARROUDÉ

Law degree and Economics graduate from the University of Deusto. He also holds an MBA from IESE.

He has developed his professional career in both international and Spanish banking, as head of Capital Markets and Corporate Banking departments at Bank of America and Banco Santander.

He is currently Vice President of Iberpapel Gestión S.A. and Board Member of Amistra SGIC S.A.

He is a member of the Board of Directors of Viscofan S.A. and the Appointments and Remuneration Committee

Name of director (person or company): ÁGATHA ECHEVARRIA CANALES

Reason: For having remained on the Board of Directors for more than 12 years

Company, officer or shareholder to which she has ties: None

PROFILE: ÁGATHA ECHEVARRIA CANALES

Law degree and Business Administration degree from Universidad Pontificia de Comillas (ICADE).

She has broad professional experience in a number of multi-nationals, including the audit firm Touche and Ross, S.A., British Petroleum España, S.A. and the investment bank Charterhouse Limited in which she was Managing Director and Director of its Spanish subsidiary and founder and director of D+A Documentación y Análisis S.A.

She has advised family businesses on their business strategies and is currently a Board Member of Papelera Guipuzcoana de Zicuñaga, SA and Banca March SA, forming part of its audit committee and the Global Risk and Technological Change Committee.

She is member of the Board of Directors of Viscofan SA and member of its Audit Committee.

Total number of other External Directors	2
% of total directors	20.00%

Remarks:

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Indicate any changes that may have occurred during the period in the type of directorship of each director:

Name of director (person or company)	Date of the change	Former category	Current category

Remarks:

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C.1.4 Fill in the following table with information regarding the number of female directors at year-end over the last 4 years, and the category of their directorships:

	Number of female directors				% of total female directors of each category			
	Year 2018	Year 2017	Year 2016	Year 2015	Year 2018	Year 2017	Year 2016	Year 2015
Female Executives	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Female Nominee Directors	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	1	0	0	1	25.00%	0.00%	0.00%	20.00%
Other external	1	1	1	1	50.00%	50.00%	50.00%	50.00%
Total	2	1	1	2	20.00%	10.00%	10.00%	20.00%

Remarks:

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C.1.5 Indicate whether the company has diversity policies in relation to the company's board of directors with regard to issues such as age, gender, disability, or professional training and experience. As a minimum, small and medium-sized companies, in accordance with the definition contained in the Accounts Auditing Law, will have to inform of the policy they have established in relation to gender diversity.

Yes No Partial Policies

If you have ticked yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results during the year. The specific measures adopted by the board of directors and the appointments and remuneration committee should also be indicated to achieve a balanced and diverse presence of directors.

In case the company does not apply a diversity policy, explain the reasons why.

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained
<p>The Viscofan Group does not have a specific policy on diversity of the Board of Directors; however, this subject is regulated by the policy of Directors Selection and the Regulations of the Board of Directors.</p> <p>The Policy on Selection of Directors establishes the principle of equality. Based on this, all candidates shall have the right to be considered for any vacancy produced in the Board, in accordance with objective criteria avoiding any implicit bias that may imply some discrimination, due to nationality, race, sex, ideology or any other aspect beyond their competencies, knowledge and professional experience.</p> <p>It also establishes that in the process of finding candidates, the Appointments and Remuneration Committee will take into account the diversity and, more specifically, the objective of representation that has been established for the less represented gender on the Board of Directors, including people of that gender from among potential candidates who meet the professional profile sought.</p> <p>At the same time, the Board of Directors Regulations contains in article 8 that the Board shall ensure that the selection procedures for their members favour diversity of gender, experience and knowledge and do not have an implicit bias that may imply any discrimination and, in particular, that facilitates the selection of female directors.</p> <p>In this aspect the regulation includes the need for establishing an objective of representation for the least represented gender in the board of directors and the drafting on how to reach this objective, mission of the Appointments and Remuneration Committee.</p> <p>The Appointments and Remuneration Committee considers that there is a need to analyse the implementation of the Director Selection Policy on a yearly basis, and also in the longer term, taking account of any projected vacancies, based on the director term of appointment, in order to guarantee at all times the quality of the Board's decisions and its ability to effectively promote corporate interest. In this aspect, the Committee works keeping in mind the 2020 objective, which the number of Directors represents at least 30% of the total members of the Board of Directors.</p> <p>The Appointments and Remuneration Committee has taken account of the gender diversity in the analysis prior to proposing candidates to cover the vacancies created on the Board of Directors, as one of the relevant factors to be taken into account, although weighting these factors with the diversity of competencies, knowledge and experience, all in accordance with the principles of equality, transparency and legality, to benefit social interest.</p>

C.1.6 Explain the measures, if any, agreed by the Appointments Committee to ensure that selection procedures do not suffer from implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sought and that makes it possible to have a balanced number of men and women:

Explanation of measures
See previous point

When, despite any measures that might have been adopted, the number of female directors is low or zero, explain the reasons:

Explanation of reasons

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C.1.7 Explain the conclusions of the Appointments Committee regarding verification of compliance with the director selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female directors represent at least 30% of the total number of members of the board of directors.

The Appointments and Remuneration Committee considers that the director selection policy has been properly complied with, for a number of reasons: all the proposals made to the General Shareholders' Meeting were supported by a prior analysis of the needs of the Board, taking account of the competencies, knowledge and experience of the board members and candidates, valuing diversity, promoting the search for different alternatives for candidates that suit the profile, and performing the selection process in accordance with the principles set out in the said policy.

The Committee considers that there is a need to analyse the implementation of the policy on a yearly basis, and also in the longer term, taking account of any projected vacancies, based on the director term of appointment, in order to guarantee at all times the quality of the Board's decisions and its ability to effectively promote corporate interest. In this regard, the Committee works by taking into account the 2020 objective. In fact, in the appointment proposals for the 2018 General Meeting, Laura González-Molero was proposed and finally appointed as director, increasing the number of female directors to 20%.

C.1.8 Explain, where applicable, the reasons why nominee directors have been appointed at the behest of a shareholder whose holding is less than 3% of the capital:

Name or company name of the shareholder	Arguments in support

Indicate whether formal petitions have been ignored for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose behest nominee directors were appointed. Where applicable, explain why these petitions have been ignored:

Yes No

Name or company name of the shareholder	Explanation

C.1.9 Indicate, if any, the powers and faculties delegated by the board of directors to board members or board committees:

Name of director (person or company) or committee	Short description
JOSÉ ANTONIO CANALES GARCÍA	In his position as Managing Director, he has been granted powers of representation, powers relating to purchase or disposal, powers relating to personnel, collections, payments, contracts, tenders and transactions, Current accounts, credit and savings accounts, bills of exchange and promissory notes, securities and shares, bonds and guarantees, and complementary powers to the above.
JOSE DOMINGO DE AMPUERO Y OSMA	In his role as Chairman of the Board, he has granted powers of representation, powers relating to the purchase or sale, powers relating to personnel, to charges, payments, contracts, auctions and transactions, to checking accounts, credit or savings, to bills of exchange and promissory notes, securities, guarantees, and supplementary powers to the previous.

C.1.10 Identify any members of the Board holding positions as directors, representatives of directors or managers in other companies belonging to the listed company's group:

Name or corporate name of the directorship	Registered name of the group company	Position	Does he/she/it have executive functions?

JOSÉ ANTONIO CANALES GARCÍA	VECTOR USA INC	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	VECTOR PACKAGING EUROPE NV	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	VECTOR EUROPE NV	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	NANOPACK TECHNOLOGY & PACKAGING S.L.	CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	GAMEX CB S.R.O.	DIRECTOR	YES
JOSÉ ANTONIO CANALES GARCÍA	KOTEKS VISCOFAN D.O.O.	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	NATURIN VISCOFAN GMBH	DIRECTOR	YES
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CZ S.R.O.	DIRECTOR	YES
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL LTDA	MEMBER OF THE ADVISORY BOARD	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN URUGUAY S.A.	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN USA INC	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN UK LIMITED	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CANADA INC	SECRETARY	NO
JOSÉ ANTONIO CANALES GARCÍA	ZACAPU POWER S. DE R.L. DE C.V.	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	SECRETARY	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DE MEXICO S. DE R.L. DE C.V.	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DE MEXICO SERVICIOS S. DE R.L. DE C.V.	VICE CHAIRMAN	NO
JOSÉ ANTONIO CANALES GARCÍA	SUPRALON INTERNATIONAL AG	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	SUPRALON VERPACKUNGS AG	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	SUPRALON FRANCE SARL	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	SUPRALON PRODUKTIONS UND VERTRIEBS GMBH	DIRECTOR	YES
JOSÉ ANTONIO CANALES GARCÍA	TRANSFORM PACK INC.	SECRETARY	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN GLOBUS AUSTRALIA PTY LTD	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN GLOBUS NEW ZEALAND LTD	DIRECTOR	NO
JOSÉ ANTONIO CANALES GARCÍA	JUPITER PTY LTD	DIRECTOR	NO
JOSE DOMINGO DE AMPUERO Y OSMA	GAMEX CB S.R.O.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	KOTEKS VISCOFAN D.O.O.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA. INC	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VECTOR USA INC	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VECTOR PACKAGING EUROPE NV	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VECTOR EUROPE NV	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN	NO

JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN UK LIMITED	DIRECTOR	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	ZACAPU POWER S. DE R.L. DE C.V.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MEXICO SERVICIOS S. DE R.L. DE C.V.	CHAIRMAN	NO
JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN URUGUAY S.A.	CHAIRMAN	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	SUPRALON INTERNATIONAL AG	DIRECTOR	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	SUPRALON VERPACKUNGS AG	CHAIRMAN	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	SUPRALON FRANCE SARL	DIRECTOR	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	TRANSFORM PACK INC.	CHAIRMAN	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN GLOBUS AUSTRALIA PTY LTD	DIRECTOR	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN GLOBUS NEW ZEALAND LTD	DIRECTOR	NO
JOSÉ DOMINGO DE AMPUERO Y OSMA	JUPITER PTY LTD	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	GAMEX CB S.R.O.	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	KOTEKS VISCOFAN D.O.O.	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	VECTOR USA INC	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	VECTOR UK LIMITED	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	VECTOR PACKAGING EUROPE NV	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	VECTOR EUROPE NV	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD	NO

NÉSTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	VISCOFAN URUGUAY S.A.	VICE CHAIRMAN	NO
NÉSTOR BASTERRA LARROUDÉ	SUPRALON INTERNATIONAL AG	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	SUPRALON VERPACKUNGS AG	DIRECTOR	NO
NÉSTOR BASTERRA LARROUDÉ	SUPRALON FRANCE SARL	DIRECTOR	NO
ÁGATHA ECHEVARRÍA CANALES	SUPRALON VERPACKUNGS AG	DIRECTOR	NO

Remarks:

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C.1.11 Detail, where applicable, any company directors or representatives of legal entity directors that are members of the board of directors or representatives of legal entity directors of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

Name of director (person or company)	Company name of the listed company	Position
JUAN MARCH DE LA LASTRA	CORPORACIÓN FINANCIERA ALBA S.A.	VICE CHAIRMAN
IGNACIO MARCO-GARDOQUI IBAÑEZ	MINERALES Y PRODUCTOS DERIVADOS S.A.	DIRECTOR
JOSÉ DOMINGO DE AMPUERO Y OSMA	TUBACEX S.A.	DIRECTOR
JOSÉ DOMINGO DE AMPUERO Y OSMA	CORPORACIÓN FINANCIERA ALBA S.A.	DIRECTOR
JAIME REAL DE ASÚA Y ARTECHE	ELECNOR S.A.	CHAIRMAN
NÉSTOR BASTERRA LARROUDÉ	IBERPAPEL GESTION. S.A.	VICE CHAIRMAN
LAURA GONZÁLEZ-MOLERO	ACERINOX S.A.	DIRECTOR
LAURA GONZÁLEZ-MOLERO	EZENTIS S.A.	DIRECTOR
LAURA GONZÁLEZ-MOLERO	BANKIA S.A.	DIRECTOR

Remarks:

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C.1.12 Indicate and, if applicable, explain whether the Company has established rules regarding the maximum number of boards of directors of which its directors may be members, identifying, if applicable, where this is regulated:

Yes No

Explanation of the rules and identification of the document where it is regulated

Pursuant to article 23 of the Board of Directors Regulations, Company directors cannot sit on more than three boards of directors of listed companies, in addition to the Board of Viscofan, S.A.

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the board of directors:

Remuneration accrued during the year in favour of the Board of Directors (thousands of euros)	3,349
Cumulative amount of rights of current Directors in pension scheme (thousands of euros)	

Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	
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Remarks:

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C.1.14 Identify members of senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position(s)
CÉSAR ARRAIZA	CHIEF FINANCIAL OFFICER& IT OFFICER VISCOFAN GROUP
JOSE ANGEL ARRARÁS	R&D AND QUALITY CHIEF OFFICER VISCOFAN GROUP
ANDRES DÍAZ	CHIEF OPERATION OFFICER VISCOFAN GROUP
GABRIEL LARREA	CHIEF COMMERCIAL OFFICER VISCOFAN GROUP
ÓSCAR PONZ	CHIEF PLASTIC BUSINESS UNIT OFFICER VISCOFAN GROUP
ARMANDO ARES	CHIEF OF INVESTOR RELATIONS AND COMMUNICATION OFFICER VISCOFAN GROUP
ELENA CIORDIA	CHIEF LEGAL OFFICER VISCOFAN GROUP (UNTIL DEC. 2018)
JOSÉ ANTONIO CORTAJARENA	CHIEF LEGAL OFFICER VISCOFAN GROUP (FROM DEC 2018) AND VICE SECRETARY OF THE BOARD OF DIRECTORS
JAVIER GARCÍA	CHIEF OF INTERNAL AUDIT OFFICER
JOSÉ IGNACIO RECALDE	CHIEF OF DIVERSIFICATION AND TECHNOLOGY OFFICER VISCOFAN GROUP
JUAN JOSÉ ROTA	CHIEF OF HUMAN RESOURCES OFFICER VISCOFAN GROUP
RICARDO ROYO	CHIEF EUROPE BUSINESS OFFICER VISCOFAN GROUP
JESÚS CALAVIA	INDUSTRIAL MANAGER VISCOFAN S.A. (SPAIN)
MARÍA DEL CARMEN PEÑA	FINANCIAL MANAGER VISCOFAN S.A. (SPAIN)
BELÉN ALDAZ	HUMAN RESOURCES MANAGER VISCOFAN S.A. (SPAIN)
EDUARDO AGUIÑAGA	MANAGING DIRECTOR OF VISCOFAN DE MEXICO S.R.L. DE C.V.
LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S. COM. E IND. LTDA.
DOMINGO GONZÁLEZ	MANAGING DIRECTOR VISCOFAN USA INC. AND CEO OF VECTOR USA
MILOSLAV KAMIS	MANAGING DIRECTOR GAMEX CB SRO, VISCOFAN CZ S.R.O.
ANGEL MAESTRO	MANAGING DIRECTOR VISCOFAN URUGUAY S.A.
IÑIGO MARTINEZ IRIARTE	MANAGING DIRECTOR KOTEKS VISCOFAN DO.O.
JUAN NEGRI	MANAGING DIRECTOR PACIFIC ASIA
BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH (UNTIL DEC 2018)
WILFRIED SCHOBEL	MANAGING DIRECTOR NATURIN VISCOFAN GMBH (FROM DEC 2018)

Total senior management remuneration (thousands of euros)	4,679
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Remarks:

Elena Ciordia held office until December 2018. José Antonio Cortajarena was appointed Chief Legal Officer and Vice Secretary of the Board of Directors in December 2018 (Relevant Event notified to the CNMV with registration number 272108 and dated 4 December 2018).

In accordance with the Relevant Event notified to the CNMV with registration number 269318 and dated 5 September 2018, César Arraiza was appointed Chief Strategy, Organization & Systems Officer on January 1, 2019, with responsibility in formulating strategies and supporting the business units in their execution, the organisational design and the management of the Group's information systems and Mrs. Mary Carmen Peña was appointed CFO of the Viscofan Group on 1 January 2019.

Mr Bertram Trauth held office until December 2018 when he retired and Mr Wilfried Schobel was appointed Managing Director of Naturin Viscofan GmgH in Germany.

C.1.15 Indicate whether there has been any change in the Board regulations during the year:

Yes No

Description of amendments:
<p>The amendments made in 2018 to the Regulations of the Board of Directors are as follows:</p> <p><u>Article 4. Function of the Board of Directors:</u></p> <p>"The Board shall perform its duties in accordance with the applicable laws and regulations, adhering to the principles of good faith, ethics and respect for commonly accepted customs and good practices, and also strive to reconcile its own interests with the legitimate interests of its stakeholders, and with the impact of its activities on the environment and the broader community", was added.</p> <p><u>Article 5: Non-delegable functions.</u></p> <p>The following is added as a matter of exclusive knowledge of the Board of Directors in full: "Any directors who are involved, or who represent/are associated with the shareholders involved, must refrain from taking part in the deliberation and voting on the resolution in question.</p> <p><u>Article 7: Operation of the Board</u></p> <p>The following has been added: "Resolutions may only be adopted through voting by ballot and with no meeting if none of the directors opposes such a procedure."</p> <p><u>Article 8: Appointment of board members.</u></p> <p>Following paragraph has been deleted: "The independent directors who reach the limit of twelve (12) years provided in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office"</p> <p><u>Article 8 bis (moved to art. 9). Categories of directors.</u></p> <p><u>CHAPTER IV. The Board's bodies.</u></p> <p>The wording is updated with regard to the Vice-Chairpersons and includes the possibility of appointing a Vice-Secretary, who does not have to be a director.</p> <p><u>Article 9 (moved to art. 10). Office of Chairman.</u></p> <p>The following requirement has been added: "The appointment of an executive director as the Chair shall require a favourable vote by two-thirds of the members of the Board of Directors."</p> <p>The following powers, <i>in italics</i>, have also been added to the Chairman of the Board of Directors:</p> <p>"a) Convening and chairing the meetings of the Board of Directors, setting the agenda for the meetings and leading the discussions and deliberations. b) <i>Preparing a schedule of dates and matters to be discussed and submitting them to the Board.</i> c) Chairing the General Shareholders' Meeting. d) Ensuring that the directors receive enough information in advance to deliberate on the items on the agenda. e) Encouraging debate and the active participation of the directors during the meetings, safeguarding their freedom of opinion and ensuring that enough time is devoted to discussing strategic matters. f) <i>Informing the directors of movements in share ownership and of the views of major shareholders, investors and rating agencies on the Company and its group.</i> g) <i>Organising and coordinating the regular assessment of the Board and, where appropriate, the Company's top executive.</i> h) <i>Approving and reviewing the refresher training programmes for each director.</i> i) Any other powers that they are granted by the law and the bylaws."</p>

Article 9. bis (moved to art. 11). The Lead independent Director.

The following powers have been added:

- "d) Chair the Board of Directors in the absence of the Chair and Vice-Chairs, if any;
- e) Maintain contact with investors and shareholders to find out their perspectives, for the purpose of forming an opinion regarding their concerns, in particular with regards to the corporate governance of the Company;
- f) Coordinate the Chair's succession plan."

Article 10 (moved to art. 12). The Vice Chairman.

The text has been amended to adapt it to the new wording, as there are now several vice chairmen (not just three as previously established).

Article 11 (moved to art. 13). Office of Secretary.

The office of secretary has been removed from the Executive Committee

CHAPTER V - The Committees

The executive committee regulated in **article 12 of the former Regulation of the Board of Directors** has been decommissioned.

Article 14 - Board Committees has been added to the new Regulation of the Board of Directors, which establishes the following:

"The Board may set up specialised committees within it, determining their composition, appointing their members and establishing the powers and functions assumed by each of them, based on the provisions of the company bylaws.

Within the Board of Directors and by delegation thereof, there shall be at least one Audit Committee, and one or two separate Appointments and Remuneration Committees."

Article 13 (moved to art. 15). Audit Committee.

This article of the new regulation establishes that it shall be composed of a minimum of three and a maximum of six members (previously five). Moreover, the majority of the directors on this committee must be independent (previously two).

The following has been added in regards to its operation:

"The Audit Committee will meet every time the Chairman calls a meeting, through decision of the Board of Directors or following the request of the majority of its members.

The Audit Committee shall be quorate with the attendance in person or by proxy of the majority of its members.

Resolutions will be adopted by simple majority vote of the members attending the meeting and the Chairman will have the casting vote."

Certain functions have also been outlined and added. *The changes to each point have been italicised:*

Point A Reporting to the General Shareholders' Meeting regarding matters that fall within its remit *and, in particular, regarding the result of the audit, explaining how this has helped to ensure the integrity of the financial information and the function that the Committee has performed in that process.*

Point C) (a) *Monitoring the efficiency of the Company's internal control, internal auditing and its risk management.*

Point C) (b) *Overseeing the process of preparing and presenting the compulsory financial information relating to the Company and its group, ensuring that the financial information internal control system (SCIIF) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, possible complex corporate structures, instrumental or special purpose entities, the correct application of accounting criteria and presenting recommendations or proposals to the administrative body, designed to safeguard their integrity.*

Point C) (c) above has been split into:

- Point C) (c) *Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.*
- Point C) (d) *Reviewing, analysing and discussing the financial statements and other relevant financial*

information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.

Point C) (d) has been moved to point C) (e), deleting the following content: "Monitoring the suitability of the control policies and procedures in place."

Point C) (e) has been moved to point C), (f) adding the following content: "without undermining their independence. For such purposes, where appropriate, they may submit recommendations or proposals to the administrative body and respective period for their follow-up."

Point C) (f) has been moved to point C) (g). Within it, the following content has been added in italics (ii) "Approving the annual internal audit work plan, *ensuring that their activity focuses primarily on the main risks the Company is exposed to*; and receiving periodic information on the results of the work performed, including any incidents that may arise. Likewise, receiving an annual activities report and action plan to correct any deficiencies detected;

Point D) In relation to the external auditor.

The following has been added:

D) (a) Referring to the Board of Directors the proposals for selecting, appointing, re-electing and replacing the auditor, being responsible for the selection process, pursuant to the provisions of the current regulations and the terms of their recruitment, regularly gathering information from them about the audit plan and its implementation, and preserving their independence in the exercise of their duties.

D) (e) The following content in italics has been added:

Safeguarding the independence of the auditor, paying particular attention to any circumstances or issues that could jeopardise such independence, *including that their remuneration does not compromise their quality or independence*, and any others relating to the process of auditing the accounts:

(i) It shall be ensured that the Company publicly discloses to the CNMV (*National Securities Market Commission*), as a *relevant event*, any replacement of the auditor and includes a statement regarding any possible disagreement with the outgoing auditor and the details thereof. If the auditor resigns, then it shall explore the underlying causes.

iii) It shall establish a suitable relationship with the auditor to receive information on matters that may jeopardise the auditor's independence, *so that it may be examined by the Committee*, and any other matters related to the process of performing the audit, *and, where necessary, authorise services that are not forbidden by the provisions of the current regulations*.

(iv) *It shall ensure that the external auditor has a yearly meeting with the Board of Directors in a plenary session, to inform it of the work undertaken and developments in the Company's risk and accounting positions.*

Point E) The following content in italics has been added:

Reporting to the Board, prior to the latter making any respective decisions *provided for in current regulations, in the bylaws and in these Regulations, particularly with regards to:*

(c) *Any structural and corporate modification procedures that are planned by the Company and, specifically, their economic conditions and accounting impact and, where applicable, the proposed exchange ratio.*

(d) *The related-party transactions.*

Point H) The following content in italics has been added:

The duties of the Audit Committee shall be:

I) *Periodically evaluating the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the interests of the company and catering, as appropriate, to the legitimate interests of remaining stakeholders.*

J) *Reviewing the Company's corporate social responsibility policy, ensuring that it is geared towards value creation.*

K) *Monitoring the corporate social responsibility strategy and practices and assessing their compliance.*

L) *Evaluating all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.*

M) *Coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international reporting standards.*

N) *Overseeing the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.*

Ñ) *Monitoring and evaluating the company's interaction with its various stakeholders.*

Article 14 (moved to art. 16). Appointments and Remuneration Committee or Committees.

May comprise up to six members (previously 5).

The content *in italics* has been added to the second and third paragraph:

"The members thereof shall be appointed ensuring that they have the right balance of knowledge, skills and experience for the functions they are called on to discharge and they shall automatically step down when they cease to serve as Company directors or at the discretion of the Board of Directors.

The Committee's Chairman shall be selected from the independent directors who sit on the Committee *or, as the case may be, each of the Committees.*"

The following content in italics has been added to the end of the part regarding the Appointments Committee:

"The Appointments Committee shall consult with the Chairman of the Board of Directors and the top executive of the Company, especially on matters relating to executive directors.

Any director may request that the Appointments Committee consider any potential candidates who they believe to be suitable to cover vacancies on the Board.

The purpose of the Remuneration Committee shall be as follows:

- a) Proposing a policy to the Board of Directors for the remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive directors, and overseeing adherence to this policy.
- b) *Propose to the Board the standard conditions for senior officer contracts.*
- c) *Monitoring compliance with the remuneration policy set by the Company.*
- d) *Periodically reviewing the remuneration policy for directors and senior managers, including share-based remuneration systems and their application, and ensuring that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the Company.*
- e) *Ensuring that conflicts of interest do not undermine the independence of any external advice received by the Committee.*
- f) *Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.*

The Remuneration Committee shall consult with the Company's Chairman and top executive, especially on matters relating to executive directors and senior managers."

Article 15 (moved to art. 17). Board and Committee Meetings

The following content *in italics* has been added to paragraph two, followed by a new paragraph:

"In any event, the Board of Directors must meet at least once a quarter, following the schedule of dates and matters established at the beginning of the year, notwithstanding any others that may arise during the year.

Each member may individually propose other items for the agenda that were not originally included therein."

Article 16 (moved to art. 18). Assessment of the Board and Committees

The following content *in italics* has been added:

Each year the Board of Directors shall assess:

- a) the quality and efficiency of the Board's operation, *based on a report drawn up by the Appointments Committee.*
- b) *the diversity of board membership and competences;*
- c) the performance of their duties by the Chairman of the Board and the company's top executive, based on the report drawn up by the Appointments Committee. If the Chair is an executive director, the Lead Director shall conduct the regular assessment of the Chair of the Board of Directors.
- d) *The performance and contribution of individual directors, with particular attention to the Chairmen of the committees.*
- e) the functioning *and composition* of the Board's committees, based on a report drawn up by each Committee.

Article 17 (moved to art. 19). Right to information.

The following content has been added:

"The notice of meetings shall indicate the items on the agenda upon which the directors must arrive at a decision or

resolution or, in urgent cases, the prior consent of the majority of those present shall be required."

Article 18 (moved to art. 20). Right to external advice.

No amendments

Article 19 (moved to art. 21). Guidance for directors.

No amendments

Article 20 (moved to art. 22). Duties of the directors.

No amendments

Article 21 (moved to art. 23). The name has been changed from Due administration diligence to **Due diligence**

The following crossed out content has been deleted

"The Company's directors shall act with the due diligence of a prudent businessperson and loyal representative in the fulfilment of their obligations pursuant to the provisions of the law, the bylaws and director regulations ~~and so must attend and participate in the Board and Committee meetings they attend,~~"

Moreover, the following content in italics has been added:

"The Company's directors shall act with the due diligence of a prudent businessperson and loyal representative in the fulfilment of their obligations pursuant to the provisions of the law, the bylaws and the applicable regulations, *bearing in mind the nature of the position and the duties assigned to them.*

Directors shall devote sufficient time and adopt the necessary measures for the proper management and control of the Company, for which purpose they must attend and participate in the meetings of the Board and the committees to which they belong."

There are no substantial amendments in the following articles. However, due to the amendments mentioned above, the numbering of the articles has changed, moving each one down by two. For example: Article 22 is now article 24, and so on.

C.1.16 Indicate procedures for selection, appointment, re-election and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

The selection, appointment, re-election, assessment and removal processes of the Directors are regulated in the Bylaws, the Board Regulation and the Director's Selection Policy. In their respective competencies, the General Shareholder's Meeting, the Board of Directors and the Appointments and Remunerations Committee intervene in the different procedures.

The Board of Directors Selection Policy establishes that the Appointments and Remunerations Committee will be responsible for analysing the composition and structural needs of the Company's Board of Directors at all times, and for regulating the procedure to follow whenever there is a vacancy within the Board of Directors to ensure a search for candidates that is based on the principles of equality, transparency and legality, in order to provide the Board of Directors with candidates that can offer the competencies, knowledge and experience required for the Board at all times, taking account of the vacancies to be covered and the structure and composition of the Board, avoiding any implicit bias that may involve some type of discrimination and taking account of diversity, particularly the measures to be applied in order to meet the representation target for the least-represented gender on the Board of Directors and to facilitate the inclusion of female directors on the board.

Pursuant to Article 25 of the Articles of Association: Their appointment of directors will correspond to the General Shareholders meeting in accordance with article 242 of the Capital Companies Act.

Article 26 of the Bylaws states that:

To be appointed to the position of director, the status of shareholder is not a requirement. The term of office for board member Directors is four years from the date they are appointed.

The appointment of Directors will cease when their term of office has ended and the next General Shareholders' Meeting has been held or the period stipulated by law for holding the Shareholders' Meeting to resolve on the approval of the prior year's accounts has passed.

Article 27 establishes limits on the re-election of Independent Directors:

Independent Directors may not be re-elected or appointed for a new term of office under the same classification when they have sat on the Company's Board for a term of twelve (12) years as from the date on which they were first appointed.

Article 8 of the Regulations of the Board of Directors states that: The shareholders at the General Shareholders' Meeting or the Board of Directors itself shall appoint the directors in accordance with the provisions of the law.

The Board of Directors must ensure that the procedures to select its members favour the diversity of gender, experience and knowledge and that there is no implicit bias that may involve any type of discrimination, and, in particular, they should facilitate the selection of female directors.

The proposals relating to the appointment or re-election of directors, within the limits set out in the articles of incorporation, shall be made by the Appointment and Remuneration Committee in the case of independent directors and by the Board itself, subject to a report by the Committee, in the case of the other directors.

Any proposals must be accompanied, in any case, by an explanatory report from the Board, assessing the competence, experience and merits of the candidate proposed, and shall include the presence on the Board of a reasonable number of independent directors and shall aim to maintain a majority of directors who are external to management.

Directors shall hold office for the term stipulated in the bylaws and may be re-elected once or several times.

Independent directors may not be re-elected or appointed for a new term with the same position when they have served as Company directors for twelve (12) consecutive years from the date of their first appointment.

Under no circumstance shall the provisions of the preceding paragraphs limit the power of the Company's general shareholders' meeting or, as the case may be, of the Board of Directors, to re-elect or appoint a specific candidate for director, and this shall only affect him/her being referred to as an independent director.

Likewise, article 16 of the Board of Directors Regulations regulates the Appointments and Remuneration Committee and its functions:

The mission of the Appointments and Remuneration Committee includes:

- a) Assessing the necessary competences, knowledge and experience on the Board and, consequently, defining the functions and aptitudes required from the candidates that must cover each vacancy, and assessing the time and dedication needed so that they can effectively perform their duties.
- b) Setting a representation objective for the gender less represented on the board of directors and preparing guidelines on how to achieve this objective.
- c) Submitting proposals to the Board of Directors for independent directors to be appointed by co-optation or to be submitted to the decision of the general shareholders' meeting, as well as proposals for the re-election or removal of said directors.
- d) Reporting the proposals for the remaining directors to be appointed by co-optation or to be submitted to the decision of the general shareholders' meeting, as well as proposals for their re-election or removal by the general shareholders' meeting.
- e) Providing information about proposals for appointing and dismissing senior management and principal conditions of their contracts.
- f) Reviewing and organising the succession procedure for the Chairman of the Board of Directors and the top executive and, as the case may be, submitting proposals to the Board of Directors to ensure that such succession is handled in an ordered and planned manner.

The removal of directors is governed by the following articles of the Regulations of the Board of Directors:

Article 30. Removal of directors.

Directors shall serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they shall tender their resignations in the following cases:

- a) When they become subject to any of the disqualifications or prohibitions set down in law.
- b) When their remaining on the Board could jeopardise the Company's interests or when the reasons for which they were appointed no longer apply.
- c) Directors representing a controlling shareholder shall tender their resignations when the shareholder they represent sells a substantial part of its stake.

The Board of Directors may not propose the removal of independent directors before the end of their term of office, unless the Board considers there is due cause following a report to such effect from the Appointments and Remuneration Committee.

When a director steps down before the end of their term of office, whether by resigning or for any other reason, they must explain the reasons for their departure in a letter to be sent to all other members of the Company's Board of Directors.

The departure shall be reported to the CNMV (National Securities Market Commission) as a relevant event, and the reason for the departure shall be reported in the annual corporate governance report.

Article 31. Directors' Duties after Separation

After leaving upon completion of the period for which they were elected or for any other reason, the directors may not serve at any entity competing with the Company and its corporate group for a period of two years unless the Board of Directors grants dispensation from this requirement or shortens its term.

C.1.17 Explain to what degree the self- assessment has led to significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments:

As a result of the assessments made during recent years, the Board of Directors has included the following measures:

Drafting of an annual meeting calendar of the Board and the different committees to improve planning of the directors and to be able to facilitate their commitment and attendance to the meetings, in addition to the annual plan it includes visits to one of the Group centres, to be able to deepen in specific aspects of their activity and particular environment and, where applicable, promote continuous training in the knowledge of the activity of the Group of companies of which the Company is the mother company.

Likewise, following the assessment process of the 2018 financial year, in terms of observations and improvement plans, it has been noted, as regards the Board of Directors:

1. That the Board continue with the effort of dedicating the necessary time to analysing the long-term strategy so that the session devoted to the strategic plan is monographic.
2. To consider increasing the number of women on the Board, and the international profile of the directors when incorporating new members.
3. Efforts should be made to continue making progress in anticipating, when possible, the distribution of documentation to be discussed at meetings.

Describe the assessment process and the areas assessed by the board of directors, assisted, where applicable, by an external consultant, regarding the operation and composition of the board and its committees and any other area or aspect that has been subject to assessment.

Description of the assessment process and assessed areas

In compliance with article 18 of Board Regulations, headed by the Appointments and Remuneration Committee or by the Lead independent Director, in the case of the Chairman, and coordinated by the Secretary of the Board, the Board makes an annual assessment of the Board itself and all its Committees, analysing, amongst other factors, a number of formal and relevant aspects of the activity of each one, in addition to the content of the meetings, access to business knowledge, information on factors that are required in order to carry out their duties, the presence of directors at the meetings of the Board and the various Committees, the quality of the debates and decision making, the performance of the directors and Chairmen of each of the committees and the Board itself, the qualification of the directors and the Board Secretary, the quality in the achievement of objectives.

Suggestions are also requested, together with the inclusion of any comment that may help improve the performance of each one.

Each Director and the members of the Committees make their own individual analysis in accordance with guidelines and provide the results to the Secretary of the Board anonymously. After consolidating the results that are obtained, the Secretary gives them to the Board or to each of the Committees, where applicable, for internal debate and to resolve, where applicable, on the actions that help improve the operation and fulfilment of the functions of the Board and each Committee.

Additionally, the Board of Directors will perform the evaluation of the Chairman based on the report submitted by the Appointments and Remuneration Committee and headed by the Lead independent director.

After having carried out the 2016, 2017 and 2018 self-assessment process with the advice of an external consultant, the Company carried out the internal assessment of the Board, with the 2019 assessment process to be carried out with the advice of an external consultant, in accordance with the provisions of the Good Governance Code of listed companies (Recommendation 36).

C.1.18 For the years in which the assessment has been assisted by an external consultant, explain the business relationships that the consultant or any company of its group maintains with the company or any company of its group.

Not applicable.

C.1.19 Indicate the circumstances under which Directors are obliged to resign.

In accordance with the provisions of art. 26 of the Regulations of the Board, with regard to the duty to avoid conflicts of interest, the directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants, informing of the progress of any such prosecution. In this event, the Board shall study the case. The progress of the case shall be monitored and, in view of the same, a decision shall be taken as to whether or not the Director should continue in office.

Furthermore, according to article 30 of the Board of Director Regulations, Directors will serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they will tender their resignation in the following cases:

- a) When they become subject to any of the disqualifications or prohibitions set down in law.
- b) When their remaining on the Board could jeopardise the Company's interests or when the reasons for which they were appointed no longer apply.
- c) Directors representing a controlling shareholder shall tender their resignations when the shareholder they represent sells a substantial part of its stake.

C.1.20 Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

Yes No

If applicable, describe the differences.

Description of the differences

C.1.12 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board of Directors.

Yes No

Description of the requirements

C.1.22 Indicate whether the bylaws or the Board Regulations establish an age limit for directors:

Yes No

	Age limit
Chairman	
CEO	
Director	

Remarks

C.1.23 Indicate whether the bylaws or the Board Regulations establish a limited term of office or other stricter requirements in addition to those legally provided for independent directors, other than that established by law:

Yes No

Additional requirements and/or maximum number of years holding position	
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C.1.24 Indicate whether the bylaws or the Board of Directors Regulations establish specific rules for proxy voting in the Board of Directors in favour of other directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it has established any limit regarding the categories that may be delegated beyond the limits stipulated by legislation. If so, briefly give details on such standards.

Article 17, paragraph four of the Board of Directors Regulation states that: Directors should attend any meetings that are held in person. However, the directors may grant a proxy to another director. Non-executive directors may only grant a proxy to another non-executive director.

C.1.25 Indicate the number of meetings the Board of Directors has held during the year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, proxies given with specific instructions will be counted as attendances.

Number of Board Meetings	12
Number of Board Meetings not attended by the Chairman	0

Remarks:

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Indicate the number of meetings held by the coordinating director with the other directors that have not been attended or without representation by any executive directors:

Number Meetings	0
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Remarks:

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Indicate the number of meetings of the Board's different committees have held during the year:

Number of Executive Committee Meetings	5
Number of Audit Committee Meetings	11
Number of Appointments and Compensation Committee Meetings	9
Number of Appointments Committee Meetings	-
Number of Remuneration Committee Meetings	-
Number of _____ Committee Meetings	-

Remarks:

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C.1.26 Indicate the number of meetings held by the Board of Directors during the year and provide information about

member attendance:

Number of meetings attended by at least 80% of the directors in person	12
% of meetings attended in person of the total votes during the year	95.83%
Number of meetings attended by all the directors in person, or by proxy with specific instructions	12
% of votes issued, attended by all the directors in person and proxies with specific instructions, out of all votes during the year	100.00%

Remarks:

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C.1.27 Indicate whether the individual and consolidated financial statements presented for Board preparation are certified beforehand:

Yes No

Where applicable, identify the person(s) who has(have) certified the Company's individual and consolidated financial statements to be filed by the Board:

Name	Position
JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGING DIRECTOR
CÉSAR ARRAIZA	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MARÍA DEL CARMEN PEÑA	CHIEF FINANCIAL OFFICER VISCOFAN S.A.

Remarks:

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C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors report.

To avoid any qualifications in the audit report on the financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting, the Board has delegated this task to the Audit Committee, other functions, as provided in article 15 of the Board Regulations:

"D) In relation to the external auditor:

b) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report."

For practical purposes, the Audit Committee will ensure compliance with the necessary mechanisms established to perform continuous control over the preparation of financial information at every level, from its start to its consolidation in the Viscofan Group companies.

Both the corporate financial department and the internal audit department have collaborated closely with the Audit Committee to establish, put in place and monitor the most appropriate controls for guaranteeing the truthfulness of the financial information to ensure that it gives a true and fair view of the Group's financial situation.

The internal audit department has also included the continuous review of said controls in its annual plan for various subsidiaries, where said review will apply to the financial departments and areas that also take part in preparing the information: operations, human resources, purchasing and commercial, etc.

Both the internal audit department and the corporate financial department have collaborated actively with the Audit Committee to coordinate and monitor the evolution of the control system, proposing corrective measures where necessary and verifying their effectiveness.

The Audit Committee, internal audit and corporate financial departments have also held informative and follow-up meetings with external auditors to give them the characteristics of the internal control system and its implantation in all the Group's companies and to involve them in their fulfilment and maintain bidirectional communication to allow better monitoring of the improvements that have been put in place. All with the aim of continuing to guarantee the operation of the Group's financial information with greater control at all levels.

Furthermore, the company has maintained a policy of pre-closing the year on 31 October in order to anticipate and correct any incidents that may have arisen during the year.

C.1.29 Is the company Secretary a director?

Yes No

Complete if the Secretary is not also a Director:

Name or corporate name of Secretary	Representative
JUAN MARIA ZUZA LANZ	

Remarks:

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C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, as well as, if any, mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

Article 15 of the Board of Directors Regulations, confers upon the Audit Committee the following duties relating to the external auditor:

D) In relation to the external auditor:

(e) Safeguarding the independence of the auditor, paying particular attention to any circumstances or issues that could jeopardise such independence, including that their remuneration does not compromise their quality or independence, and any others relating to the process of auditing the accounts:

(i) It shall be ensured that the Company publicly discloses to the CNMV (National Securities Market Commission), as a relevant event, any replacement of the auditor and includes a statement regarding any possible disagreement with the outgoing auditor and the details thereof. If the auditor resigns, then it shall explore the underlying causes.

ii) It shall likewise ensure that the Company and the auditor adhere to current regulations safeguarding the independence of auditors, and those governing the provision of non-auditing services and the limits on the concentration of the auditor's business.

iii) It shall establish a suitable relationship with the auditor to receive information on matters that may jeopardise the auditor's independence, so that it may be examined by the Committee, and any other matters related to the process of performing the audit, and, where necessary, authorise services that are not forbidden by the provisions of the current regulations.

(iv) It shall ensure that the external auditor has a yearly meeting with the Board of Directors in a plenary session, to inform it of the work undertaken and developments in the Company's risk and accounting positions.

v) Annually receiving from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(vi) Each year, it shall issue, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the status of independence or to the rules governing the audit.

Article 5 of the Regulations of the Board of Directors includes the following powers among those reserved exclusively for the Board of Directors sitting in full session, in addition to those reserved for the Board by law:

g) Determining the policy on information to shareholders, markets and public opinion.

With regard to analysts and investment banks, the mechanisms envisaged under Article 37 of the Regulations of the Board of Directors, coupled with the company's commitment to monitoring applicable law, ensure that independence is upheld and that the information is made available to everyone at the same time and under the same conditions, thus ensuring equal access to such information. This article regulates the following:

Article 37 - Communications with shareholders and with the Securities Markets.

The Board shall ensure that accurate, reliable information is offered to the Company's shareholders and to the market with respect to any piece of information on the Company's activities, its earnings, shareholders with significant stakes, related-party transactions, shareholder agreements, treasury shares and any other information that must be disclosed pursuant to the law or the Bylaws, as well as any information deemed by the Board to be in the interest of the public.

The periodic financial information shall be homogeneous and reliable and, as appropriate, shall be submitted to the relevant committee.

The Board shall also immediately provide information to the public on:

- a) Relevant facts that could materially influence the formation of stock market prices.
- b) Substantial amendments to the Company governance rules.
- c) Treasury share policies that the Company may propose to carry out, exercising the authorisations conferred by the shareholders at the General Shareholders' Meeting.

To such end, the Board of Directors shall use all means at its disposal to keep the information on the Company's website up-to-date and to coordinate its content with the documents filed with and recorded at public registries.

The communication policy with shareholders, institutional investors and their representatives or assessors establishes that communication and dialogue with the shareholders and institutional investors and their representatives and assessors, and with the financial market in general, is based on the principles of equality, transparency and legality, to facilitate the information needed to ensure the exercising of their rights and immediate, truthful and non-discriminatory decision-making, ensuring accessibility to this information for all shareholders.

C.1.31 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes No

Outgoing auditor	Incoming auditor

Remarks:

--

If there has been any disagreement with the outgoing auditor, describe the content thereof:

Yes No

Explanation of the disagreements

C.1.32 Indicate whether the audit firm does other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees on the total fees charged to the company and/or its group:

Yes No

	Company	Group companies	Total
Amount of non-audit work (thousands of euros)			
Amount of non-audit work / Amount of audit work (in %)			

Remarks:

--

C.1.33 Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given to the shareholders in the General Shareholders' Meeting by the chairman of the audit committee to explain the content and scope of such reservations or qualifications.

Yes No

Explanation of the reasons

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the individual and/or consolidated financial statements for the company. Indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	2	2

	Individual	Consolidated
Number of years audited by current audit firm / number of years the company or its group have been audited (%)	7.14%	8.00%

Remarks:

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C.1.35 Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies with sufficient time:

Yes No

Description of procedure
<p>This aspect is regulated by Article 19 of the Board of Directors Regulations. Right to Information</p> <p>The Board members will receive the information required to carry out their work in due time and detail with respect to the matters in question, unless there are urgent reasons for calling a meeting or under exceptional circumstances.</p> <p>The notice of meetings shall indicate the items on the agenda upon which the directors must arrive at a decision or resolution or, in urgent cases, the prior consent of the majority of those present shall be required.</p> <p>The directors may gather additional information when considered advisable.</p> <p>The request shall be channelled through the Secretary of the Board."</p>

C.1.36 Indicate and, if applicable detail, if the company has established rules that oblige the directors to report and, if applicable, resign in those events that can harm the credit and reputation of the company:

Yes No

If so, describe such rules:
It has been reported in point C.1.19 above

C.1.37 Indicate whether any member of the Board of Directors has informed the company of any legal suit or court proceedings against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act:

Yes No

Name of the director	Criminal Case	Remarks

Indicate whether the Board of Directors has analysed the case. If so, explain the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or planned to be taken by the Board of Directors on the date of this report.

Yes No

Decision/action taken	Substantiated explanation

C.1.38 Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

No significant agreements have been made with these characteristics.

C.1.39 Individually identify in the case of directors and in aggregate terms for the other cases, and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries	2
Beneficiary type	Description of the agreement
JOSÉ ANTONIO CANALES GARCÍA. MANAGING DIRECTOR	Indemnity of two years' fixed salary for cases provided for in the remuneration policy, with two years of non-competition.
JOSÉ DOMINGO DE AMPUERO Y OSMA. CHAIRMAN	Indemnity of two years' fixed salary for cases provided for in the remuneration policy, with two years of non-competition.

Indicate whether, apart from the events provided for by the regulations, these contracts must be disclosed to and/or approved by the company or group governance bodies: If so, specify the procedures, foreseen assumptions and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General shareholders' meeting
Body that authorises the provisions	Yes	No

	Yes	NO
Is the General Meeting informed of the clauses?	X	

Remarks:

C.2 BOARD OF DIRECTORS COMMITTEES

C.2.1 Detail all the Board Committees, their members and the proportion of executive, nominee, independent and other external directors sitting on them:

Remarks:

The Board has created two committees in support of its functions: The Audit Committee and the Appointments and

Remuneration Committee

On 25 May 2018, the Delegated Committee in effect until that date was decommissioned as a result of there being two executive directors, the adaptation of the size of the Board to the recommendations of good Governance, together with a greater specialisation and assignment of functions to the Board Committees and the development of Board meetings and committees that have improved their Visibility of the Company, empowered to request the presence of senior management and other Group employees to inform at its meetings.

Therefore, by replacing its activity with that of the Board as a whole and of the Committees in the functions assigned to them, increased fieldwork and preparation of the topics to be discussed by the Group's senior management is also required.

Until its decommissioning in 2018, the Delegated Committee comprised three directors, the Chairman and the two Vice chairmen. The Delegated Committee met 5 times in 2018 and complied with its delegated board duty.

In the exercise of its duties it analysed the issues to be addressed by the Board of Directors and supervised the implementation at the Group's various subsidiaries of the strategy approved by the Board and, with the utmost transparency, submitted to the Board the proposals that arose so that the Board adopts the resolutions it considers appropriate. It also furnished all Board members with the minutes of its meetings.

The Executive Committee carried out strategic analysis to study potential growth, both organic and acquisition-led, and a variety of investment possibilities. During 2018, the Board purchased 100% of the share capital of Transform Pack Inc. and made the necessary investments to install new technology cellulose and fibrous capacity in Caseda (Spain) thanks to support from studies carried out by the Delegated Committee. The Committee also looked at the various products and families (collagen, cellulose, fibrous and plastic).

It has examined the progress of the corporate financial year, month by month, with regard to production and also with regard to the consolidated sales and results for the Group and each investee company.

They have participated in the meetings not only the members of the Committee and the Secretary, but also, occasionally, when required by the Committee, on time and participating exclusively in that relating to the issues in which they were asked to report, the Managing Director and other members of Senior Management.

AUDIT COMMITTEE

Name	Position	Category
IGNACIO MARCO-GARDOQUI IBAÑEZ	CHAIRMAN	Independent
JOSÉ MARÍA ALDECOA SAGASTASOLOA	DIRECTOR	Independent
SANTIAGO DOMEQ BOHORQUEZ	DIRECTOR	Nominee
AGATHA ECHEVARRÍA CANALES	DIRECTOR	Other External
LAURA GONZÁLEZ-MOLERO	DIRECTOR	Independent

% Nominee Directors	20.00%
% Independent Directors	60.00%
% Other External Directors	20.00%

Remarks:

In accordance with the Relevant Event reported to the CNMV with registration number 266146 and dated 25 May 2018, a new composition of the Board derived from the re-election and appointment of Directors was established on said date, with the new composition of the Audit Committee being as stated above.

Explain the committee's duties including, if applicable, those in addition to the duties provided by law, and describe the procedure and organizational and operational rules and summarize the main actions taken during the year. Indicate the most important actions taken during the year for each of the duties, and how these duties (attributed by law, the bylaws or other corporate resolutions) were put into practice.

The Audit Committee is regulated by article 15 of the Board Regulations and article 33, section 1 of the Bylaws.

Below is an explanation about article 15 of the Board Regulations, regulating, in the broadest sense, its composition, the appointment and cessation of its members and their principal duties, calling meetings, and formulating and adopting resolutions.

Article 15 - Audit Committee

"There shall be an Audit Committee within the Board of Directors, which shall be composed of a minimum of three and a maximum of six members.

The Audit Committee shall be composed solely of non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors, and its members shall be appointed by the Board of Directors, subject to the legal requirements and a report from the Appointments and Remuneration Committee, with due consideration given to the knowledge, skills and experience in accounting, auditing and risk management of its directors and, above all, its Chairman, and overall, the members of the Committee shall have relevant technical expertise in relation to the sector to which the audited entity belongs.

The members of the Committee shall automatically cease to sit on the Committee when they cease to sit as directors of the Company or at the discretion of the Board of Directors.

Audit Committee members shall appoint a Chairman, selected from the independent directors that form the Committee, who shall be replaced every four years; the Chairman may be re-elected one year after they cease to serve as Chairman.

The Audit Committee shall meet whenever convened by its Chairman, by decision of the Board of Directors, or at the request of the majority of its members.

The Audit Committee shall be quorate with the attendance in person or by proxy of the majority of its members.

Resolutions shall be adopted by simple majority vote of the members attending the meeting and the Chairman shall have the casting vote.

The Audit Committee shall have the power to request the presence of any member of the management team or any member of the Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable. All of the aforementioned shall be bound to cooperate and provide access to the information they have.

The Audit Committee shall report to the Board on the business it addresses and on all resolutions adopted at the Board meetings convened for such purpose, and shall provide all directors with the minutes of its meetings.

Notwithstanding other functions set out in the governing legislation, company by-laws or assigned to it by the Board of Directors, the Audit Committee's mission will include the following:

A) Reporting to the General Shareholders' Meeting regarding matters that fall within its remit and, in particular, regarding the result of the audit, explaining how this has helped to ensure the integrity of the financial information and the function that the Committee has performed in that process.

B) Proposing the appointment of the auditor to the Board of Directors, which shall then pass the matter on to the General Shareholders' Meeting in addition to the conditions of recruitment.

C) With respect to internal reporting and control systems

(a) Monitoring the efficiency of the Company's internal control, internal auditing and its risk management.

(b) Overseeing the process of preparing and presenting the compulsory financial information relating to the Company and its group, ensuring that the financial information internal control system (SCIIF) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, possible complex corporate structures, instrumental or special purpose entities, the correct application of accounting criteria and presenting recommendations or proposals to the administrative body, designed to safeguard their integrity.

(c) Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.

(d) Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.

(e) Reviewing the internal control and risk management systems, including tax risks, so that the main risks can be correctly identified, managed and properly reported.

(f) Discussing with the auditor any significant shortcomings in the internal control system, detected during the audit, without undermining their independence. For such purposes, where appropriate, they may submit recommendations or proposals to the administrative body and respective period for their follow-up.

(g) Overseeing the internal auditing services, including in particular:

(i) Proposing the selection, appointment, re-election and removal of the head of internal auditing;

(ii) Approving the annual internal audit work plan, ensuring that their activity focuses primarily on the main risks the Company is exposed to; and receiving periodic information on the results of the work performed, including any incidents that may arise. Likewise, receiving an annual activities report and action plan to correct any deficiencies detected;

(iii) Ensuring the independence and efficiency of the internal audit function;

(iv) Proposing the budget for that service;

(v) Receiving periodic information on its activities, and;

(vi) Verifying that the senior management takes into account the conclusions and recommendations set forth in its reports.

D) In relation to the external auditor:

(a) Referring to the Board of Directors the proposals for selecting, appointing, re-electing and replacing the auditor, being responsible for the selection process, pursuant to the provisions of the current regulations and the terms of their recruitment, regularly gathering information from them about the audit plan and its implementation, and preserving their independence in the exercise of their duties.

(b) Ensuring that the accounts prepared by the Board are put before the General Shareholders' Meeting without reservations or qualifications in the audit report.

(c) Overseeing compliance with the audit agreement, collecting information on the audit plan and its implementation and ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

(d) Monitoring the decisions of the senior management team regarding any adjustments recommended by the external auditor, and to hear and, where applicable, mediate any disagreements between both parties.

(e) Safeguarding the independence of the auditor, paying particular attention to any circumstances or issues that could jeopardise such independence, including that their remuneration does not compromise their quality or independence, and any others relating to the process of auditing the accounts:

(i) It shall be ensured that the Company publicly discloses to the CNMV (National Securities Market Commission), as a relevant event, any replacement of the auditor and includes a statement regarding any possible disagreement with the outgoing auditor and the details thereof. If the auditor resigns, then it shall explore the underlying causes.

ii) It shall likewise ensure that the Company and the auditor adhere to current regulations safeguarding the independence of auditors, and those governing the provision of non-auditing services and the limits on the concentration of the auditor's business.

iii) It shall establish a suitable relationship with the auditor to receive information on matters that may jeopardise the auditor's independence, so that it may be examined by the Committee, and any other matters related to the process of performing the audit, and, where necessary, authorise services that are not forbidden by the provisions of the current regulations.

(iv) It shall ensure that the external auditor has a yearly meeting with the Board of Directors in a plenary session, to inform it of the work undertaken and developments in the Company's risk and accounting positions.

(v) Each year, it shall receive from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(vi) Each year, it shall issue, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the status of independence or to the rules governing the audit.

(f) Ensure that the group's auditor also assumes responsibility for the audits of all the group companies.

E) Reporting to the Board, prior to the latter making any respective decisions provided for in current regulations, in the Bylaws and in these Regulations, particularly with regards to:

(a) The periodic financial information that the Company must publicly disclose, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.

(b) The creation or acquisition of interests in special purpose vehicles or those domiciled in countries or territories considered tax havens, plus any other similar transactions or operations which, owing to their complexity, might diminish the group's transparency.

(c) Any structural and corporate modification procedures that are planned by the Company and, specifically, their economic conditions and accounting impact and, where applicable, the proposed exchange ratio.

(d) The related-party transactions.

F) Being informed of and, where appropriate, responding to any initiatives, suggestions or complaints raised by shareholders in relation to the Committee's remit, as referred to the Committee by the Company's General Secretary.

G) Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing.

H) Monitoring compliance with internal codes of conduct and rules on corporate governance.

The duties of the Audit Committee shall be:

I) Periodically evaluating the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the interests of the company and catering, as appropriate, to the legitimate interests of remaining stakeholders.

J) Reviewing the Company's corporate social responsibility policy, ensuring that it is geared towards value creation.

K) Monitoring the corporate social responsibility strategy and practices and assessing their compliance.

L) Evaluating all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

M) Coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

N) Overseeing the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

Ñ) Monitoring and evaluating the company's interaction with its various stakeholders."

Summary of its most important actions in 2018

The Audit Committee met eleven times in 2018, with the aim of following up on the issues summarised in the following sections. Eight of the meetings were attended by all the members of the Committee, and three of them were not attended by one of the members who delegated the Chairman with voting instructions on the items to be dealt with on the agenda.

The actions were as follows:

1. The person in charge of Internal Audit, the Chief Financial Officer, the Compliance Committee, the Ethics Committee and members of senior management whose presence has been requested by the Audit Committee to present aspects related to their areas in ten of the eleven meetings have also taken part in the meetings, limiting their presence to their respective interventions.
2. The presence of the external auditor, PwC, S.L. was also required in four of the meetings held for the purpose of reporting the schedule of actions, the most relevant aspects detected during the preliminary phase of the pre-closure review carried out as usual on 31 October and the final annual closure of 2018, which allow PwC and the Committee to identify and anticipate the external audit work as well as the issues that, due to their uniqueness or accounting impact, require a special mention or record in the Company's Annual Accounts.
3. As part of the assessment of the Board of Directors and the Committees arising from it, the quality and functioning of the Audit Committee was assessed, with a highly satisfactory result.
4. As in previous years, the Audit Committee has reviewed and analysed the financial statements of Viscofan S.A. and its Group prior to their presentation to the Board and communication to the CNMV and the securities markets, contained in the annual, half-yearly and quarterly reports, to confirm that this information is reliable, understandable and relevant and that accounting criteria consistent with the previous annual closing have been followed, for which it has had the necessary support from the group's senior management, especially from the areas in charge of the Consolidation and Financial functions, as well as from the external auditors and the Group's Internal Audit Department.
5. The Committee has reviewed the internal control systems set up by the Group, the results of the Internal Audit activity and the risk management systems, including fiscal systems.
6. The Audit Committee has continued to supervise the monitoring of the crime prevention system within the Group and has promoted the implementation of additional measures to control and supervise the compliance system. It has supervised the control activities carried out by both the Investment Committee and the Credit Risk Committee.

7. The Audit Committee has established the appropriate relations with the external auditor, PwC, S.L. which informed of the development of their activity to reasonably ensure that the accounts prepared by the Board are presented without qualifications in the audit report
8. With regard to the functions performed by the Group's Internal Audit Department, of which it reports functionally to the Audit Committee, the Committee analysed and approved the 2018 work plan drawn up by this Department, regularly monitored its execution and was directly informed of any incidents in its development.
9. In accordance with the Group's tax strategy, the Committee has supervised the monitoring of the principles and good practices included in the strategy, including the recommendations of the Code of Good Tax Practices, prior to their consideration by the Board of Directors.
10. During 2018, the Audit Committee reviewed the Annual Corporate Governance Report as a step prior to its approval by the Board of Directors, taking into account the recommendations of the CNMV; and in relation to Directive 2014/95/EU and its implementing regulations in Spain on non-financial information, the Committee oversaw compliance with the corporate social responsibility policy and coordinated the process of reporting non-financial information and diversity within the management report.

Identify the Directors who has been appointed on the basis of knowledge and experience of accounting or auditing, or both and state the date on which they were appointed as Chairman.

Names of directors with experience	IGNACIO MARCO-GARDOQUI IBÁÑEZ
Date that the chairman was appointed to his position	21-04-2016

Remarks:

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APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
JAIME REAL DE ASUA Y ARTECHE	CHAIRMAN	Independent
JOSÉ MARÍA ALDECOA SAGASTASOLOA	DIRECTOR	Independent
JUAN MARCH DE LA LASTRA	DIRECTOR	Nominee
NESTOR BASTERRA LARROUDÉ	DIRECTOR	Other External

% Nominee Directors	25.00%
% Independent Directors	50.00%
% Other External Directors	25.00%

Remarks:

In accordance with the Relevant Event reported to the CNMV with registration number 266146 and dated 25 May 2018, a new composition of the Board has been established as of that date derived from the re-election and appointment of Directors, with the new composition of the Appointments and Remuneration Committee as detailed above.

Explain the committee's duties including, if applicable, those in addition to the duties provided by law, and describe the procedure and organizational and operational rules and summarize the main actions taken during the year. Indicate the most important actions taken during the year for each of the duties, and how these duties (attributed by law, the bylaws or other corporate resolutions) were put into practice.

The Appointments and Remuneration Committee is regulated in article 33, paragraph 2 of the bylaws and in article 16 of the Regulations of the Board, which identically regulate its composition, the method for the electing and removal of its members and their main functions.

Below is the content referring to the Regulations of the Board as they are more comprehensive and complete in terms of the

functions, procedures, rules of organisation and operation of the Appointments and Remuneration Committee. Article 16 establishes the following:

The Appointments and Remuneration Committee or Committees will be formed by a minimum of three and a maximum of six members and will be composed exclusively of non-executive directors appointed by the Board of Directors, two of which, at least, must be independent directors.

The members thereof shall be appointed ensuring that they have the right balance of knowledge, skills and experience for the functions they are called on to discharge and they shall automatically step down when they cease to serve as Company directors or at the discretion of the Board of Directors.

The Chairman shall be appointed from among the independent directors who form part of the Committee or, as the case may be, from each Committee.

The Appointments and Remuneration Committee or Committees will inform the Board of the matters dealt with and of the resolutions adopted and will send all the directors the minutes of their meetings.

It shall be the Appointment Committee's mission to:

- a) Assess the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to efficiently perform their duties.
- b) To establish a representation goal for the least-represented gender on the Board of Directors and develop guidelines on how to reach such objectives.
- c) To raise all proposals for nomination of Independent Directors to the Board of Directors for their appointment by co-option or by submission to decision of the Annual General Shareholders' Meeting, as well as all proposals for the re-election or removal of said Directors.
- d) To report all proposals for appointment of the remaining Directors to the Board of Directors for their appointment by co-option or by submission to decision of the Annual General Shareholders' Meeting, as well as all proposals for their re-election or removal by the Annual General Shareholders' Meeting.
- e) To report on proposals for the appointment or removal of senior managers together with the key terms of their contracts.
- f) To assess and organise the succession of the Chairman of the Board of Directors and of the Company's top executive and, as the case may be, make proposals to the Board of Directors for such succession to occur in a seamless and orderly fashion.

The Appointments Committee shall consult with the Chairman of the Board of Directors and the top executive of the Company, especially on matters relating to executive directors.

Any director may request that the Appointments Committee consider any potential candidates who they believe to be suitable to cover vacancies on the Board.

The purpose of the Remuneration Committee shall be as follows:

- a) Proposing a policy to the Board of Directors for the remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive directors, and overseeing adherence to this policy.
- b) Proposing to the Board of Directors the standard conditions for senior management contracts.
- c) Monitoring compliance with the remuneration policy set by the Company.
- d) Periodically reviewing the remuneration policy for directors and senior managers, including share-based remuneration systems and their application, and ensuring that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the Company.
- e) Ensuring that conflicts of interest do not undermine the independence of any external advice received by the Committee.
- f) To verify information regarding remuneration of directors and senior managers provided in various corporate documents, including the annual report on remuneration of directors.

The Remuneration Committee shall consult with the Company's Chairman and top executive, especially on matters relating to executive directors and senior managers.

Summary of its most important actions

The Committee met nine times in 2018, and when it has deemed pertinent, it has required the presence of the executive Directors and members of senior management. It should be noted that after the last general shareholders' meeting held on 25 May 2018, the Lead independent Director joined as a Committee member.

The actions were as follows:

1. The Committee has complied with all the functions that are inherent to it, both by regulation, and those set out in the Company's Bylaws and the Board of Directors Regulations, and it has carried out actions related to the recommendations for compliance with the principles of good corporate governance.

2. During the year, the Committee reviewed the rating of the Directors as well as the confirmation of the non-existence of any situations of conflict of interest. It has also carried out the assessment of the Board of Directors and its Committees, as well as that of the Executive Chairman, led by the coordinating Director under the terms set forth in the internal regulations of the Company.
3. In terms of remuneration, in 2018, the Committee worked on the preparation and proposal of a new remuneration policy for Directors with the assistance of external consultant Willis Towers Watson, which submitted it to the Board of Directors which then submitted it to the General Shareholders' Meeting, being approved by the Board of Directors held on 25 May 2018. In addition, the Committee determined the individual remuneration for each Director for 2018 and prepared the proposal for the 2017 Remuneration Report that the Board of Directors presented to the General Shareholders' Meeting in 2018 for its consultative vote, and which was supported by the majority of the shareholders (>95% of the votes). The Committee also fulfilled its functions in relation to the remuneration for senior management and its application, including its annual variable remuneration proposal.
4. As a final point, the succession plan of the Chairman, CEO and Senior Management was reviewed in 2018.

C.2.2 Complete the following table on the number of female directors on the various board committees at the end of the past four years.

	Number of female directors							
	Year 2018		Year 2017		Year 2016		Year 2015	
	Number	%	Number	%	Number	%	Number	%
Delegate Committee	N/A	N/A	1	33.33%	1	33.33%	1	33.33%
Audit Committee	2	40.00%	0	0%	0	0%	0	0%
Appointments and remuneration committee	0	0%	0	0%	0	0%	0	0%

Remarks:

On 25 May 2018, the Company's General Shareholders' Meeting approved the amendment of the Corporate Bylaws. Among others, article 13 was amended (is now article 12) when the Delegate Committee or Executive Committee was decommissioned.

C.2.3 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

Committee name
AUDIT COMMITTEE

Short description

It is regulated in article 33 of the Company Bylaws, registered in the Mercantile Registry and published on the company's website in the form of a consolidated text, including all the provisions in force.

It is also regulated in article 15 of the Board of Directors Regulations that is available on the Company's website and has been communicated to the CNMV and is registered in the Mercantile Registry.

The Committee drafts an annual report of activities whose summary is included in point C.2.1.

A summary of said report is presented annually at the General Shareholders' Meeting.

The Committee also produces a report on auditor independence and a report on related-party transactions, which are made available to shareholders.

<p>Committee name APPOINTMENTS AND REMUNERATION COMMITTEE</p> <p>Short description It is regulated in article 33 of the Company Bylaws, registered in the Mercantile Registry and published on the company's website in the form of a consolidated text, including all the provisions in force.</p> <p>It is also regulated in article 16 of the Board of Directors Regulations that is available on the Company's website and has been communicated to the CNMV and is registered in the Mercantile Registry.</p> <p>The current text has been transcribed in point C.2.1 above.</p> <p>The Committee drafts an annual report of activities whose summary is included in point C.2.1</p> <p>In turn, the Committee chairman presented a summary of the annual activity report to the General Shareholders' Meeting.</p>

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain, if applicable, the procedures and competent bodies for approving related-party or intragroup transactions.

<p>The following decisions are to be made by the Board of Directors, as one of the subjects of exclusive knowledge included in art. 5 of its Regulations:</p> <p>f) Transactions which the company conducts with directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").</p> <p>However, the Board's authorisation shall not be required for related-party transactions that simultaneously meet the following three conditions:</p> <p>1st. They are governed by standard agreements applied across the board to a large number of clients; 2nd. That they be executed at prices or rates that are laid down generally by a party acting as supplier of the goods or service in question; 3rd. The amount thereof is no more than 1% of the Company's annual revenue.</p> <p>The Board shall approve related-party transactions following a favourable report from the Audit Committee. Any directors who are involved, or who represent/are associated with the shareholders involved, must refrain from taking part in the deliberation and voting on the resolution in question.</p> <p>Likewise, pursuant to article 529 (3) Section 2. Non-delegable powers of the Board of Directors of the Corporate Enterprises Act: "Under urgent circumstances for which due justification is provided, the decisions corresponding to the previous matters may be adopted by the delegated bodies or persons, which must be ratified by the Board of Directors held after the adoption of the decision."</p>

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name or corporate the significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of Euros)
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Financing agreements: loans	5,000
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Financing agreements: repayment of loans	-2,500
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Interest paid	38
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Exchange rate derivatives	24

Remarks:

Loans and exchange rate derivatives have been contracted with Banca March SA financial entity linked with Corporación Financiera Alba S.A. at 31st December 2018

D.3. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors.

Name or corporate name of director or senior manager	Name or corporate name of related party	Relationship	Nature of the transaction	Amount (thousands of Euros)

Remarks:

D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

Corporate name of the group company	Brief description of the transaction	Amount (In thousands €)

Remarks:

D.5 List the significant transactions carried out between the company or group of companies and with other related parties that have not been informed in the previous sections.

Corporate name of the related party	Brief description of the transaction	Amount (In thousands €)

Remarks:

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

Article 24 of the Regulations of the Board regarding the duty of loyalty, establishes the obligation for Company directors to comply with the duties imposed by laws and bylaws with the loyalty of a faithful representative, acting in good faith and in the best interest of the Company.

In compliance with the duty of loyalty, company directors will exercise their powers exclusively for the purposes for which they were conferred, perform their duties under the principle of personal responsibility with freedom of discretion or judgement and regardless of instructions from and associations with third parties.

The duty to avoid conflicts of interest is regulated in **Article 26 of the Board of Directors' Regulations**. It declares that:

The directors shall adopt the measures required to avoid any conflict with the interests of the Company and with their duties

towards the company and its group of companies, and they shall be obliged to inform the Board, prior to occurrence or as soon as they are aware of the existence thereof, with the obligation to immediately resign should said conflict persist or should their presence on the Board be contrary to the company's interests.

Directors shall refrain from discussing and voting on matters in which they have either a direct or indirect interest, even through related parties, except in the resolutions or decisions affecting their capacity as members of the Board, such as their appointment for or removal from positions within the Board.

Likewise, the directors shall refrain from conducting transactions with the company, except for ordinary transactions, of little importance, made in standard conditions for customers.

Any conflicts of interest involving the directors shall be included in the annual corporate governance report.

The directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, if they appear in any criminal proceedings as defendants, informing of the progress of any such prosecution. In this event, the Board shall study the case. The progress of the case shall be monitored and, in view of the same, a decision shall be taken as to whether or not the Director should continue in office.

Directors cannot, either personally or through an intermediary, carry out activities or hold positions of any nature in businesses or companies that are currently or potentially competitors of Viscofan and its group of companies; neither may directors act as a representative or consultant to such businesses or companies or perform any other activity that puts them in conflict with the interests of the Company.

The duty to abstain is regulated by **Article 27 of the Board of Directors Regulations**. It states the following:

"Directors must not use the name of the Company or its related companies, or take advantage of their position to conduct transactions for themselves or related parties.

A director's duty to abstain implies not making personal use of the company's assets, including any confidential information received while fulfilling their role as a director and not making any investments or conducting any commercial transactions related to the fulfilment of said role, for their own gain or that of related third parties.

Directors shall abstain from trading - or suggesting that anyone else trades - in the securities of the Company or its related companies, regarding which they have inside information due to the position they hold.

The directors may not take advantage of the business opportunities of the company and its related companies, obtain advantages or remuneration from third parties, except for mere courtesy services in compliance with current internal regulations."

Moreover, both the duty of loyalty and the duty to avoid conflicts of interest extends to related persons, whose definition is established in **Article 28 of the Board of Directors Regulations. Related persons**.

The directors' duty of loyalty to avoid conflicts of interest and to abstain in his/her different facets also covers the activities carried out by persons related to him/her, in accordance with the definition covered in this regulation.

For the purposes of this regulation, the following will be deemed to be related-persons:

1. The spouse or spousal-equivalent of a Director.
2. The ascendants, descendants and siblings of a Director or of their spouse.
3. The spouses of the ascendants, descendants and siblings of a Director.
4. The companies in which the director directly or indirectly has or may have control, holds a management position or has a significant participation, or their own or through a third party.

Where a director is a legal entity, the following will be deemed to be related persons:

- 1) The shareholders who, in relation to the legal entity administrator, hold or may hold, directly or indirectly, the control, hold an executive post or who have a significant shareholding.
- 2) De jure or de facto administrators, official receivers, and those attorneys-in-fact with general powers of legal entity administrator.
- 3) Companies forming part of the same group, that constitute a decision-making unit due to the fact that one of them holds or has the power to hold, directly or indirectly, the control of the rest, or because said control corresponds to one or several natural persons acting together as one.
- 4) Those persons that, in accordance with the paragraph above, are related to the directors of the legal entity administrator.

Article 34 of the Board of Directors Regulations states the following regarding duties in relation to significant shareholders:

"Directors acting on behalf of major shareholders shall ensure that the aforesaid obligations of directors are extended to the shareholders, in addition to any legal obligations and those set out in the Articles of Incorporation.

Any transactions performed with these major shareholders shall be approved by the Board in a plenary session and must be included in the Company's annual report and in the annual corporate governance report and comply with the current legislation."

Lastly, **Article 36 of the Board of Directors Regulations**, regulating the use of voting by proxy, reads as follows:

Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:

- a) Their appointment, ratification or removal as a director;
- b) The decision on whether to pursue derivative suits against the director in question;
- c) The approval or ratification of transactions with the company in relation to which the director has a conflict of interests.

Furthermore, the Viscofan Group Code of Conduct includes among its general ethical principles loyalty, in accordance with which directors, managers and employees of the Viscofan Group, as well as any person that develops his/her professional activity within the Viscofan Group, should act with loyalty in the permanent defence of the Group's interests and shall refrain in particular from carrying out any actions and operations, of whatever nature, that could mean a conflict between their personal interests and those of the Group, and even more so when those actions could be in the interest of competing companies. Likewise, among the action recommendations, the Code includes information regarding conflicts of interest:

"Viscofan Group employees shall notify the Regulatory Compliance Committee, or, where applicable, the Viscofan S.A. Board of Directors, regarding any economic, family or any other link that could give way to conflicts of interest because it could compromise their impartial action. In the event of a conflict of interests, employees shall be governed by the principles of independence and abstention, and, by virtue of these, shall refrain from performing operations in which conflicts of interest exist, unless under the strict authorisation of the Viscofan S.A. Board of Directors."

D.7 Is more than one group company listed in Spain?

Yes No

Identify the other listed companies in Spain and their relationship with the company:

Identity and relationship with other group listed companies

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the other listed company and other group companies.

Yes No

Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the other listed company and other group companies:

Mechanisms to resolve possible conflicts of interest

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Risk Control and Management System in place at the company, including tax risk.

The risk management system of the Viscofan Group is regulated by the Risk Control and Management Policy approved in 2017, whose purpose is to establish basic principles and the general framework of action for the control and management of risks of any nature that the Viscofan Group faces in order to identify, measure, prevent and mitigate their possible impact on its activity in case of occurrence.

The control and risk management policy establishes 3 basic principles:

Integration:

The control and risk management of the Viscofan Group must guarantee the preventive identification of the different risks that may affect its activity, integrating, coordinating and directing all the actions aimed at preventing and mitigating these risks through a system that involves all companies over which it has an effective control, reaching all employees, including senior management, and the Board of Directors of the Company.

The Company's control and risk management is based on a code of conduct that indicates the ethical principles and behaviour guidelines, supplemented by the internal operational policies, divided into: general policies, specific policies, and local policies. This risk management system and its policies are framed within the limits set forth in the regulations applicable to the activity of the Viscofan Group.

Continuity:

The risk control and management must be periodically reviewed and updated to adapt to the situation of the Viscofan Group at all times in a way that guarantees continual preventive identification over time and the adaptation of mitigating measures and information systems and control of the different risks that may affect the performance of this activity in a socio-economic, political and changing environment in its different geographical locations, as well as the composition of the Viscofan Group over time.

Transparency:

The control and risk management must guarantee reliable information to all the interest groups: shareholders, market, employees and the entire company, of the inherent risks to the Viscofan Group and the systems developed for their prevention and mitigation that contributes to the compliance of the growing requirements for information in different areas of the company's activity.

The general policy on control and risk management and their basic principles are materialised via an integral continuous control and risk management system, supported by different internal bodies that have different duties and responsibilities, and by a consistent process, at least, in the following actions:

- a) Identify the main strategic, operating, information and compliance risks, keeping in mind their capacity to negatively affect the creation of sustainable value and shared for their interest group on behalf of the Viscofan Group, and in accordance with their circumstances and the development of their activity within the Strategic Plan MORE TO BE 2016-2020.
- b) Fix a level of risk that is considered acceptable in accordance with the circumstances of the Viscofan Group at all times via the establishment of tolerances and adopt the means of measurement and control that allow for appropriately monitoring its evolution.
- c) Identify, implement and maintain an integrated control system in the internal regulations of the Viscofan Group identifying or, where applicable, approving the codes, policies and procedures aimed at mitigating the identified risks in case they materialise.
- d) Assess the suitability and efficiency of the control system and its application, as well as its compliance by all the Viscofan Group employees.
- e) Review and, where appropriate, adapt and improve the compliance system, determining specific action plans in the event that the occurrence of any of the main risks adversely affects the creation of long-term sustainable value.

Knowing the location of each risk in the inherent map (that is, without applying the preventive, mitigating and / or corrective measures) and in the residual map (once such measures are applied), as well as its tolerance to risk, requires a continuous dialogue with the stakeholders through the channels established by the company. This system allows the Organisation to assess the effectiveness of the mitigating measures adopted and focus on the risks that remain outside the comfort zone, adding corrective and preventive measures to reduce the impact and / or the likelihood of the risk occurring.

Corporate risk management is not a serial process, where each component only affects the next, rather it is a multidirectional and iterative process in which one component can influence any other. The Company's Risk Management System is monitored through various instances developed in point E.2. At this same point, the functions regulated specifically by the company are developed and attributed to the different bodies involved in risk management, which includes participation in the system for controlling and forecasting risks to staff from the investee companies (local level) and at corporate level.

The Global Risk Committee met four times in 2018 to update both the methodology of the Risk Management process and the composition of the risk map. In any case, there may be additional risks that are not identified and that could also negatively affect the attainment of the objectives of the Viscofan Group.

The organisation's risk map has been defined in accordance with the code of conduct, internal regulations and the MORE TO BE Strategic Plan covering 2016-2020, and is presented adopting the COSO reference framework, grouping existing risks in four categories:

1. Strategy,
2. Transactions,
3. Information,
4. Compliance.

The risks have been identified following the COSO reference framework, and are reflected in the Viscofan Group's risk map under qualitative and quantitative parameters. To summarise, the main risks are indicated that may affect the sustainability of the Viscofan Group and the achieving of the business objectives defined in the current strategic plan. MORE TO BE 2016-2020.

1. Strategic risks: Those risks that affect the objectives at a high level, aligned with the mission of the Viscofan Group. The company has identified the following specific risks, including the following within this category: Natural disasters, Country risk, Risks of the competitive environment and market of the sector (competitors, customers and substitute products), Reputational risk, Risk of ownership of the company, Obsolescence-innovation risk, Cybersecurity risk.

2. Information risks: Those risks that affect the reliability of information supplied and objectives regarding the availability of sufficient capital and resources to carry out the activity and achieve the financial objectives of the company. The company has identified the following specific risks, including the following within this category: Computer contingencies, integrity of the preparation of financial information, financing and lack of liquidity, exchange rate, interest rate, budget control, and pension plans.

3. Transaction risks: Those risks that affect the objectives related to efficient use of resources and continued long-term activity, including reputational risks. The company has identified the following specific risks, including the following within this category: Material damage, Business continuity, Energy market, Customer discontent, Transport risk, Raw material shortage, Civil liability, Dissemination of know-how, Human capital, Group cohesion, Food risk, Sabotage.

4. Compliance risks: Those risks that affect the objectives related to compliance with applicable laws and regulations, including internal regulations, as well as the protection of employees and society. The company has identified the following specific risks, including the following within the category: Environmental, Occupational accidents, Occupational safety and health, Development of the regulatory framework, Compliance with multinational food legislation, Compliance obligations arising from commercial relations, Corporate risk, GDPR risk, Taxation.

The identification and management of the Group's risks allows the internal regulation and the internal control over financial reporting system and the code of conduct that are implemented throughout the Group to be continuously updated.

E.2 Identify the bodies responsible for preparing and implementing the risk control and management system in place at the company, including tax risk.

Name of the Committee or Body: BOARD OF DIRECTORS

Description of duties:

In powers", the risk control and management policy and the periodic monitoring of internal information accordance with Art. 5 of the Company Board of Directors Regulations, relating to Exclusive and control systems constitute one of the matters that may only be heard and addressed by the Board of Directors when in full session.

Name of the committee or body: AUDIT COMMITTEE

Description of duties:

The Audit Committee, through its corresponding duties in relation to the information and internal control systems, is responsible for supervising the preparation and integrity of the financial information, for reviewing the correct design of the

SCIF, for complying with the regulatory requirements, and for the correct application of the accounting criteria.

In addition, it is a specific function of the Audit Committee to supervise the adequacy of the control policies and procedures implemented and to review the internal control and risk management systems, so that the main risks are identified, managed and appropriately disclosed.

Name of the Committee or Body: INTERNAL AUDIT

Description of duties:

The objectives of the Internal Audit Department include the identification and assessment of all types of risks that the Organisation may face, providing assurance on the degree of internal control and, as such, it is empowered to assess and evaluate the systems and procedures for controlling and mitigating all risks, and the methods used. It has a broad presence on specific risk Committees: Global Risk Committee, Credit Risk Committee and Investment Committee.

Name of the committee or body: REGULATORY COMPLIANCE COMMITTEE

Description of duties:

The Regulatory Compliance Committee includes among their duties that of supervising specific risks of the Company in relation with the criminal responsibility or any other regulation incompliance of it and assess, analyse, implement or improve and monitor a system of compliance aimed at avoiding the criminal responsibility on behalf of the Company.

Name of the committee or body: ETHICS COMMITTEE

Description of duties:

At the request of the state or of a third party, the Ethics Committee is responsible for initiating the investigation into events or practices that may imply a breach of the regulations in force in the Viscofan Group from which a risk situation may arise.

Name of the committee or body: GLOBAL RISKS COMMITTEE

Description of duties:

The Global Risk Committee is a collegiate body whose purpose is to assess the identification, analysis and review of the main risks that affect the organisation, evaluate possible exposures to said risks and formulate the recommendations and actions necessary to manage the risks within reasonable margins.

Name of the Committee or Body: CREDIT RISK COMMITTEE

Description of duties:

The Credit Risk Committee is established as a body to control and supervise the risks associated with the management of customer collections. The objective of this Committee is to delve into the prevention, monitoring and solution of the risks mentioned, via the creation and implementation of the instruments considered most appropriate at the time.

Name of the committee or body: INVESTMENT COMMITTEE

Description of duties:

The main purpose of the Investment Committee is to control and supervise compliance with the Investment Plan approved by the Board of Directors. To this end, it meets quarterly to periodically monitor the correct application of the approved investments and control the efficiency in the use of the Group's resources and investments.

Name of the Committee or Body: CYBERSECURITY COMMITTEE

Description of duties:

The Committee is responsible for defining the Group's strategic objectives for Cybersecurity, encouraging the secure management of information and guaranteeing our state of protection, as well as periodically supervising compliance with regulations, risk projects and situations and incidents.

Name of the Committee or Body: SENIOR MANAGEMENT

Description of duties:

Senior management is responsible for identifying and assessing the risks faced by the Group in the course of its activity and taking appropriate measures to prevent these risks from occurring or, if they do occur, to reduce or eliminate their impact. Therefore, senior management plays an essential role in the design and implementation of control mechanisms, as well as in promoting compliance throughout the organisation.

Name of the committee or body: EMPLOYEES

Description of duties:

The other Viscofan Group employees must comply with the measures implemented in the risk control and prevention systems and, where appropriate, report any behaviour that they consider may pose a risk to the Viscofan Group.

To facilitate the coordination and better identification of the risks and risk prevention and control actions, local managers have been appointed to coordinate with the competent bodies at corporate level.

E.3 Indicate the main risks, including tax risks, and to the extent that those derived from corruption (the latter being within the scope of Royal Decree Law 18/2017) that could affect the attainment of business objectives, are significant.

The inherent risks identified with the highest level of criticality (greater expected impact and greater probability of occurrence) before corrective measures are:

- Competitive environment of the sector. Competitors: The strategies of our competitors could affect our position and, as a result, the attainment of our objectives, in particular, a decrease in price and greater commercial efforts in certain markets.
- Cybersecurity: A cyber-attack is a malicious action that aims to damage the availability of assets, data confidentiality or the integrity of an organisation's information. The risk of an attack is a growing issue, due to the increase in Viscofan's visibility in recent years as sector leader and example of best industry practices, due to greater mobility of our human teams and due to the opening up of our industrial environment to the Internet (remote access to entities and persons outside Viscofan). An organisation aware of the risk existing inside and outside its perimeter will minimise the probability of being attacked.
- Exchange rate: This is associated with the fluctuation of one currency with respect to another, implying that variations in the value of the currency entail variations in the valuation of total wealth. Especially due to the fluctuation of the Euro against the US \$ given the long exposure that the Viscofan Group has to the North American currency, with the percentage of income received in US \$ being higher than the costs.
- Environmental issues: Industrial processes involve the use of natural resources, and although the Group is fully aware of its responsibility with respect to the environment, our production processes could involuntarily affect or damage our immediate environment.
- Budget control: The budget process requires several assumptions to set budgets and objectives. Errors, or simply variations beyond the expected tolerances, could affect the development of the corresponding operational and financial plans.
- Competitive environment of substitute products: The Group progresses its processes and products in line with meeting its strategic objectives, just as our competitors progress with theirs. As a result of this progression, our competitors could obtain products that replace our current products in terms of quality and/or price.
- Customer discontent: Customer satisfaction is the basis for the continuity, stability and loyalty of relationships. It is mainly linked to product quality and to customer-orientation and services provided. Shortfalls in any of these aspects could result in us losing a customer.
- Group cohesion: The internationalisation and dispersion of the productive centres could affect the communication and interaction of the people who work in them with respect to the rest of the organisation. Likewise, the variety of cultures and countries in which the Group operates is a daily challenge when establishing operational and commercial practices consistent with such diversity.
- Environment and tax compliance: The multinational presence and the high number of commercial transactions and financial operations are subject to tax regulations and legislation in different countries that may detract or generate new resources for the Group.
- Reputation: Sustainability and creation of value is closely linked to the impact of our business activity, the results obtained and the adaptation to the expectations of our stakeholders and the environment in which they are developed.
- Lack of raw materials: The Viscofan Group needs to acquire certain specific raw materials in multiple locations, which means that our production process may be affected in case of shortages and/or lack of quality of such items. The strategies of our suppliers could also affect our production process

E.4 Identify if the company has risk tolerance levels, including tax risk.

The company has a risk map that rates quantitatively and qualitatively to define a level of tolerance for the risk identified. As a result, the accepted risk is supported by the defined strategy and is reviewed by the different risk committees.

Before establishing the preventive and corrective measures for each of the identified risks, the company and the different bodies that have been attributed said functions, as described above, deliberate on the probability of each risk occurring, the consequences of the different scenarios if they do occur, and the impact that said occurrence could have on the Group, on its activity and on its financial statements, as well as its ability to recover in each case.

This information is used to determine the criticality to adapt the prevention, mitigation and correction measures to be implemented.

There are key risk indicators (KRIs) defined for each risk, the results of which are periodically compared against their tolerance thresholds to refine the risk response strategies based on the observed results.

E.5 Identify any risks, including tax risk, which have occurred during the year.

Risk is inherent to the business activity, and although the company's diversification, both geographically (commercial and productive), as well as its product range, is a measure in itself that mitigates the risks identified in the risk map, the global nature assumes that there are adverse circumstances that occur during the year that hinder the attainment of the objectives established in the yearly budget.

In this context, some of the risks that have occurred with a more significant impact are indicated below:

1) Risks occurring during the year: Financial risk. Exchange rate

Circumstances responsible for this occurrence

In 2018, the exchange market faced a large volatility due to macroeconomic changes, economic and monetary policies carried out by competent authorities in different countries. In this regard, several of the currencies in which the Group operates have experienced a large fluctuation, notably the US dollar and the Brazilian real, and not just in average terms; the volatility between maximum and minimum exchange rates has been very pronounced this year and has had a significant impact on the performance of profit and loss and negative exchange differences.

Operation of control systems

Viscofan is attentive to the opportunities for contracting exchange rate hedges with the intention of covering transaction flows between different currencies when circumstances dictate. Over the last few years, the company has strengthened the treasury team and has contracted out reporting systems in order to improve the hedging capacity to minimise risk. However, the volatility of the currencies is also driving up the cost of the hedges.

2) Risks occurring during the year: Strategic risk. Competitive environment of the sector. Competitors.

Circumstances responsible for this occurrence

Over the course of the year, Viscofan has followed an active policy of increasing prices within its product catalogue to adapt sale prices to the cost environment. In some markets, particularly the Asian and Chinese markets, the difference in price compared to other alternatives has affected the expected sales volumes, despite allowing for a more sustainable price and cost environment.

Operation of control systems

Monitoring tasks have been carried out in this market, maintaining disciplined commercial policies that do not harm the financial objectives of profitability. Specific projects have been reinforced by expanding the portfolio of products that seek to improve service levels, quality and productivity that suppose increased protection of market share in adverse scenarios.

3) Risks occurring during the year: Transaction risk. Raw Materials

Circumstances responsible for this occurrence

Increase in the prices of energy, caustic soda and glycerine

Operation of control systems

Viscofan continues to improve the approval process for new suppliers and the search for alternatives in different geographic locations, which contributes to reducing the impact of the lack of raw materials. In the field of energy, Viscofan has also hedged prices to allow greater visibility of the cost structure and ensure supplies. Furthermore, with the aim of reducing its impact on the Group's profitability, commercial activity has focused on adapting sales prices to balance competitiveness and profitability in this new cost environment.

E.6 Explain the response and supervision plans for the main risks of the company, including tax risks, and the procedures followed by the company to ensure that the board of directors responds to the new challenges that arise

The Group's risk response and supervision plans reduce the impact of a risk, the probability of occurrence, or both. Therefore, the inherent risk map becomes a residual risk map, which shows the significance of the risks once the prevention, mitigation or correction measures have been taken on the detected risks. Specifically, and in reference to the Group's most significant risks, such plans and actions consist of:

- Competitive environment of the sector. Competitors: Product prices have been revised to reflect the conditions observed in the raw materials market, comparing our rates comparatively with respect to competitors and reinforcing both our confidentiality protocols and the protection of our production processes and intellectual property.
- Cybersecurity: Procedures and tools that better mitigate the risk of being victim to a cyber-attack have been deployed, beginning with the creation of the Cybersecurity Committee, providing its corresponding organisation and action plan, maintaining and improving the business recovery plans in case of incidence, including the separation of networks, support for access regulation or penetration tests and updating policies, including the access control policy.
- Exchange rate: The Group remains attentive to business opportunities and the hedging of exchange rates available in each of the currencies in which it works, refusing to carry out these types of transactions in a speculative manner, and hiring additional expert knowledge for better decision making.
- Environmental issues: Now that the policy has been approved and implemented, the Group is continuing with its strategic certifications plan, which are essential for its activity, such as ISO 50,001, ISO 14,001 or OSHAS 18,001. Additionally, specific projects have been established where management and / or supervision improvement activities are required due to well-regulated business circumstances, and finally, contracting policies that cover us for unplanned circumstances.
- Budget control: Further investment has been made in the team in charge of this function, improving the information systems, establishing new multiannual planning and intensifying the continuous monitoring of the process and its results.
- Competitive environment of substitute products: True to its vocation of leadership, the Group continues to invest in areas that allow it to obtain a competitive advantage over its suppliers in both quality and price, while also intensifying Market observation so as to learn about innovations that the Market has to offer in advance.
- Customer discontent: Customer care and follow-up protocols are continuously improved, such as satisfaction surveys, the visiting procedure, the follow-up of complaints, and encouraging all the areas that at one time or another have contact with customers to work together as a team.
- Group cohesion: The Group encourages the establishment of international multicultural projects, the implementation of cohesion activities, both professional and by areas, the creation of high-performance teams, exchanges between centres to learn about and disseminate best practices, etc.
- Environment and tax compliance: The international presence of the Group means that it operates under tax systems with different obligations, schedules and standards, which is why it has invested in tools that allow us to better understand the peculiarities of the countries in which we operate so as to be able to reasonably comply with our tax obligations.
- Reputation: The news and responses from different stakeholders on relevant aspects are monitored in order to identify areas where there is a greater dispersion between expectations and results, as well as compliance with the code of conduct and the policies that have been implemented.
- Lack of raw materials: The Group continues with its supplier diversification policy, which allows for alternative sources of supply for each material, and collaborates intensively with suppliers with whom we are developing initiatives or processes in the same line as mentioned above.

F. SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (SCIIF)

Describe the mechanisms comprising the risk management and control systems for financial reporting (SCIIF) in the entity.

F.1 The entity's control environment

Give information, describing the key features of at least:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective SCIIF; (ii) its implementation; and (iii) its supervision.

Article 5 of the Board Regulations includes among the powers of exclusive knowledge of the Board of Directors as a whole:

"viii) The control and risk management policy, and the periodic monitoring of internal information and control systems".

Furthermore, article 15 of the Viscofan Board of Directors Regulations lists the functions of the Audit Committee in relation to internal information and control systems.

Among these functions, the Committee has assigned the following supervision and review functions:

"Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (SCIIF) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, possible complex corporate structures, instrumental or special purpose entities, the correct application of accounting criteria".

The Audit Committee was created in 1999 and its composition and activity have progressively adapted to the recommendations of the Code of Corporate Good Governance. It currently comprises five members, three of them independent directors, the fourth a nominee director and the fifth an external director. In 2018, the Committee met on eleven occasions, four of which with external auditors. Whenever considered appropriate, it has required the presence of members of the management team and the internal audit department.

The Committee carries out the tasks assigned to it, as established in the applicable regulations and those set out in the Company By-Laws and in the Board of Directors Regulations. By way of example, it presented a report to the General Shareholders Meeting on the Committee's activities.

The Committee oversees, analyses and reports on the activities performed by the Internal Audit department, the financial information preparation process, the interim financial statements, the projected cash flow statement prior to the approval of the interim dividend distribution, in addition to the Financial Reporting Internal Control System. The latter is subject to a continuous improvement process and was reviewed by PwC in 2018. The Committee has also supervised the progress made in the compliance system.

In its relations with the external auditor and as one of its duties, the Committee has ensured that the annual accounts are presented with no reservations or qualifications, and that the independence of the auditor is guaranteed.

Finally, it informed the Board of Directors of all its activities and submitted all the minutes of its meetings to the Directors, as well as information on the risk map and tax matters.

For its part, the general duties of the Internal Audit Department include the review and evaluation of the risk control and mitigation systems and procedures for all risks, as well as the methodologies used.

Specifically, with regard to the control of the financial information, it examines and assesses the reliability of the financial information, from an accounting and management point of view, checking that it is complete and correct. It also reviews the procedures for record purposes and proposes corrective measures, which are reported to the Audit Committee and to the Corporate Finance Division.

Furthermore, the Internal Audit Department reports the results of all the auditing, inspection and consulting activities to the Audit Committee and keeps it informed of the same, and, where appropriate, the Directors concerned are also informed.

For its part, according to the Policy on Internal Control of the Viscofan Group's Financial Information, the Corporate Finance Division is responsible for carrying out:

- The design, start-up and dissemination of the financial information internal control system (hereinafter,

SCIIF).

- The definition, review and dissemination of the accounting policies and procedures to be applied, aiming to guarantee uniformity in the processes and in the accounting information.
- The definition of the process of preparation of the financial information and identification of risks that may affect its reliability.
- Identification of the control activities to be carried out to mitigate risks and the supervision of their appropriate performance both at local and corporate level.
- Supervision of the appropriate design and use of the financial information systems. And of the Financial Departments of each of the companies in the Group.
- Compliance with the common accounting principles and policies.
- Dissemination of the SCIIF among the local organisation, identifying those responsible for the execution of each control activity.
- Coordination of the work of the other local departments so that the local financial information is prepared in accordance with the objectives set.
- Performance of the control activities allocated to the department, and supervision of the activities that correspond to the rest of the departments (sales, purchasing, production, warehouse, maintenance, etc.).

Finally, all other Group Departments are to cooperate in the dissemination of the SCIIF within their area of responsibility. As such, each Department shall be responsible for applying the controls corresponding to their area and for coordinating with the other departments in applying the SCIIF. Corporate departments will be responsible for supervising and correcting the weaknesses identified by the Internal Audit Department under their duty to supervise the system.

F.1.2 Whether, especially in the process of drawing up the financial information, the following elements exist:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

The General Management and the Corporate Human Resources Division are responsible for the design and review of the organisational structure and for the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Human Resources Division has procedures for updating corporate-level organisational structures and those of each of the Group subsidiaries. Dissemination is via the corporate Human Resources Management platform and the corporate intranet, with the current organisation charts of each company and any major changes being managed and published on the latter.

Financial Management has organisational structure charts with the composition of the financial departments of each subsidiary company, as well as information about the tasks performed by different members of these departments. Each team has a person responsible for the SCIIF at local level, responsible for disseminating it to the rest of the departments involved, checking that each one of them carries out the checks allocated and regularly reporting on the operation of the system.

The aim of all of this is to guarantee that the internal control principles are suitably disseminated within the organisation, contributing to improved quality of control over financial information.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

The body that approves the Code of Conduct is the Board of Directors, at the proposal of the Regulatory Compliance Committee. The code affects the Boards of Directors, Senior Management and the rest of the Group's employees in their daily professional performance, regarding the relations and interactions they have with all their stakeholders.

The Code of Conduct in force in the Viscofan Group was approved by the Board of Directors at its meeting held on 29 February 2012. The principles of the Code of Conduct include regulatory compliance, integrity, responsibility, transparency

and confidentiality. Furthermore, it also includes the criteria to be taken into account by employees who participate in the preparation of financial information, previously regulated in the Policies that are in force.

Specifically, the Group has implemented a Policy on the Internal Control of Financial Information, with the specific aim of establishing the guidelines necessary to guarantee appropriate preparation and subsequent dissemination of financial information, which establishes the principles that should govern it and describes the roles and responsibilities of each one of the Departments, financial or otherwise, both at Group level and at local level.

The Human Resources Department is responsible for the "Induction Procedure", by which each new employee receives a copy of the Code of Conduct and the policies coming within the compliance system. These establish the conduct guidelines required in order to ensure that Group personnel act correctly, regardless of the country or department in which they are to work. Lastly, each employee formally confirms their knowledge and understanding of these policies.

Additionally, each of the Group companies has a Local Compliance Supervisor appointed by the Board of Directors who is in charge of monitoring the Group's Compliance System and ensuring all local employees, technicians and managers receive the necessary training.

This compliance system has been widely disseminated and is available to employees on the Group Intranet.

In 2018, the policies approved in December 2017 on Data Protection, Control and Risk Management, Human Rights and the local Travel policy were incorporated into the compliance site. The Compliance system was strengthened with the development of an IT Security policy in 2018. An anti-corruption policy was also drafted, which was approved by the Board in 2019, and a revision of the Purchasing policy is pending approval.

- Whistle-blowing channel, to allow financial and accounting irregularities to be communicated to the Audit Committee, as well as possible non-compliance with the code of conduct and irregular activities in the organization, reporting where applicable if this is confidential in nature.

Article 15 of the Board of Directors Regulations allocates the following role to the Audit Committee: "Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing."

For such purpose, a whistle-blowing channel was implemented and is operational, as a virtual space for Group employees to discuss matters associated with compliance with the Code of Conduct and, generally, with all of the Viscofan Group's compliance systems, especially when there are signs of non-compliance.

This whistle-blowing channel makes it possible to establish a suitable channel to facilitate reporting to the Audit Committee of any financial and accounting irregularities, guaranteeing the confidentiality of communications.

The Audit Committee has delegated the creation and management of this whistle-blowing channel to the Ethics Committee, whose main objective is to manage the communications received via the Whistle-Blowing Channel and to analyse any practices that may be considered as non-compliances. The Ethics Committee reports directly to the Audit Committee.

- Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in SCIIF assessment, covering at least accounting standards, audit, internal control and risk management.

The aim of the Viscofan Group Training Policy is to guarantee that Group employees have all the knowledge and skills necessary for optimum execution of the duties assigned to them, improving or updating their performance.

Concerning one of the principles of this Policy, namely, planning, and in accordance with the responsibilities described therein, each year the Annual Training Plan is prepared, in which the managers of each department take part. Together with Human Resources Management, they identify training opportunities and the programmes to be carried out during the year.

In the case of the personnel involved in the preparation and review of the financial information for specific training intended to cover the specific needs of each individual or, if applicable, a department, the external training actions for the review of standards and accounting procedures are combined with internal training, mainly concentrated on the dissemination of policies and procedures and on the execution of the internal controls included in the SCIIF.

To improve performance, in 2018 they attended seminars and courses organised by EY on the treatment of financial derivatives, on the new accounting developments and on the updates of the accounting regulations.

F.2 Financial reporting risk assessment

Provide information on, at least, the following:

F.2.1 What are the key features of the risk identification process, including error and fraud risks, with respect to:

- Whether the process exists and is documented.

The two areas most directly involved in the identification of risks that could affect the drafting of financial information are the Corporate Finance Division and the Internal Audit Division. In their daily activities, permanent communication is encouraged between these two departments to analyse how the SCIIF is working and identify risk areas for which additional controls should be incorporated into the system.

Subsequently, every quarter, the Internal Audit Division informs the Audit Committee of the main incidents identified in the period, together with a risk assessment based on quantitative criteria and/or qualitative criteria and the monitoring carried out on the corrective actions established in previous periods.

- Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.

In each process and sub-process that affects the preparation of financial information, the Group identifies the risks that may materialise taking the following information into account:

- Description of the existing control objectives to meet the business targets defined by the Company and guarantee the reliability of the financial information.
- Possibility of the occurrence of an error risk, according to its impact on the financial statements, being categorised as follows:
 - ✓ Validity: All transactions generated in the period are valid.
 - ✓ Integrity: All transactions have been recorded correctly.
 - ✓ Registry: All transactions have been accurately entered into the accounts.
 - ✓ Cut-off: All transactions recorded represent economic events that occurred during the period in question; transactions are recorded in the corresponding period.
 - ✓ Assessment: Assets and liabilities are correctly valued (they appropriately reflect the existing circumstances of the business and its financial conditions).
 - ✓ Presentation: The financial statements are appropriately presented and disclosed.

At the meetings discussed above, a conclusion may be reached as to the need or not to modify the existing risk map, following an analysis of the information complied.

- The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.

In accordance with the Board of Directors Regulations, the Board shall be exclusively responsible for defining the structure of the corporate group. In turn, the Audit Committee shall oversee the appropriate scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures and special purpose vehicles.

The Viscofan Group Accounting Policy Manual determines that the responsibility of keeping the scope of consolidation duly updated lies with the Consolidation Area, which forms part of the Corporate Finance Division. Corporate operations that could affect the scope are reported appropriately by the General Management and Legal Divisions.

The Audit Committee is informed about structural and corporative modification operations that are planned for its analysis and report to the Board of Directors regarding its economic conditions and accounting impact.

Independently of the fact the Group can grow either via acquisitions or organic growth, the Group's corporate strategy is to maintain as simple a structure as possible, in order to facilitate control of the business, from both an operational and a financial and accounting perspective.

In this way, except for the company Nanopack Technology y Packaging, S.L., the Parent company of the Group, that is Viscofan S.A., wholly owns the Group companies, either directly or indirectly and, in this latter case, the shareholding is always through other companies in the Group. In the case of Nanopack S.A., the Group has a 90.57% shareholding in Nanopack Technology y Packaging S.L.

In 2018, Vector Europe NV activity was transferred to Vector Belgium and Vector UK was liquidated on 10 April, confirmed by Companies House.

The preliminary steps that needed to be taken to liquidate the company that Supralon had in Liechtenstein, and which was incorporated into the Viscofan perimeter in the acquisition of the Supralon Group in November 2017, were also carried out in 2018. Specifically, the activity carried out by the company has been transferred to other subsidiaries of the group, the rental contract for the office and other relevant contracts have been cancelled and the employment relationship of the majority of employees has been terminated. As such, the company is expected to be fully liquidated during the first half of 2019.

TransformPack was acquired in January 2018, which is a company that develops added value products in Canada. In November 2018, Globus Group Pty Ltd was acquired in Australia, Globus Group New Zealand Limited and JUPITER PTY Ltd, which distribute casings in Oceania, so as to be closer to our customers and improve our service.

In addition, it is the exclusive knowledge of the Board of Directors in full to create or acquire interests in special purpose vehicles or institutions registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

According to article 15 of these same Regulations, the Audit Committee is responsible for informing the Board, prior to it making the corresponding decisions in this area.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they impact the financial statements.

Periodically, the Audit Committee evaluates the situation of the main risks that affect the Group and the extent to which they affect its financial statements, in accordance with the description given in section E of the Annual Corporate Governance Report. For said purpose, it is supported by the Global Risks Committee, set up at the Audit Committee's proposal and representing the Group's General Management and its main divisions (Production, Financial, Legal and Commercial). Internal Audit is involved in the Risk Management process as an enabler and coordinator.

Specifically, risk management extends to the following risk categories, in accordance with the COSO internal control framework implemented in Viscofan:

1. Strategy,
2. Operations,
3. Information,
4. Compliance.

The risks derived from the integrity of the financial information are included in the aforementioned Information Risks category. Both the Risk Management process and the four categories are described in Section E of this report.

The Risk Management practices were updated in 2018, in line with international best practices in order to achieve a better alignment between objectives, risks and controls.

- Which of the entity's governance bodies supervises the process.

Article 15 of the Viscofan Board of Directors Regulations assigns the Audit Committee the role of monitoring the risk management carried out by the Group.

"Reviewing the internal control and risk management systems, including tax risks, so that the main risks can be correctly identified, managed and properly reported."

In addition, all departments of the organisation, including the Internal Audit Department, collaborate with the Audit Committee through the Global Risk Committee, continuously identifying and assessing the risks faced by the organisation.

F.3 Control activities

Provide information, indicating the main characteristics, about the existence of at least the following:

F.3.1 Procedures for review and authorisation of the financial information and the description of the SCIIF, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

The procedures existing in the Viscofan Group define the activities and controls to be carried out in the process of drafting the financial information, distinguishing the following stages until its dissemination:

- Recording of daily operations by each local department involved, including the book closing for each subsidiary.
- Carryover of financial information for consolidation.
- Consolidation of the information.
- Validation and approval of the financial information.
- Publication and dissemination of the information.

In accordance with what is set forth in the Policy on the Internal Control of Financial Information, the Corporate Finance Division is responsible for the design, start-up and dissemination of the SCIIF, and for the accounting policies and procedures to be applied, the definition of the process of preparation of the financial information and the control activities for mitigating possible risk. To do this, it receives support from the Internal Audit Division, which in its task of overseeing the comprehensive nature of the accounting and management information issued, both internally and externally, cooperates in assessing the SCIIF.

To do so, based on the documentation describing the flows that affect the different departments (purchasing, billing, salaries, banks and cash, etc.), the risk areas are identified and the internal controls to be carried out are proposed.

On the other hand, based on the balance sheet and profit and loss accounts, the most significant accounts are identified, analysing, by means of the controls implemented or establishing new controls if considered necessary, the coverage percentage, in order to guarantee the reliability of the information published.

In this way, adding the two approximations by process and by items in the income statement and profit and loss account, the aim is to guarantee that the controls in place cover the most significant risk areas.

To facilitate the internal control a tool has been developed on Viscofan's intranet to implement the SCIIF controls, enabling the management of master control data according to subsidiary (executor, supervisor, frequency, etc.), the management of execution and supervision flows for each control, the storage of evidence of each control and access to controls and evidence from Corporate Finance and Internal Audits.

In the course of 2018, ongoing progress has been made in the preparation of documents describing the objectives of each control, the improvement and uniformity of evidence provided by the various subsidiaries and the inclusion of new controls, especially in the IT processes. The use of the GRC modules for Risk Management and Audit Management has also been extended.

At local level, each subsidiary has a person responsible for the SCIIF, who coordinates the launch, execution and supervision of the monthly controls.

When the local financial information has been generated, in accordance with the Reporting Validation and Analysis Procedure, each company should carry out the additional controls established in this Procedure, with the participation of at least two people: on the one hand, the person responsible for book closing at local level and, on the other hand, the person responsible for validating this closing, who is usually the Company finance manager or the person responsible for the commercial subsidiary.

The procedure for validation of the financial information reported by each subsidiary makes it possible to check that the data received for consolidation is consistent with that existing in the local systems and is standardised in accordance with the corporate accounting plan in force. The computer application used for consolidation has basic controls incorporated to flag any inconsistency in the

information reported.

Those responsible for the accounts inform about changes to the financial statements of their subsidiary, transmitting the most relevant accounts with details of the calculations made.

The consolidated information is reviewed by the General Management, the Corporate Finance Division and the Investor Relations and Communication Division. This review takes place before the information is sent to the Board of Directors for final approval.

The Audit Committee intervenes in the supervision of the Company's regular financial information, filling the roles assigned to it in the Board of Directors Regulations.

"Overseeing the process devised by senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements. Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed."

This involvement from the Audit Committee extends to permanently monitoring account auditing, holding regular meetings with the external auditor to directly supervise the result of the process after both pre-closing and definitive closing of the annual accounts. All this complies with the following roles allocated by the Board Regulations (art. 15. D) to the Audit Committee in relation to the external auditor:

- (b) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report.
- (c) Overseeing compliance with the audit agreement, collecting information on the audit plan and its execution and ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

The Committee pays special attention to proposals for improving internal control, the quality of the opinions and estimates and the accounting criteria applied in the Group.

F.3.2 Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the financial information.

The main standards and procedures existing in the Viscofan Group in relation to the control of computer systems are contained in the following manuals and policies, available on the Group intranet, which regulate the use of computer systems and networks and their control and management:

- Computer systems and networks user manual
- Authorisation policy on computer access and profiles
- Password policy
- Computer systems and networks management policy.

These manuals develop the following aspects:

- The control systems should record and limit access to all Group computer systems and networks, establishing at least the creation of a username for each authorised user and the need for a password associated with it in accordance with Password Policy.
- Management of access to any computer system or network shall comply with the provisions of Authorisation policy on computer access and profiles. Thus, the person responsible for managing profiles and access should keep a record that justifies the authorisation of each action or modification of profiles and each access made.
- Maintenance of the computer systems and networks should include periodic measures that guarantee the copying and the possibility of backup and recovery of the data and information contained in the different Viscofan Group computer systems and networks in each case. Access to these copying and backup resources or mechanisms should be limited, protecting their content in all cases and establishing mechanisms for safekeeping and custody that guarantee their security.
- Any development or modification made by the computer departments to the Viscofan Group computer systems and networks shall be carried out with as much coordination as possible, requesting the authorisations necessary for its implementation or for performing any test process and, in any case, establishing at least the same measures in terms of security and limitation of access to the data.
- The security policy, change management, maintenance and handling of incidents should guarantee rapid recovery of the

Viscofan Group computer systems and networks in the event of any contingency that could have an impact on their availability.

The main infrastructure of the Group is located in a main Data Processing Centre (CPD). In a second CPD the secondary infrastructure is housed to ensure the continuity of the service in case of disaster.

The Viscofan Group has a Disaster Recovery Plan, coming within the framework of processes and procedures, and which will serve to guide and support the teams during an incident. This will enable the teams to respond in a way which is as most efficient and controlled as possible, minimising the impact on users, in order to return to operational service as soon as possible.

F.3.3 Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the evaluation, calculation and assessment outsourced to independent experts, which may materially impact the financial statements.

The Viscofan Group entrusts actuarial calculations of labour costs and the calculation of the Company Tax for certain Group companies to independent third-party experts. In addition to PPA (Purchase Price Allocation) processes when acquiring new businesses.

In any case, the criterion is maintained of working only with prestigious institutions, and the valuations received are reviewed by the financial departments involved.

In line with the evolution of technology, housing and maintenance services are contracted for the Group's main data centres, as well as plans that ensure business continuity in the event of computer incidents. Outsourced services are periodically monitored by checking the critical management indicators. A validation service has been implemented for cloud services offered by software companies for the access and use of their applications.

F.4 Information and communication

Provide information, indicating the main characteristics, about the existence of at least the following:

F.4.1 A specific function in charge of defining and keeping the accounting policies updated (accounting policy department or area) and dealing with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organization, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The responsibility for defining, updating and disseminating the accounting policies and procedures to be applied to guarantee standardisation of processes and accounting information lies with the Corporate Finance Division, in accordance with the Policy on the Internal Control of Financial Information.

The manuals are disseminated through the document libraries on the corporate Intranet and are available to the financial teams. Contact between corporate and local levels is continuous, and lines of communication are maintained for resolving any queries and conflicts derived from their interpretation.

In addition, regular account coordination meetings are held to transmit accounting policies, provide training in the performance of the controls included in the SCIIF and check standardisation in the preparation of the information reported by each subsidiary.

F.4.2 Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on SCIIF.

In accordance with the Policy on the Internal Control of the Financial Information, the Group Financial Department is responsible for supervising the appropriate design and use of the financial computer systems.

For these purposes, the Corporate Finance Division has organised selection, set-up, implementation and training into a single reporting tool for consolidation for all Viscofan Group companies.

The data from the local applications are integrated into the consolidation system following a single corporate accounting procedure, the Corporate Accounting Plan. The Corporate Finance Division is responsible for reviewing the equivalence between the accounting plans from each subsidiary and the Corporate Accounting Plan in order to guarantee the standardisation of the information received.

As an additional control measure, the controlling team ensures that at year-end, the accounting balances of the consolidation system

coincide with the accounting balances of the financial modules of each subsidiary to ensure that the origin and destination information is the same.

The content of the information reported includes both the financial statements and most of the information necessary for preparing the tables and notes for the Annual Report of the company and subsidiaries, the first draft of which is prepared directly in this system.

F.5. Supervising the system's operation

Provide information, indicating the main characteristics, about at least the following:

F.5.1 The SCIIF supervision activities carried out by the Audit Committee and whether the entity has an internal audit function whose powers include providing support to the Audit Committee in its task of supervising the internal control system, including the SCIIF. Likewise, give information on the scope of the SCIIF assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial reporting has been considered.

In accordance with the Board of Directors Regulations, article 15 point C), in relation to the information and internal control systems, the Audit Committee is responsible for: g) "Overseeing the internal auditing services, including in particular:

- (i) proposing the selection, appointment, re-election and cessation of the Internal Audit Manager;
- (ii) Approving the annual internal audit work plan, ensuring that their activity focuses primarily on the main risks the Company is exposed to; and receiving periodic information on the results of the work performed, including any incidents that may arise. Likewise, receiving an annual activities report and action plan to correct any deficiencies detected;
- (iii) Ensuring the independence and efficiency of the internal audit function;
- (iv) Proposing the budget for this same internal function;
- (v) Receiving periodic information on its activities, and;
- (vi) Verifying that senior management takes into account the conclusions and recommendations set forth in its reports".

The Viscofan Group has an Internal Audit Division, which reports functionally to the Audit Committee.

The objectives set forth in the Internal Audit Bylaws are:

1. Guaranteeing there is a suitable and adequate risk control system;
2. Assisting the Board of Directors or the corresponding delegated body in the objective fulfilment of their responsibilities, offering support to the Group Management and the Organisation in the improvement and consolidation of the internal control system, procedures applied and control activities;
3. Checking that, through the standardised and efficient application of the policies and procedures in the internal control system, risks are appropriately managed, facilitating the achievement of the strategic objectives of the Viscofan Group;
4. Reviewing and checking that the Organisation's processes are appropriate and complied according to approved policies and procedures;
5. Identifying and assessing all types of risks faced by the Organisation;
6. Overseeing the comprehensiveness of the accounting and management information issued, both internally and externally, i.e., it should be complete and correct;
7. Overseeing compliance with the law

The Internal Audit Department works under pluriannual plans, generally for three years, approved by the Audit Committee.

In compliance with the duties set forth in its Bylaws, the Internal Audit Division carries out the following reporting work:

"It communicates with the Audit Committee and also, where applicable, the Divisions involved, keeping them informed about the results of all audit, investigation and consultancy activities. It also periodically reports to the Audit Committee on the application of the audit plans and other relevant activities; Drafts and subsequently deals with the supervisors of the assessed Divisions, if applicable, the results of the job prior to the final issuing of the reports; Drafts the degree of implementation and efficiency of the recommendations by virtue of the reports issued, and reports on this subject to the Audit Committee".

The Audit Committee holds regular meetings at which it coordinates the actions of the Internal Audit Division, prepares the action plans, reports on and monitors the progress of each of these plans and analyses the level of implementation of the recommendations that have arisen as a result of its actions.

During the financial year of 2018, the Internal Audit work plan specifically focussed on:

- Participation in the **Investment Committee**, overseeing its activity.

In 2018, the Investment Committee held four meetings, coinciding with the quarterly financial closures.

Investments are strictly monitored at all subsidiaries. A report is issued every month and emailed to the Committee members, making it possible to ensure that any possible deviations are quickly detected and the appropriate actions can be taken.

- Participation in the **Credit Risk Committee**, overseeing its activity, particularly with regard to credit risk coverage levels and the principal accounts receivable.

The Credit Risk Committee met in 2018 on four occasions.

The key objective of the Credit Risk Committee is to report on the taking out of credit insurance, compliance with established procedures and the added risk involved in selling to some countries. Furthermore, a detailed analysis is made of the total exposure of customers, particularly those with the largest amounts of matured debt.

Monitoring conducted by the Committee has made it possible to keep the amount of the debt covered compared to last year. During 2018, the default rate was maintained at a level considered satisfactory by the organisation.

- Participation in the **Global Risk Committee** previously described, performing the reassessment and the redefinition of some risks of the Risk Map already existing (defined in 2016 based on the new strategic plan for the period from 2016-2020, MORE TO BE), performing a redefinition of all the KRIs associated to each of these risks and performing, also, a monitoring of the values of these KRIs.

The Committee has met four times throughout this year.

- The quarterly assessment of the SCIF, reviewing the controls made and the quality of the evidence provided, establishing appropriate corrective measures in accordance with their materiality. Specifically, every quarterly closure is accompanied by a review of the most important controls, submitting the findings report to the Audit Committee prior to the approval of the financial information to be published.
- The review of different processes in various national and international subsidiaries in compliance with the annual Audit Plan approved for 2018.
- The monitoring of the implementation of the recommendations arising from the reviews of the different processes audited in the past. To do so, it has a monitoring tool of the Internal Audit recommendations, with the creation of reports for Senior Management, and this application was added to the organisation's corporate systems in 2018.

The activity of the Internal Audit Department is considered to be satisfactory, mainly thanks to the high implementation rate for the improvements and recommendations made in order to correct the incidents detected.

The Audit Department prepares reports on its actions, reflecting the incidents detected during the work execution and suggestions for improvement. These reports are initially discussed with the heads of the subsidiaries or departments involved.

Once the reports have been discussed with the heads and the measures to be adopted have been established, the report is sent to the Audit Committee. Those incidents identified and which could affect the financial reporting, are quantified, where applicable, and reported to the Corporate Financial Department and also to the Local Financial Departments affects, so that they may be corrected.

F.5.2 Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information on whether there is an action plan to try to correct or mitigate the weaknesses observed.

. In addition to the roles of the Internal Audit Division described in the previous point, the Board of Directors Regulations authorise the Audit Committee to request the presence of the external auditors whenever they consider it appropriate:

“The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the

Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable. All of the aforementioned shall be bound to cooperate and facilitate access to the information they have."

In practice, the Audit Committee holds a minimum of three annual meetings with the external auditors, one of which coincides with the pre-audit carried out at the end of October each year and the other two with the year-end audit.

At these meetings, the auditors report any weaknesses in internal control that may have been detected in the audit process and that affect the internal control system. The Committee monitors them during the year, in coordination with the Internal Audit Division and the Corporate Finance Division, to identify and implement, where applicable, any measures that may be deemed advisable.

F.6 Other relevant information

We do not consider it necessary to disclose any other information that has not been already described in the above sections.

F.7 External audit report

Provide information about the following:

F.7.1 Whether the SCIIF information disclosed to the markets has been submitted by the external auditor, in which case the entity must attach the corresponding report as an annex. Otherwise, explain the reasons why it was not.

SCIIF information has been submitted for review by our external auditors PwC, in accordance with the Professional Action Guidelines and the Audit Report form concerning SCIIF-related information on listed companies as established in the circular No.7/2015 of the CNMV from 22 December 2015.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code of listed companies.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1. The Bylaws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

Compliant

Explain

2. When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Compliant

Partially compliant

Explain

Not applicable

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation and any alternative procedures followed in its stead.

Compliant

Partially compliant

Explain

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant

Partially compliant

Explain

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant

Partially compliant

Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

- b) Reviews of the operation of the audit committee and the nomination and remuneration committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

Compliant

Partially compliant

Explain

The Company's Management Report includes an analysis of the corporate social responsibility policy, it is included in the Non-Financial Statement section. This report is published on the Company website at the time of convening the general shareholders' meeting.

7. The company should broadcast its general meetings live on the corporate website.

Compliant

Explain

The Company considers that transmitting the General Shareholders' Meeting live on the website in a smaller company is not the most appropriate measure to facilitate shareholders' participation in the General Shareholder's Meeting, which is confirmed by the high number of shareholders who are physically present at the meeting or who attend remotely using the methods enabled for such purpose, so the company prefers to allocate the resources that would be allocated to this transmission to encouraging participation through the means enabled, by way of the attendance bonus and providing shareholders with as much information as possible by making available a large amount of information that is relative to the meeting at the time it is convened.

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant

Partially compliant

Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant

Partially compliant Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant

Partially compliant

Explain

Not applicable

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Compliant

Partially compliant

Explain

Not applicable

12. The board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant

Partially compliant

Explain

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Compliant

Explain

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that the appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant

Partially compliant

Explain

15. Nominee and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant

Partially compliant

Explain

16. The percentage of nominee directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant

Explain

17. Independent directors should be at least half of all directors.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of the total number of directors.

Compliant

Explain X

The company considers that it complies with recommendation 17 in accordance with the principle of proportionality among shareholder participation and representation in the board of directors, according to which, the relationship between nominee directors and independent directors must reflect the relationship between the percentage of capital represented in the board of directors by the nominee directors and the rest of the capital. In the Code of Good Governance of the listed companies published by the CNMV, it specifically indicates that this proportional principle is not, however, an exact mathematic rule, but rather an approximate rule whose objective is to ensure that the independent directors have a sufficient weight in the board of directors and that no significant shareholder exercises a disproportionate influence in relation to their participation in the capital.

In this text it also clarifies that in certain situations it is considered that this percentage could be excessive and it is recommended to mitigate the application of this rule respect to those that however, do not have an elevated capitalisation considering as a reference those companies not included in the IBEX-35 index to those that would become excessively onerous the compliance of this rule, however respect to the companies in whose share ownership shareholders have presence that individually or together with others maintain an elevated percentage of its capital. For these cases it is recommended a percentage of, at least, one third.

In this sense, it is worth noting that in accordance with the principle of the standard, the inclusion in the Ibx can be used as a reference, but not as a mathematic demand, given that considering the inclusion in a reference index defined by a private institution that could be reviewed every quarter should not have been the principle of complying with or explaining for which the companies are governed their long-term corporate governance, but a reference. In this sense, the law and the code indicate as a quantitative objective criterion an elevated capitalisation and Viscofan is not included as a reference in the funds that they invest in companies of high capitalisation both in the national market and foreign investors, which are considered high capitalisation given a versatile capitalisation greater than 10 billion euros.

It is worth remembering that the criteria of including in the Ibx index are not exclusively of capitalisation, but that also influence the liquidity of the value, having companies with capitalisation greater than Viscofan that is not included in this index. However, despite all these considerations, and including even though a foreign decision to the Company, outside the scope of their control that could have as a purpose modifying the monitoring of the recommendations within the same fiscal year without the possibility of doing nothing to the respect, as in this case, the Code of good governance of the companies listed approved by Agreement of the Board of the National Stock Market Committee (CNMV) on 18 February 2015, establishes that the inclusion in the IBEX is the determining criteria regardless of the data objective of capitalisation, and in this sense, the Company does not follow the recommendation that the independent directors represent half of the board even considers that for its capitalisation should fulfil the recommendation that the number of independent directors must represent, at last, a third of the total directors. The Company fulfils this recommendation.

Moreover, the Company considers that the special characteristics of its activity and industrial sector, in which a high degree of specialisation and specific knowledge in areas are required that are not at the scope of persons outside this sector, making it suitable to ensure that the Board maintains sufficient presence of directors with a lot of experience that can guarantee an appropriate development of the Board's duties, especially in relation to the company's strategy and a continuity in that knowledge.

The temporary limitation of the independent directors does not allow guaranteeing this continued presence and the Company considers that it must combine both needs, above all to the view of the requirement for the companies that do not have a high capitalisation in accordance with the generally accepted criteria.

**18. Companies should disclose the following director particulars on their websites and keep them regularly updated:
Background and professional experience.**

- a. Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- b. Statement of the director class to which they belong, in the case of nominee directors indicating the shareholder they represent or have links with.
- c. Dates of their first appointment as a director and subsequent re-elections.
- d. Shares held in the company, and any options on the same.

Compliant X

Partially compliant

Explain

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of nominee directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a nominee directorship.

Compliant

Partially compliant

Explain

Not applicable X

20. Nominee directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, the latter's number should be reduced accordingly.

Compliant X

Partially compliant

Explain

Not applicable

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant X

Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant X

Partially compliant

Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes relevant or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation should also apply to the secretary of the board of directors, whether a director or otherwise.

Compliant X

Partially compliant

Explain

Not applicable

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board of directors. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the annual corporate governance report.

Compliant

Partially compliant

Explain

Not applicable X

25. The appointments committee should ensure that non-executive directors have enough time to properly perform their duties.

The Board of Directors' Regulations should establish the maximum number of boards of directors that its directors may sit on.

Compliant

Partially compliant

Explain

26. The board of directors should meet with the necessary frequency to properly perform its functions and, at least, eight times a year, in accordance with a calendar and agendas set at the beginning of the year, to which each director may individually propose the addition of other items.

Compliant

Partially compliant

Explain

27. Director absences should be kept to the bare minimum and quantified in the annual corporate governance report. And, when necessary, they should delegate with instructions.

Compliant

Partially compliant

Explain

28. When directors or the secretary express concern about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board meeting, the person expressing them can request that they be recorded in the minute book.

Compliant

Partially compliant

Explain

Not applicable

29. The company should establish suitable channels for directors to obtain the advice and guidance they need to carry out their duties including, if required by the circumstances, external assistance at the company's expense.

Compliant

Partially compliant

Explain

30. Regardless of the knowledge required of the directors for exercising their duties, the companies should also offer directors refresher programmes when circumstances so advise.

Compliant

Explain

Not applicable

31. The agenda should clearly indicate those points on which the board of directors has to adopt a decision or agreement so that the directors may study or gather, in advance, the information required to make such decisions.

When, exceptionally, in urgent cases, the chairman wants to submit decisions or agreements that are not on the agenda to the board of directors for approval, prior and express consent will be required from the majority of directors present, which will be duly recorded in the minutes.

Compliant

Partially compliant

Explain

32. Directors shall be regularly informed of any changes in shareholdings and of the opinion of significant shareholders, investors and credit rating agencies as regards the company and its group.

Compliant

Partially compliant

Explain

33. The chairman, as the party responsible for the efficient operation of the board of directors, besides exercising duties that are attributed to him or her by law and the bylaws, should draw up and submit a calendar and agenda to the board of directors; organise and coordinate the regular evaluation of the board and also, where applicable, of the company's chief executive officer; be responsible for managing the board and its effective operation; ensure that sufficient time is spent on the discussion of strategic matters, and agree on and review refresher programmes for each director, when circumstances so advise.

Compliant

Partially compliant

Explain

34. When there is a coordinating director, the bylaws or board of directors' regulations should attribute to him or her, besides the powers corresponding by law, the following duties: presiding over the board of directors in the absence of the chairman and the vice chairmen, if there are any; echoing the concerns of the non-executive directors; maintaining contact with investors and shareholders to learn their points of view for the purpose of forming an opinion regarding their concerns, in particular, in relation to the company's corporate governance; and coordinating the plan for the succession of the chairman.

Compliant Partially compliant Explain Not applicable

35. The secretary of the board of directors should especially ensure that the board of directors take the good governance recommendations contained in this good governance code into account when they are applicable to the company.

Compliant Explain

36. The board of directors, in plenary session, should evaluate and adopt, where applicable, an action plan once a year to correct deficiencies detected with regard to:

- a. The quality and efficiency of the operation of the board of directors.
- b. The operation and composition of its committees.
- c. Diversity in the composition and powers of the board of directors.
- d. The performance of their duties by the chairman of the board of directors and by the company's chief executive officer.
- e. The performance and contribution of each director, paying special attention to the managers of the board's different committees.

The evaluation of the different committees will be based on the reports they submit to the board of directors and the latter will be evaluated based on the report submitted by the appointments committee.

Every three years, the board of directors shall be assisted in carrying out an assessment by an independent external consultant, whose independence will be verified by the appointments committee.

The business relationships that the consultant or any company in its group maintains with the company or any group company must be listed in the annual corporate governance report.

The process and areas evaluated will be described in the annual corporate governance report.

Compliant Partially compliant Explain

37. When the company has an executive committee, the breakdown of its members by director category should be similar to that of the board of directors itself. The secretary of the board should also act as secretary to the executive committee.

Compliant Partially compliant Explain Not applicable

38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all members of the board of directors should receive a copy of the executive committee's minutes.

Compliant Partially compliant Explain Not applicable

39. The members of the audit committee and, especially, its chairman should be appointed bearing in mind their knowledge and experience in accounting, auditing or risk management, and most of those members should be independent directors.

Compliant Partially compliant Explain

40. Under the supervision of the audit committee, there should be a unit that assumes the internal audit function and ensures the proper operation of internal reporting and control systems and that reports to the non-executive chairman of the board or of the audit committee.

Compliant Partially compliant Explain

41. The head of the unit that assumes the internal audit function should present an annual work programme to the audit committee; directly report any incidents arising during its implementation; and submit an activities report at the end of each year.

Compliant X

Partially compliant Explain

Not applicable

42. Besides those set out in law, the following duties correspond to the audit committee:

1. With respect to internal control and reporting systems:

- a) To monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, check for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- b) To strive for the independence of the unit that assumes the internal auditing function; propose the selection, appointment, re-election and removal of the person responsible for the internal auditing services; propose the budget for such service; approve the focus and work plan to ensure the activity is primarily focused on relevant risks for the company; receive regular information on its activities; and verify that senior management takes into consideration the conclusions and recommendations of its reports.
- c) To establish and supervise a mechanism whereby staff can report, confidentially and, if possible and necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect of the external auditor:

- a) To investigate the issues giving rise to the resignation of any external auditor.
- b) To ensure that the remuneration of the external auditor for his work does not compromise its quality or its independence.
- c) To oversee that the company reports, as a relevant event, to the Spanish Securities Market Commission (CNMV) the change of auditor and accompanies it with a declaration on the eventual existence of disagreements with the outgoing auditor and, if any, the content thereof.
- d) To ensure that the external auditor maintains an annual meeting with the board of directors, in plenary session, to inform it regarding the work performed and the financial position of and risks faced by the company.
- e) To ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other regulations on the independence of the auditors;

Compliant X

Partially compliant

Explain

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant X

Partially compliant

Explain

44. The audit committee should be informed of any transactions that would implement structural and corporate changes that the company aims to make for their analysis and a preliminary report to the board of directors on their economic conditions and their accounting impact and, especially, where applicable, on the proposed exchange ratio.

Compliant X

Partially compliant

Explain

Not applicable

45. Control and risk management policy should specify at least:

- a. The different types of risk, financial and non-financial, (inter alia, operational, technological, legal, social, environmental, political and reputational) that the company is exposed to, including among financial or

economic risks, contingent liabilities and other risks not on the balance sheet.

- b. The determination of the risk level the company sees as acceptable.
- c. Measures in place to mitigate the impact of risk events should they occur.
- d. The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Compliant

Partially compliant

Explain

46. Under the direct supervision of the audit committee or, where applicable, of a specialist committee of the board of directors, there should be an internal risk control and management function exercised by one of the company's internal units or departments that has expressly been entrusted with the following duties:

- a. Ensure the proper operation of the risk control and management systems and, in particular, ensure that all important risks that affect the company are appropriately identified, managed and quantified.
- b. Actively participate in the preparation of risk strategy and in the major decisions about how to manage it.
- c. Ensure that the risk control and management systems appropriately mitigate risk as part of the policy defined by the board of directors.

Compliant

Partially compliant

Explain

47. The members of the appointments and remuneration committee—or the appointments committee and the remuneration committee, if they are separate—should be appointed ensuring that they have the appropriate knowledge, aptitude and experience for the functions that they are called upon to perform and the majority of those members should be independent directors.

Compliant

Partially compliant

Explain

48. Large cap companies should have a separate appointments committee and remuneration committee.

Compliant

Explain

Not applicable

The composition and operation of the company is carried out according to the best practices and considering Viscofan as a medium capitalisation company according to the commonly accepted international standards and the company's corporate governance trajectory. The Company considers that its current size and that of the Board of Directors do not justify the separation of the committees, which would also entail the allocation of more resources to the Board of Directors to remunerate the members that form part of said committees.

49. The nomination committee should consult with the chairman of the board of directors and the company's chief executive officer, especially on matters relating to executive directors.

Any board member should be able to suggest directorship candidates to the appointments committee for its consideration.

Compliant

Partially compliant

Explain

50. The remuneration committee should exercise its functions independently and, besides the functions attributed to it by law, should also have the following duties:

- a. To propose the standard conditions for senior officer employment contracts to the board of directors.
- b. To check compliance with the remuneration policy set by the company.
- c. To regularly review the remuneration policy applied to directors and senior management, including systems of remuneration in shares and its application, and also guarantee that their individual remuneration is proportionate to that paid to the other company directors and senior management.
- d. To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the committee.
- e. To verify information regarding remuneration of directors and senior executives provided in various corporate documents, including the annual report on remuneration of directors.

Compliant

Partially compliant

Explain

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to Executive Directors and senior officers.

Compliant

Partially compliant

Explain

52. The rules for the composition and operation of the supervision and control committees should be in the board of directors' regulations and should be consistent with those applicable to the committees that are applicable by law in accordance with the above recommendations, including:

- a. They should be exclusively comprised of non-executive directors, and the majority should be independent directors.
- b. They should be chaired by independent directors.
- c. The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d. They may engage external advice, when they feel it necessary for the discharge of their functions.
- e. Minutes should be taken of their meetings and should be available to all directors.

Compliant

Partially compliant

Explain

Not applicable

53. One or several committees of the board of directors should be responsible for supervising compliance with the corporate governance rules, with internal codes of conduct and with the corporate social responsibility policy; these may be the audit committee, the appointments committee, the corporate social responsibility committee, if there is one, or a specialist committee that the board of directors, exercising its powers of self-organisation, decides to create for the purpose, which will have the following specific minimum duties:

- a. Supervision of compliance with the internal codes of conduct and the company's corporate governance rules.
- b. Supervision of the communications strategy and relationships with shareholders and investors, including small and medium shareholders.
- c. Regular assessment of the suitability of the company's corporate governance system, so that it complies with its mission of promoting social interest and takes into account, as applicable, the legitimate interests of the other stakeholders.
- d. Review of the company's corporate social responsibility policy, ensuring it is aimed at creating value.
- e. Monitoring the corporate social responsibility strategy and practices and assess compliance therewith.
- f. Supervision and assessment of the engagement processes for different interest groups.
- g. Assessment of all aspects related to the company's non-financial risks – including operating, technological, legal, social, environmental, political and reputational risks.
- h. Coordinating the process for reporting non-financial and diversity information, in accordance with applicable regulations and international benchmark standards.

Compliant

Partially compliant

Explain

54. The corporate social responsibility policy should include the principles or commitments that the company assumes voluntarily in its relationship with the different stakeholders and should identify at least:

- a. The goals of the corporate social responsibility policy and the development of support instruments.
- b. Corporate strategy relating to sustainability, the environment and social matters.
- c. Specific practices in matters relating to: shareholders, employees, clients, providers, social matters, environment, diversity, tax obligations, respect for human rights and prevention of illegal conduct.
- d. The methods or systems for monitoring the results of applying the specific practices indicated in the previous letter, the associated risk and management of the same.
- e. Mechanisms for supervising non-financial risk, ethics, and business conduct.
- f. Channels of communication, participation and dialogue with stakeholders.
- g. Responsible communication practices that prevent manipulation of information and protect integrity and honour.

Compliant Partially compliant Explain

55. The company should report, in a separate document or in the management report, on matters relating to corporate social responsibility, using any of the internationally accepted methodologies.

Compliant Partially compliant Explain

56. The remuneration of the directors should be as necessary to attract and retain directors of the desired profile and to remunerate the dedication, qualification and responsibility that the role requires, but not so high that it compromise the non-executive director criteria of independence.

Compliant Explain

57. Remuneration linked to the company's performance and personal effort, and also remuneration comprising the granting shares, share options or rights to shares, or other share-based instruments and long-term savings systems such as pension plans, retirement schemes or other social benefit systems should be confined to executive directors.

The granting shares may be contemplated as remuneration for non-executive directors when they are obliged to retain them until the end of their tenure. The above will not be applicable to shares that the director has to sell to satisfy costs related to their acquisition.

Compliant Partially compliant Explain

58. In the case of variable remuneration, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not only the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

And, in particular, with regard to the variable components of the remuneration:

- a. They should be related to pre-determined and measurable performance criteria and those criteria should consider the risk assumed to obtain a result.
- b. They should promote the sustainability of the company and include non-financial criteria that should be appropriate for the creation of long-term value, such as compliance with the company's internal rules and procedures and its risk control and management policies.
- c. They should be based on balance between compliance with objectives in the short, medium and long term, which allow performance to be remunerated for continued effort over a long enough period of time for their contribution to the creation of sustainable value to be appreciated, so that the elements for measuring this performance do not only revolve around specific, occasional or special events.

Compliant Partially compliant Explain Not applicable

59. Payment of a relevant part of the variable components of the remuneration should be a deferred for a sufficient minimum period to check that previously established performance conditions have been met.

Compliant Partially compliant Explain Not applicable

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant Partially compliant Explain Not applicable

61. A relevant percentage of the variable remuneration of executive directors should be linked to the granting shares or share-based financial instruments.

Compliant Partially compliant Explain Not applicable

The current remuneration policy contemplates the possibility of granting shares, however, in the application of the 2018 variable remuneration of the executive directors, it will be paid in cash. This policy also includes annual short-term remuneration and long-term three-year remuneration, both based on a combination of parameters that encourage both the attainment of annual results and the success of the multi-year strategic plan, all aligned with the interests of the shareholders, since both take into account, among others, the performance of the value of the share and the shareholder's remuneration via dividend as part of their parameters.

Moreover, executive directors who have been company directors have acquired shares in the stock market voluntarily and in a personal

capacity over the years. As a result of these acquisitions in the market, both the Chairman and the CEO have shares with a value greater than two years of fixed salary earned in their position as executives.

62. Once the shares or options or rights to actions corresponding to the remuneration systems have been attributed, the directors may not transfer ownership of a number of shares equivalent to twice their annual fixed remuneration, nor may they exercise the options or rights until, at least, three years after they were attributed.

The above will not be applicable to shares that the director has to sell to satisfy costs related to their acquisition.

Compliant

Partially compliant

Explain

Not applicable

63. Contractual agreements should include a clause that allows the company to claim a refund of variable components of remuneration when the payment was not adapted to performance conditions or when they were paid based on data which later proved to be incorrect.

Compliant

Partially compliant

Explain

Not applicable

64. Payments for termination of contract should not exceed a set amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to check that the director has complied with the previously established performance criteria.

Compliant

Partially compliant

Explain

Not applicable

H. OTHER INFORMATION OF INTEREST

1. If you consider that there is any relevant aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable identify the code and date of adoption. In particular, please mention whether it has adhered to the Code of Good Tax Practices, of 20 July 2010.

This annual corporate governance report was adopted by the company's Board of Directors at its meeting held on: **28 February 2019**

List whether any directors voted against or abstained from voting on the approval of this Report.

YES:

NO: x

Name or corporate name of the director who has not voted in favour of the approval of this report	Reasons (against, abstained, did not attend)	Explain the reasons

Remarks: