

# Annual Corporate Governance Report

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

# Annual Corporate Governance Report

## Viscofan S.A.

at 31 December 2007

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### A. OWNERSHIP STRUCTURE OF THE COMPANY

#### A.1 Complete the following table about the share capital of the company:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
06/18/2007	14,189,052.60	47,296,842	47,296,842

State whether there are different classes of shares with different rights attaching thereto:

NO

#### A.2 Breakdown of direct and indirect holders of significant shareholdings in the company as of the end of the fiscal year, excluding directors:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights <sup>(*)</sup>	% of total voting rights
BESTINVER GESTION SGIIC	0	4,001,330	8.460
MARATHON ASSET MANAGEMENT, LLP	0	2,760,394	5.836
MS. MARIA DEL CARMEN CAREAGA SALAZAR	0	2,366,000	5.002

(\*) Through:

Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
BESTINVER BOLSA F.I.	2,257,735	4.774
BESTINFOND F.I.	979,849	2.072
BESTINVER MIXTO F.I.	411,012	0.869
SOIXA SICAV	157,268	0.333
TEXRENTA INVERSIONES SICAV	32,290	0.068
BESTINVER RENTA F.I.	24,077	0.051
CORFIN INVERSIONES SICAV	14,795	0.031
RODAON INVERSIONES SICAV	13,492	0.029
INV. EN BOLSA SIGLO XXI SICAV	10,179	0.022
TIBEST CINCO SICAV	10,545	0.022
LOUPRI INVERSIONES	8,911	0.019
ATON INVERSIONES SICAV	7,462	0.016

<b>Name or company name of the direct holder of the stake</b>	<b>Number of direct voting rights</b>	<b>% of total voting rights</b>
TIGRIS INVERSIONES SICAV	6,978	0.015
MERCADAL DE VALORES SICAV S.A.	6,591	0.014
H202 INVERSIONES SICAV	5,989	0.013
DIVALSA INVERSIONES SICAV	5,853	0.012
ENTRECAR INVERSIONES SICAV	5,261	0.011
PASGOM INVERSIONES SICAV	5,222	0.011
ACC. CUP. and OB. SEGOVIANAS SICAV	4,229	0.009
CARTERA MILLENNIUM SICAV	4,348	0.009
RENVASA	4,395	0.009
ZAMARRON SICAV	4,252	0.009
ARTICA XXI, SICAV S.A.	3,638	0.008
CAMPO DE ORO SICAV	3,286	0.007
LINKER INVERSIONES SICAV	3,110	0.007
HELDALIN INVERSIONES SICAV	2,352	0.005
OPEC INVERSIONES, SICAV, S.A.	1,671	0.004
TAWARZAR	1,878	0.004
IBERFAMA SICAV, S.A.	1,479	0.003
JORICK INVESTMENT	1,600	0.003
TRASCASA	1,583	0.003
MA-PENSION RESERVES INVEST	255,350	0.540
VERIZON INVESTMENT MANAGEMENT	185,800	0.393
TENNESSEE CONSOLIDATED	115,200	0.244
PENNSYLVANIA PUBLIC SCHOOL	102,328	0.216
FEDEX CORPORATION EMPLOYEES	100,700	0.213
MARATHON LONMR. INTL INV	96,860	0.205
GM INVESTMENT MANAGEMENT CORP	81,066	0.171
MARATHON GLOBAL EQUITY FUND	77,820	0.165
ABP INVESTMENTS	75,550	0.160
OMERS ADMINISTRATION CORP	67,200	0.142
FORD FOUNDATION	65,400	0.138
MD DANA	63,200	0.134
VANGUARD GLOBAL EQUITY FND	60,700	0.128
MARATHON EUROPEAN HEDGE FUND	57,500	0.122
SBC PENSION MASTER TRUST	55,320	0.117
KAISER PERMANENTE	51,100	0.108
MARATHON LONMR. INTL GROUP	45,486	0.096
JOHNSON JOHNSON US PEN	43,900	0.093
MINNESOTA STATE BOARD OF INV	43,354	0.092
DANA CORPORATION	42,340	0.090
MARATHON LONMR. GLOBAL GRP	42,154	0.089
IBM US PENSION FUND	40,960	0.087
GM VEBA	35,050	0.074

<b>Name or company name of the direct holder of the stake</b>	<b>Number of direct voting rights</b>	<b>% of total voting rights</b>
GM CANADA PENSION PLANS	34,150	0.072
CANADIAN PACIFIC RAILWAY	30,800	0.065
PENSION DANMARK	29,800	0.063
BILL MELINDA GATES - EUROPE	28,540	0.060
LAEGERNES PENSIONSINVEST2	25,700	0.054
MITCHELLS BUTLERS COMMON	23,900	0.051
GLAXOSMITHKLINE	23,600	0.050
OPSEU PENSION TRUST	23,200	0.049
MARATHON EXEMPT FUND	21,900	0.046
OIL INVESTMENT COMPANY	21,550	0.046
ARIA	21,411	0.045
ASTRA ZENECA PENSION FUD	21,250	0.045
COMMONWEALTH BANK OFFICERS	21,133	0.045
SURREY CC PENSION FUND	21,350	0.045
HALLIBURTON COMMON INV FUND	20,300	0.043
HOWARD HUGHES MEDICAL	20,200	0.043
MONTGOMERY COUNTY EMPLOYEES	20,300	0.043
ACCIDENT COMPENSATION CORP	20,000	0.042
MARATHON LDN INT INV FUND	18,900	0.040
MARATHON LONMR. GLOBAL INV	18,950	0.040
HEALTH EMPLOYEES SUPER	18,250	0.039
MACARTHUR FOUNDATION (MAC23)	18,200	0.038
CADBURY SCHWEPPES PENSION	17,400	0.037
MERCHANT NAVY OFFICERS PEN	17,500	0.037
UNIVERSITY OF MICHIGAN	16,480	0.035
ONFA DECOM FUND	16,150	0.034
TOWER ASSET MANAGEMENT LTD	16,200	0.034
WORKERS COMPENSATION BOARD	16,200	0.034
MITTAL STEEL USA INC PENSION	15,500	0.033
PNC FINANCIAL SERVICES GROUP	15,400	0.033
PEARSON GROUP PENSION PLAN	14,970	0.032
HENRY SMITH CHARITY	14,500	0.031
MAPLE - BROWN ABBOT	14,800	0.031
ONFA USED FUEL FUND	14,810	0.031
BWXTY-12LLC	14,100	0.030
AUSTRALIAN SUPER	13,850	0.029
MANITOBA MARATHON POOLED FUND	13,250	0.028
XL RE LTD	13,150	0.028

<b>Name or company name of the direct holder of the stake</b>	<b>Number of direct voting rights</b>	<b>% of total voting rights</b>
MARKS SPENCER PENSION	12,700	0.027
ABB INC. MASTER TRUST	12,400	0.026
ESSEX COUNTY COUNCIL	12,400	0.026
HARMSWORTH PENSION SCHEME	12,500	0.026
JOEP	11,600	0.025
JOHNSON JOHNSON UK GROUP	11,850	0.025
PRUDENTIAL STAFF PENSION	11,600	0.025
TIFF INTERNATIONAL EQUITY	11,550	0.024
TIFF MULTI ASSET FUND	11,200	0.024
FAIRFAX COUNTY UNIFORMED	9,850	0.021
NORTHWESTERN UNIVERSITY	9,200	0.019
SOUTHERN CALIFORNIA EDISON	9,050	0.019
NUFFIELD FOUNDATION CHARITIES	8,300	0.018
INTECH INTERNATIONAL SHARES	7,004	0.015
STANLIB FUNDS LIMITED	6,950	0.015
EMERGENCY SERVICES SUPER	6,410	0.014
ROCKEFELLER FOUNDATION	6,610	0.014
DIVERSIFIED FUND OF CANADA	5,638	0.012
INSURANCE COMMISSION	5,600	0.012
CABLE WIRELESS COMMON	5,000	0.011
LAEGERNES PENSIONSINVESTV	2,650	0.006
HENRY J KAISER FAMILY	2,400	0.005
MA-HEALTH CARE SECURITY TRUST	2,600	0.005
ONCHENA S.L.	2,366,000	5.002

Indicate the most significant changes in the shareholding structure that have occurred during the fiscal year:

<b>Name or company name of the shareholder</b>	<b>Date of the transaction</b>	<b>Description of the transaction</b>
MS. MARIA DEL CARMEN CAREAGA SALAZAR	12/26/2007	Exceeded 5% of the share capital

**A.3 Complete the following tables about members of the Board of Directors of the Company who have voting rights attaching to shares of the Company:**

Name or company name of the Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MR. JAIME ECHEVARRIA ABONA	111,954	57,897	0.354
MR. JOSE MARIA CUEVAS SALVADOR	10,640	0	0.022
MS. AGATHA ECHEVARRIA CANALES	16,749	0	0.035
MR. ALEJANDRO LEGARDA ZARAGUETA	8,000	0	0.017
MR. INIGO SOLAUN GARTEIZ-GOXEASCOA	25,382	25,835	0.107
MR. JOSE CRUZ PEREZ LAPAZARAN	210	0	0.000
MR. NESTOR BASTERRA LARROUDE	87,694	6,118	0.198

(\*) Through:

Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
MS. CONCEPCION CANALES JAUREGUIBEITIA	57,897	0.122
MS. M ANGELES BUSTILLO BASTERRA	25,835	0.055
MR. IGNACIO BASTERRA MARTINEZ	6,118	0.013
<b>% of total voting rights held by the Board of Directors</b>		<b>0.741</b>

Complete the following tables about members of the Company's Board of Directors who hold rights to shares of the Company:

**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:**

**A.5 Describe, if applicable, the commercial, contractual or corporate relationships between significant shareholders and the Company and/or its group, unless they are immaterial or result from the ordinary course of business:**

**A.6 Indicate whether any paracorporate (shareholders') agreements affecting the Company pursuant to the provisions of Section 112 of the Securities Market Law [*Ley del Mercado de Valores – LMV*] have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement:**

NO

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

NO

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

**A.7 Indicate whether there is any individual or legal entity that exercises or may exercise control over the Company pursuant to Section 4 of the Securities Market Law. If so, identify it:**

NO

#### A.8 Complete the following tables about the Company's treasury stock:

At financial year end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
236,385	0	0.500

(\*) Through:

Describe any significant changes, pursuant to the provisions of Royal Decree 1362/2007, that have occurred during the fiscal year:

Date of release	Total direct shares acquired	Total indirect shares acquired	% of total share capital
05/22/2007	484,265	0	1.010
Capital gain/(loss) on treasury shares disposed of during the period			0

#### A.9 Describe the terms and conditions and the duration of the powers currently in force given by the shareholders acting at the General Shareholders' Meetings to the Board of Directors in order to acquire or transfer Company stock:

Extract of the Minutes of the General Shareholders Meeting held on June 18, 2007 on second call:

It was resolved to revoke the authorization to acquire treasury shares that was conferred upon the Board of Directors at the Company's General Shareholders Meeting held on May 22, 2006.

It was resolved to authorize the Board of Directors to buy and sell on the market, through the person, Company or entity 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 Joint Stock Companies Law and related provisions, at a minimum price of 100 percent (100%) and a maximum of five thousand percent (5,000%) of the par value.

This authorization is conferred upon the Company's Board of Directors for a maximum term of 18 months from the date of this resolution.

This authorization is conferred upon the Board of Directors subject to the legal limitations existing for the acquisition of treasury shares and, more specifically, to the provisions of Article 75 of the Consolidated Joint Stock Companies Law.

In the event the Board of Directors should need to exercise the authorization conferred upon it by the General Shareholders Meeting, the Company's treasury shares would be subject to the treasury shares regime set forth in Article 79 of the Consolidated Joint Stock Companies Law.

#### A.10 Indicate, if applicable, any legal or by-law restrictions on the exercise of voting rights, and any legal restrictions on the acquisition or transfer of interests in share capital.

NO

Maximum percentage of voting rights that a shareholder may exercise due to legal restriction	0
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Indicate whether there are by-law restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that a shareholder may exercise due to a by-laws restriction	0
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Indicate if there are legal restrictions against the acquisition or transfer of interests in the share capital:

NO

**A.11 Indicate whether the shareholders acting at a General Shareholders' Meeting have approved the adoption of breakthrough measures in the event of a public tender offer pursuant to the provisions of Law 6/2007:**

NO

If applicable, describe the approved measures and the terms on which the restrictions will become ineffective.

**B. STRUCTURE OF THE COMPANY'S MANAGEMENT**

**B.1 Board of Directors**

**B.1.1 Describe the maximum and minimum number of Directors set forth in the By-Laws:**

Maximum number of Directors	9
Minimum number of Directors	3

**B.1.2 Complete the following table identifying the members of the Board of Directors:**

Name or company name of the Representing	Director	Position on the Board	Date first elected	Date last elected	Election procedure
MR. JAIME ECHEVARRIA ABONA	–	CHAIRMAN	10/17/1975	06/27/2005	VOTING AT SHAREHOLDER MEETINGS
MR. JOSE MARIA CUEVAS SALVADOR	–	VICE CHAIRMAN	01/09/1987	06/18/2007	VOTING AT SHAREHOLDER MEETINGS
MS. AGATHA ECHEVARRÍA CANALES	–	DIRECTOR	06/24/1998	05/05/2003	VOTING AT SHAREHOLDER MEETINGS
MR. ALEJANDRO LEGARDA ZARAGÜETA	–	DIRECTOR	05/22/2006	05/22/2006	VOTING AT SHAREHOLDER MEETINGS
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	–	DIRECTOR	01/29/1999	05/05/2003	VOTING AT SHAREHOLDER MEETINGS
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	–	DIRECTOR	01/19/1998	05/05/2003	VOTING AT SHAREHOLDER MEETINGS
MR. JOSE CRUZ PEREZ LAPAZARAN	–	DIRECTOR	06/24/1998	05/05/2003	VOTING AT SHAREHOLDER MEETINGS
MR. NESTOR BASTERRA LARROUDÉ	–	DIRECTOR	07/27/1997	05/05/2003	VOTING AT SHAREHOLDER MEETINGS
<b>Total number of Directors</b>					<b>8</b>



Indicate any separations from the Board of Directors during the period:

B.1.3 Complete the following table about the members of the Board and each member's status:

EXECUTIVE DIRECTORS

Name or company name of the Committee	Director who has proposed the nomination	Position on the Company's organizational chart
MR. JAIME ECHEVARRIA ABONA	–	CHAIRMAN
<b>Total number of executive Directors</b>		<b>1</b>
<b>% of the entire Board</b>		<b>12.500</b>

PROPIETARY DIRECTORS

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the Director

MR. JOSE MARIA CUEVAS SALVADOR

Profile

Madrid. Law Degree, Univ. Complutense. Graduate in corporate executive management, IESE (Univ. Navarra). Extensive business activity. Has been Vice Chairman of SARRIÓ, S.A. Director of RENO DE MEDICI, S.A., and RENTA 4; Chairman of VALLEHERMOSO, S.A., of 21 INVEST, Vice Chairman of the Superior Board of Official Chambers of Commerce, Industry and Navigation. Was Chairman CEOE from 1984 to 2007.

Currently Director of Iberpapel Gestión, S.A. and Vice Chairman of UNICE.

Name or company name of the Director

MR. ALEJANDRO LEGARDA ZARAGÜETA

Profile

Industrial Engineer, Escuela Sup. Ingenieros Ind. [Engineering School], San Sebastián and Master's in Economics and Business Administration, IESE (Barcelona). Extensive experience in industry. In 1989, was named Economic-Administrative Director of Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) and in 1992, General Manager of the company.

Name or company name of the Director

MR. GREGORIO MARAÑÓN BERTRAN DE LIS

Profile

Law Degree, Univ. Complut. Madrid, Executive Management Prog. IESE. Experience in law and in the financial sector. Chairman, Roche Farma, Universal Music Spain, Logista, Real Fábrica de Tapices, Altadis (Executive Comm.), Lafarge Asland (Chairman Organization and Compensation Comm.), Sogecable (Audit Comm.), PRISA, Unión Radio and SER. Chairman of the Board, Advisor, Spencer Stuart. Member of Consejos asesores Apax and Aguirre Newman. Academic Real Acad. Bellas Artes San Fernando, Chairman, Sponsorship Teatro Real and Real Fundación Toledo.

Name or company name of the Director

**MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA**

Profile

Law Degree, Univ. Valladolid. Has engaged in professional activities at companies as Sole Director of Productos Fotográficos, VALCA, S.A., and INVELASA, S.A. (PATRICIO ECHEVARRIA, S.A.). Director of GARTEIZ, S.A., PRADO HNOS, S.A., GARATE ANITUA and CIA. S.A. and SEBASTIÁN DE LA FUENTE, S.A.E. Director of Iberpapel Gestión ,S.A.

Name or company name of the Director

**MR. JOSE CRUZ PEREZ LAPAZARAN**

Profile

Agricultural Engineer, Politéc. Madrid. Experience Public Admin., Agriculture, Spain and abroad. Was General manager Agricultural and Industrial Struct., Govt. of Rioja, Director, Agriculture, Livestock and Forestry, Govt. Navarra, Chairman of the Board, Sdades Publicas and Professor Projects and Food Technology Depts. Univ. Zaragoza and Univ. Pública, Navarra. Currently Deputy at the National Assembly, Agric., Fishing and Foodstuffs Committee, Congress and Senate and Senate European Union, Labor and Defense Committees. Gran Cruz Merito Agrario [Merit Cross for Agriculture]

Name or company name of the Director

**MR. NESTOR BASTERRA LARROUDÉ**

Profile

Law Degree, Graduate in Economics, Univ. de Deusto, MBA, IESE. Professional career in international and Spanish corporate banking. Currently Head of the Major Corporations Department, Banco Santander Central Hispano. Director of Amistra SGC, S.A.

<b>Total number of independent Directors</b>	<b>6</b>
<b>% of total Directors</b>	<b>75.000</b>

OTHER EXTERNAL DIRECTORS

<b>Name or company name of the Director</b>	<b>Committee that proposed his/her nomination</b>
MS. AGATHA ECHEVARRÍA CANALES	APPOINTMENTS AND COMPENSATION COMMITTEE
<b>Total number of other external Directors</b>	<b>1</b>
<b>% of total Directors</b>	<b>12.500</b>

Describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company or its management or with its shareholders.

<b>Name or company name of the Director</b>	<b>Reasons</b>	<b>Company, officer o shareholder to which Director has ties</b>
MS. AGATHA ECHEVARRÍA CANALES	FAMILY TIES TO	MR. JAIME ECHEVARRIA ABONA

Indicate the changes, if any, in the type of director during the period:

Name or company name of the Director	Date of the change	Previous status	Current status
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	11/11/2007	PROPIETARY	INDEPENDENT
MS. AGATHA ECHEVARRÍA CANALES	11/11/2007	INDEPENDENT	OTHER EXTERNAL
MR. NESTOR BASTERRA LARROUDÉ	11/11/2007	PROPIETARY	INDEPENDENT

**B.1.4 Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 5% of share capital.**

State whether formal petitions for presence on the Board have been received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied.

NO

**B.1.5 State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:**

NO

**B.1.6 Indicate the powers delegated to the CEO(s), if any:**

**B.1.7 Identify the directors who are managers or directors of companies within the listed company's group, if any:**

Name or company name of the Director	Company name of the Group entity	Title
MR. JAIME ECHEVARRIA ABONA	GAMEX CB S.R.O.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	INDUSTRIAS ALIMENTARIAS DE NAVARRA, S.A.U.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	KOTEKS VISCOFAN	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	NATURIN GMBH & CO. KG	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	NATURIN LIMITED	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	TEEPAK DE MEXICO. S. DE R.L. DE C.V.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	TEEPAK USA. LLC	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN CANADA. INC	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN POLAND SP. Z O.O.	CHAIRMAN
MR. JAIME ECHEVARRIA ABONA	VISCOFAN USA INC.	CHAIRMAN
MR. NESTOR BASTERRA LARROUDÉ	INDUSTRIAS ALIMENTARIAS DE NAVARRA, S.A.U.	DIRECTOR
MR. NESTOR BASTERRA LARROUDÉ	NATURIN GMBH & CO. KG	DIRECTOR
MR. NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	DIRECTOR
MR. JAIME ECHEVARRIA ABONA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL, LTDA	MEMBER OF THE ADVISORY BOARD

**B.1.8 Identify the directors of your company, if any, who are members of the Board of Directors of other companies listed on official stock exchanges in Spain other than those of your Group, that have been reported to your company:**

Name or company name of the Director	Company name of the Group entity	Title
MR. JAIME ECHEVARRIA ABONA	IBERPAPPEL GESTION, S.A.	CHAIRMAN
MR. JOSE MARIA CUEVAS SALVADOR	IBERPAPPEL GESTION, S.A.	DIRECTOR
MR. ALEJANDRO LEGARDA ZARAGÜETA	CONSTRUCCIONES and AUXILIAR DE FERROCARRILES, S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	SOGECABLE, S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	PROMOTORA DE INFORMACIONES S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	ALTADIS, S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.	CHAIRMAN
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	IBERPAPPEL GESTION, S.A.	DIRECTOR
MR. NESTOR BASTERRA LARROUDÉ	IBERPAPPEL GESTION, S.A.	DIRECTOR

**B.1.9 Indicate and, if applicable, explain whether the Company has established rules regarding the number of boards of which its directors may be members:**

YES

**Explanation of the rules**

The Company's Board of Directors at its meeting held on January 8, 2008, unanimously adopted the following resolution:

Pursuant to Recommendation 26 of the Unified Code of Good Governance of Listed Companies, it is resolved that the Company's Directors may not sit on more than ten Boards of Directors in addition to the Viscofan, S.A. Board.

The following are excluded from the computation of this maximum:

- Sitting on Boards of Grupo Viscofan S.A. companies
- Sitting on [Boards of] holding companies owned by the Director or his/her close relatives.

**B.1.10 In connection with recommendation number 8 of the Unified Code, indicate the Company's general policies and strategies reserved for approval by the full Board:**

The investment and financing policy:	YES
The definition of the structure of the group of companies:	YES
The corporate governance policy:	YES
The corporate social responsibility policy:	YES
The strategic or business plan, as well as management objectives and annual budgets:	YES
The policy regarding compensation and evaluation of performance of senior management:	YES
The risk control and management policy, as well as the periodic monitoring of the internal information and control systems	YES
The dividend policy, as well the treasury stock policy and, especially, the limits thereto:	YES

B.1.11 Complete the following tables regarding the aggregate compensation of Directors accrued during the fiscal year:

a) In the Company which is the subject matter of this report:

	Data in thousands of Euros
<b>Compensation</b>	
Fixed Compensation	0
Variable Compensation	0
Per diems	128
Bylaws-mandated payments	1,002
Options on shares and/or other financial instruments	0
Other	0
<b>Total</b>	<b>1,130</b>

	Data in thousands of Euros
<b>Other Benefits</b>	
Advances	0
Loans extended	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations undertaken	0
Life insurance premiums	0
Guarantees established by the company in favor of Directors	0

b) On account of membership by the Company's directors on other boards of directors and/or in the top management of Group companies:

	Data in thousands of Euros
<b>Compensation</b>	
Fixed Compensation	0
Variable Compensation	0
Per diems	0
Bylaws-mandated payments	223
Options on shares and/or other financial instruments	0
Other	0
<b>Total</b>	<b>223</b>

	Data in thousands of Euros
<b>Other Benefits</b>	
Advances	0
Loans extended	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations undertaken	0
Life insurance premiums	0
Guarantees established by the company in favor of Directors	0

c) Total compensation by type of director:

Breakdown of Directors	By company	By group
EXECUTIVE	240	148
PROPIETARY	0	0
EXTERNAL INDEPENDENT	805	75
OTHER EXTERNAL	85	0
<b>Total</b>	<b>1,130</b>	<b>223</b>

d) As a percentage of the profits attributable to the controlling company:

<b>Total Director compensation (in thousands of Euros)</b>	<b>1,353</b>
<b>Total Director compensation/earnings attributed to parent company equity holders (stated as a %)</b>	<b>2.9</b>

B.1.12 Identify the members of the Company's senior management who are not executive directors and state the total compensation accruing to them during the fiscal year:

Name or company name	Title
MR. JOSE ANTONIO CANALES GARCIA	GENERAL MANAGER VISCOFAN GROUP
MS. ELENA CIORDIA CORCUERA	HEAD OF LEGAL VISCOFAN GROUP
MR. GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR. CESAR ARRAIZA ARMENDARIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR. ARMANDO ARES MATEOS	HEAD OF INVESTOR RELATIONS AND COMMUNICATIONS VISCOFAN GROUP
MR. PEDRO ERASO ZABALZA	HEAD OF EXTRUSION VISCOFAN GROUP
MR. JOSE VICENTE SENDIN AZANZA	HEAD OF CONVERTING VISCOFAN GROUP
MR. JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH AND DEVELOPMENT VISCOFAN GROUP
MR. ANDRES DIAZ ECHEVARRIA	HEAD OF PRODUCTION VISCOFAN, S.A.
MR. JOSE ANTONIO MORIONES GUINDA	TECHNICAL ADVISER PRODUCTION DEPARTMENT VISCOFAN, S.A.
MR. JUAN JOSE ROTA ARRIETA	HEAD OF HUMAN RESOURCES VISCOFAN, S.A.
MR. MANUEL NADAL MACHIN	HEAD OF IT VISCOFAN, S.A.
MR. RICARDO ROYO RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN, S.A.
MR. MIROSLAV KAMIS	GENERAL MANAGER GAMEX CB SRO., VISCOFAN CZ, S.R.O.
MR. JUAN CARLOS GARCIA DE LA RASILLA PINEDA	GENERAL MANAGER KOTEKS VISCOFAN D.O.O.
MR. WILFRIED SCHOEBEL	HEAD OF PRODUCTION NATURIN GMBH CO. KG
MR. BERTRAM TRAUTH	GENERAL MANAGER NATURIN GMBH CO. KG (INCORPORATED - 2007)
MR. ALFRED BRUINEKOOL	HEAD OF SALES NATURIN GMBH CO. KG
MR. ALFRED BRUINEKOOL	GENERAL MANAGER NATURIN UK, LTD.
MR. YUNNY SOTO	GENERAL MANAGER VISCOFAN CENTROAMERICA COMERCIAL, S.A.
MR. OSCAR PONZ TORRECILLAS	GENERAL MANAGER VISCOFAN DE MEXICO S.R.L. DE C.V. (INCORPORATED 2007)
MR. LUIS BERTOLI	GENERAL MANAGER VISCOFAN DO BRASIL S. COM. E IND. LTDA.
MR. WALDEMAR SZYMANSKI	GENERAL MANAGER VISCOFAN POLAND SP. Z.O.O.
MR. JOSE MARIA FERNANDEZ MARTIN	GENERAL MANAGER VISCOFAN USA INC.
MR. ALEJANDRO MARTINEZ CAMPO	GENERAL MANAGER INDUSTRIAS ALIMENTARIAS DE NAVARRA, S.A.U.
<b>Total executive management compensation (in thousands of Euros)</b>	<b>2,630</b>

**B.1.13 Identify, on an aggregate basis, if there are indemnity or "golden parachute" provisions for the benefit of senior management, including executive directors, of the Company or its Group in the event of dismissals or changes of control.**

Indicate whether such agreements must be reported to and/or approved by the decision-making bodies of the Company or its Group:

Number of beneficiaries	3
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	Board of Directors General	Shareholders Meeting
Body that authorizes the provisions	YES	NO
Is the General Shareholders Meeting informed of the provisions?		NO

**B.1.14 Describe the process to set the compensation of the members of the Board of Directors and the relevant provisions of the By-Laws with regard thereto.**

**Process to set the compensation of the members of the Board of Directors and by-law provisions**

Pursuant to Article 27 of the by-laws:

‘Board compensation shall consist of 1.5% of net earnings before taxes, subject to the requirements set forth in Article 130 of the Spanish Corporation Law. The distribution of this percentage among the members of the Board shall be carried out pursuant to the resolution in this respect adopted by the Board of Directors in each case’.

In addition, Article 30 sets forth the following on the compensation of the Executive Committee:

‘Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Corporation Law. The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case’.

Moreover, an Appointments and Compensation Committee operates within the Board of Directors; one of its missions consists of:

‘Proposing to the Board of Directors:

- i.- the compensation policy for Directors and executives, as well the distribution of Directors’ compensation,
- ii.- executive Directors’ individual compensation and all other terms of their contracts.
- iii.- the basic terms of senior manager’s contracts.’

**Process for setting the compensation of the members of the Board of Directors and By-laws provisions**

In fiscal year 2007, the distribution of compensation for the Board and the Committee has been governed by the principle of equal distribution among its members.

State whether the full Board has reserved the right to approve the following decisions:

At the proposal of the Company’s chief executive, the appointment and, if applicable, the removal of senior managers, as well as their indemnity provisions.	YES
The compensation of directors and, in the case of executive directors, the additional compensation for their executive duties and other terms and conditions that must be included in their contracts.	YES

**B.1.15 State whether the Board of Directors approves a detailed compensation policy and specify the matters covered thereby:**

YES

Amount of fixed components, with a breakdown, if applicable, of fees payable for attendance at meetings of the Board and its Committees and estimated annual fixed compensation arising therefrom	YES
Variable compensation items	YES
Main characteristics of the social security systems, with an estimate of the amount thereof or equivalent annual cost	YES
Terms and conditions that must be included in the contracts with executive directors performing senior management duties, which will include	YES

**B.1.16 State whether the Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting for consultative purposes. If so, describe the relevant portions of the report regarding the compensation policy approved by the Board for the following years and the most significant changes experienced by such policies *vis-à-vis* the policy applied during the fiscal year, and provide an outline of the manner in which the compensation policy was applied during the fiscal year. Describe the role of the Compensation Committee and, if external advice has been provided, state the name of the external advisors that have given such advice:**

YES

**Matters covered by the report on compensation policy**

The Report explains the functions performed by of the various corporate bodies and the internal rules governing compensation policy . On the one hand, it refers to the Appointments and Compensation Committee, which drafts the proposal for the Board of Directors, and to the Board, which has the exclusive power to make Board compensation decisions, pursuant to the Board Rules and, on the other hand, it refers to the Company's By-laws approved by the General Shareholders Meeting.

The Company's By-laws set forth the following:

Article 27: ' Board compensation shall consist of 1.5% of net earnings before taxes, subject to the requirements set forth in Article 130 of the Spanish Corporation Law. The distribution of this percentage among the members of the Board shall be carried out pursuant to the resolution in this respect adopted by the Board of Directors in each case. '

Article 30: ' Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Corporation Law. The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case ' .

The Report also explains the various types of compensation and how they apply to each body, distinguishing between the Board and the various committees, and to the internal distribution among the various members of each of the committees.

Finally, the Report breaks down the total compensation received by each of the Directors individually in 2007.

**Role of the Compensation Committee**

Pursuant to Article 14 of the Board Rules, the following shall be among the missions of the Appointments and Compensation Committee:

' f) Proposing to the Board of Directors:

- i.- the compensation policy for Directors and senior managers, as well the distribution of Directors' compensation,
- ii.- executive Directors' individual compensation and all other terms of their contracts. '



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Has external advice been provided?

NO

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Name of external advisors

**B.1.17 Indicate the identity of the members of the Board of Directors, if any, who are also members of the board of directors, managers or employees of companies that hold a significant interest in the listed company and/or in companies within its Group:**

Describe, if applicable, any significant relationships other than the ones contemplated in the prior item, of the members of the Board of Directors linking them to significant shareholders and/or at companies within the Group:

**B.1.18 State whether the Regulations of the Board of Directors have been amended during the fiscal year:**

YES

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**Description of amendments**

At the meeting of Viscofan S.A.'s Board of Directors held on January 08, 2008, the Directors adapted the Board's operating Rules drafted at the Board Meeting held on March 30, 1999 and subsequently amended at the Board Meeting held on February 23, 2004, in order to comply with the Recommendations included in the Report of the Special Working Group on the Good Governance of Listed Companies, known as the 'Conthe Unified Code.'

The amendments introduced consist primarily of better defining the exclusive powers of the Board, increased regulation of the Audit and Appointments and Compensation Committees, articulation of an appraisal procedure for the Board and the Committee and enhanced information regarding Directors' compensations.

**B.1.19 Indicate the procedures for the appointment, reelection, evaluation and removal of Directors. List the competent bodies, the procedures to be followed and the criteria applied in each of such procedures.**

Pursuant to Article 26 of the By-laws:

'The representation and management of the Company shall be vested in the Board of Directors, which shall comprise a minimum of three and a maximum of nine members.

The Board shall be elected by the shareholders at the General Shareholders Meeting, in compliance with the provisions set forth in Article 137 of the Spanish Corporation Law.'

And Article 27 sets forth that:

'Directors need not be shareholders. The term of office for Directors is six years from the date they are elected.

The appointment of Directors shall 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 elapsed.

The General Shareholders Meeting, or in its stead the Board of Directors itself, may appoint from among the Directors a Chairman, a First Vice Chairman, a Second Vice Chairman, a Third Vice Chairman and a Secretary (who need not be a Director) of the Board of Directors; they shall also serve as such at the General Shareholders Meeting. The appointment of the Chairman and any of the Vice Chairmen by the Board of Directors itself shall comply with the requirements set forth in Article 141.2 of the Spanish Corporation Law for purposes of Article 30 of these By-laws.'

In this respect, Article 6 of the Board Rules sets forth:

'The Board of Directors shall comprise the number of Directors determined by the shareholders at the General Shareholders Meeting within the limits set forth in the By-laws.

The Board shall propose to the shareholders at the General Shareholders Meeting the number that based on the changing circumstances of the Company is the most appropriate to ensure due representativity and effective functioning of the Board.'

And Article 8 sets forth that:

‘The shareholders at the General Shareholders Meeting or the Board of Directors itself shall elect the Directors in the circumstances set forth in the law. The proposals submitted to the shareholders at the General Shareholders Meeting by the Board with respect to elections or reelections with the limits set forth in the By-laws shall rely on proposals by the Appointments and Compensation Committee for independent Directors and be based on a prior report by the Appointments and Compensation Committee for all other Directors. A reasonable number of independent Directors shall be included on the Board and there shall generally be a majority of external Directors. Directors shall serve for the terms of office set forth in the By-laws.’

Furthermore, Article 14 of the Board of Directors’ Rules includes the Appointments and Compensation Committee and sets forth:

The mission of the Appointments and Compensation Committee shall be as follows:

- a) Ensure the appropriateness and integrity of the selection of Directors and executive officers.
- b) Propose to the Board of Directors the election or reelection of independent Directors.
- c) Report to the Board of Directors on the election or reelection of all other Directors.
- d) Report the appointment and separation of executives that the Chief Executive Officer proposes to the Board.
- e) Report to the Board of Directors on matters of gender diversity.
- f) Propose to the Board of Directors:
  - i.- The compensation policy for Directors and senior managers, as well the distribution of Directors’ compensation,
  - ii.- Executive Directors’ individual compensation as all other terms of their contracts,
  - iii.- The basic terms of senior managers’ contracts.’

#### **B.1.20 Indicate the circumstances under which the resignation of Directors is mandatory.**

Pursuant to Article 27 of the Board of Directors’ Rules on the separation of Directors:

‘Directors shall serve at the pleasure of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:

- a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.
- b) When their remaining on the Board could undermine the Company’s interests or when the reasons for which they were elected 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.’

#### **B.1.21 Explain whether the powers of the top executive of the Company are vested in the Chairman of the Board. If so, indicate the measures that have been taken to mitigate the risks of accumulation of powers in a single person:**

YES

##### **Measures to mitigate risks**

The duties of Chief Executive Officer are included in the position of Chairman of the Board.

Pursuant to Article 9 of the Board of Directors’ Rules, the exercise of the powers vested in the Chairman shall be subject to prior resolution of the Board or to ratification by the Board when the urgency of the matter makes it inadvisable to postpone such exercise awaiting a prior resolution.

The duties of Chief Executive Officer are included in the position of Chairman of the Board.

Pursuant to Article 9 of the Board of Directors’ Rules, the exercise of the powers vested in the Chairman shall be subject to prior resolution of the Board or to ratification by the Board when the urgency of the matter makes it inadvisable to postpone such exercise awaiting a prior resolution.

Pursuant to Article 16 of the Board of Directors’ Rules:

‘Each year the Board of Directors shall evaluate:

The Chairman’s and Chief Executive Officer’s performance based on the report submitted to it by the Appointments and Compensation Committee.’

Article 9 of the Board Rules also sets forth that the Chairman's term of office shall be the same as his/her term as Director.

With respect to the separation of Directors, pursuant to Article 27 of the Board Rules:

Directors shall serve at the pleasure of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:

- a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.
- b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.

Thus, there are sufficient control measures limiting the actions of the Chairman and permit his/her separation in the event that such actions are not in the best interest of the Company.

Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the Board of Directors.

NO

**B.1.22 Are qualified majorities, different from the statutory majorities, required to adopt any type of decision?**

NO

Describe the method used by the Board of Directors to adopt resolutions, including at least the minimum quorum required to hold a valid meeting and the majorities required to adopt resolutions:

Description of the resolution:

ALL

**Quorum %**

The Board of Directors has a quorum with the presence or representation of one half plus one of the Directors 62.50

**Percentage required for majority**

Resolutions are adopted by simple majority vote of the Directors attending the meeting and the Chairman shall have the tie-breaking vote. 51.00

**B.1.23 Explain whether there are specific requirements, other than the requirements relating to Directors, to be appointed Chairman.**

NO

**B.1.24 Does the Chairman have a tie-breaking vote?**

YES

**Matters on which a tie-breaking vote may be cast**

Pursuant to Article 28 of the by-laws:

Resolutions shall be adopted by simple majority vote of the Directors attending the meeting and the Chairman shall have the tie-breaking vote.

Article 7 of the Board Rules sets forth the same thing.

**B.1.25** Indicate whether the By-Laws or the Regulations of the Board of Directors set forth any age limit for directors:

NO

Age limit for the Chairman	Age limit for the CEO	Age limit for Directors
0	0	0

**B.1.26** Indicate whether the By-Laws or the Regulations of the Board of Directors establish any limit on the term of office for independent directors:

NO

Maximum number of years in office	0
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**B.1.27** If the number of women directors is scant or nil, describe the reasons therefor as well as the initiatives adopted to correct such situation.

**Description of reasons and initiatives**

The Company has one female Director due to her valuable contributions and experience in several areas of general and special interest to the Company: economic-legal training, experience in audit, knowledge of industry and the sector.

The Company has always proposed its Directors based on objective criteria stressing the experience and qualifications of persons regardless of their sex.

The Company is willing to propose the nomination of female candidates for Director when their personal circumstances make them suitable candidates. According to Board Rules, the Appointments and Compensation Committee is also responsible for informing the Board on matters of gender diversity that may arise.

In particular, state whether the Nominating and Compensation Committee has established procedures which ensure that selection processes are free from any implied bias hindering the selection of women directors and which allow for the free search for women candidates that meet the required profile:

NO

**B.1.28** Indicate whether there are formal procedures for proxy-voting at meetings of the Board of Directors. If so, briefly describe them.

At its meeting held on May 09, 2005, the Company's Board of Directors approved the Rules on Remote Voting and Proxy; these include the proxy voting procedures at meetings of the Board of Directors. This procedure does not differ from the general procedure for general proxy voting powers.

The procedure contemplates the possibility proxy voting:

- a) By means of electronic communication through the Company's website.
- b) By mail.

**B.1.29** Indicate the number of meetings that the Board of Directors has held during the fiscal year.

In addition, specify the number of meetings, if any, at which the Chairman was not in attendance:

Number of Board Meetings	12
Number of Board Meetings the Chairman did not attend	0

Indicate the number of meetings held by the different committees of the Board of Directors during the fiscal year:

Number of Executive or Delegate Committee Meetings	10
Number of Audit Committee Meetings	8
Number of Appointments and Compensation Committee Meetings	2
Number of Appointments Committee Meetings	0
Number of Compensation Committee Meetings	0

B.1.30 Indicate the number of meetings held by the Board of Directors during the fiscal year at which not all of its members have been in attendance. Proxies granted without specific instructions must be counted as absences:

Number of Directors' failures to attend during the fiscal year	2
Failures to attend as a percentage of total votes during the fiscal year	2.080

B.1.31 Indicate whether the annual individual financial statements and the annual consolidated financial statements that are submitted to the Board of Directors for approval have been previously certified:

NO

Identify, if applicable, the person/persons that has/have certified the annual individual and consolidated financial statements of the Company for their preparation by the Board:

B.1.32 Explain the mechanisms, if any, adopted by the Board of Directors to avoid any qualifications in the audit report on the annual individual and consolidated financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting.

In order to prevent any qualified auditor's opinion on the accounts prepared by the Board of Directors submitted for approval to the General Shareholders Meeting, the Board Rules require that the accounts be prepared in accordance with applicable accounting principles.

Prior to the preparation of the final accounts, the auditors review the proforma accounts.

The Audit Committee meets with the auditors periodically in order to ensure their independence as well as to prevent exceptions in the annual accounts and to ensure that the accounts are prepared in accordance with applicable accounting principles. To such end, a preclosing was carried out for the Group on October 30, 2007.

B.1.33 Is the Secretary of the Board of Directors a Director?

NO

B.1.34 Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Nominating Committee and approved by the full Board.

#### Procedure for election and separation

Pursuant to Article 11 of the Board Rules:

'The election and separation of the Secretary of the Board and, as appropriate, of the Assistant Secretary, shall be approved by the full Board, based on a report by the Appointments and Compensation Committee.'

Does the Appointments Committee report the election?	YES
Does the Appointments Committee report the separation?	YES
¿Does the full Board approve the election?	YES
¿Does the full Board approve the separation?	YES
Is the secretary of the Board responsible for specially ensuring compliance with good governance recommendations?	YES

#### Remarks

The Board has explicitly entrusted the Secretary with ensuring compliance with the recommendations on good governance. However, this circumstance has not been formalised in writing.

#### B.1.35 Indicate the mechanisms, if any, used by the Company to preserve the independence of the auditors, the financial analysts, the investment banks and the rating agencies.

At the General Shareholders Meeting held on June 18, 2007, the Company's shareholders resolved to change the auditor and approved the appointment of a new audit firm to audit the Company's individual and consolidated accounts, with such appointment being for the legal minimum period of three fiscal years.

There is full cooperation with the auditors and all information the Company and its group have is made available to the auditors. With respect to the analysts and investment banks, the mechanisms set forth in Article 34 of the Board Rules, in addition to compliance with applicable regulations, ensure the preservation of independence.

Article 34,- 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 Company's By-laws, 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 public on:

- Relevant facts that could materially influence the formation of stock market prices.
- Substantial amendments to the Company governance rules.
- Treasury share policies that Company may propose to carry out exercising the authorizations 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 web page up to date and to coordinate its content with the documents filed with and recorded at public registries.

#### B.1.36 Indicate whether the Company has changed the external auditor during the fiscal year. If so, identify the incoming and the outgoing auditor:

YES

Outgoing auditor Incoming auditor

KPMG AUDITORES ERNST & YOUNG, S.L.

If there has been any disagreement with the outgoing auditor, describe the content thereof:

NO

B.1.37 Indicate whether the audit firm performs other non-audit work for the Company and/or its Group. If so, state the amount of the fees paid for such work and the percentage they represent of the aggregate fees charged to the Company and/or its Group.

NO

	Company	Group	Total
Amount for work other than audit work (thousands of Euros)	0	0	0
Amount for work other than audit work/Total amount invoices by the audit firm (as a %)	0.000	0.000	0.000

B.1.38 State whether the audit report on the Annual Financial Statements for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications.

NO

B.1.39 Indicate the consecutive number of years for which the current audit firm has been auditing the annual financial statements of the Company and/or its Group. In addition, state the percentage represented by such number of years with respect to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years	1	1

  

	Company	Group
Number of years audited by the current audit firm/ Number of years the Company has been audited (as a %)	4.0	6.0

B.1.40 Indicate the interests of members of the Board of Directors in the share capital of companies that engage in the same, similar or complementary activities, both with respect to the company and its group, and which have been reported to the company. In addition, state the position or duties of such Directors in such companies:

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN CENTROAMERICA COMERCIAL S.A.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN POLAND S.P. Z.O.O.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	KOTEKS VISCOFAN D.O.O.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN DE MEXICO S. DE R.L. DE C.V.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	INDUSTRIAS ALIMENTARIAS DE NAVARRA S.A.U.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN DO BRASIL SOC. COM. E IND. LTDA.
% Shareholding	0,000
Title or duties	MEMBER OF THE ADVISORY BOARD

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN CZ. s.r.o.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN USA INC
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	TEEPAK DE MEXICO. S. DE R.L. DE C.V.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	NATURIN GMBH & CO KG
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	GAMEX. C.B.s.r.o.
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS



Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	TEEPAK USA. LLC
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	NATURIN LIMITED
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. JAIME ECHEVARRIA ABONA
Name of the company in question	VISCOFAN CANADA INC
% Shareholding	0,000
Title or duties	CHAIRMAN OF THE BOARD OF DIRECTORS

Name or company name of the Director	MR. NESTOR BASTERRA LARROUDÉ
Name of the company in question	VISCOFAN USA INC
% Shareholding	0,000
Title or duties	DIRECTOR

Name or company name of the Director	MR. NESTOR BASTERRA LARROUDÉ
Name of the company in question	INDUSTRIAS ALIMENTARIAS DE NAVARRA S.A.U.
% Shareholding	0,000
Title or duties	DIRECTOR

Name or company name of the Director	MR. NESTOR BASTERRA LARROUDÉ
Name of the company in question	NATURIN GMBH & CO KG
% Shareholding	0,000
Title or duties	DIRECTOR

B.1.41 Indicate whether there is any procedure for Directors to hire external advisory services, and if so, describe it:

YES

**Description of procedure**

Pursuant to Article 18 of Viscofan's Board Rules:

‘Through the Chairman, Directors may request the hiring of such external advisors as they deem necessary for the proper performance of their work as Directors. The full Board is empowered to adopt any relevant resolutions as to whether or not such external advisory services shall be performed, what person or entity shall provide such services, the limitations on access to the Company's proprietary information that such advisor shall have and the approval, as appropriate, of the relevant expense item’.

**B.1.42** Indicate whether there is any procedure for Directors to obtain sufficiently in advance the information required to prepare for meetings of management-level decision-making bodies and, if so, describe it:

YES

**Description of procedure**

Article 17 of the Board of Directors' Rules sets forth the following:

'Directors shall receive the information required to carry out their work in due time and depth with respect to the matters in question. They may gather additional information when they so deem advisable; such information shall be channeled through the Secretary of the Board of Directors. Before each meeting of the Board of Directors, the Directors receive the most relevant information on the Agenda items that will be discussed as far in advance as the circumstances permit.'

**B.1.43** State whether the Company has established any rules requiring Directors to inform the Company -and, if applicable, resign from their position- in cases in which the credit and reputation of the Company may be damaged. If so, describe such rules:

YES

**Description of rules**

Board Rules:

CHAPTER VIII. Separation of Directors.

Article 27,- Separation of Directors.

Directors shall serve at the pleasure of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:

- a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.
- b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.

**B.1.44** State whether any member of the Board of Directors has informed the Company that he has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of an oral trial has been issued against him for the commission of any of the crimes contemplated in Section 124 of the Companies Law:

NO

Indicate whether the Board of Directors has analyzed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the Director should remain in office.

NO

Decision made	Substantiated explanation

**B.2 Committees of the Board of Directors**

**B.2.1** List all the committees of the Board of Directors and the members thereof:

APPOINTMENTS AND COMPENSATION COMMITTEE

Name	Title	Category
MR. JAIME ECHEVARRIA ABONA	CHAIRMAN	EXECUTIVE
MR. JOSE CRUZ PEREZ LAPAZARAN	DIRECTOR	INDEPENDENT
MR. JOSE MARIA CUEVAS SALVADOR	DIRECTOR	INDEPENDENT

## EXECUTIVE OR DELEGATE COMMITTEE

Name	Title	Category
MR. JAIME ECHEVARRIA ABONA	CHAIRMAN	EXECUTIVE
MR. JOSE MARIA CUEVAS SALVADOR	DIRECTOR	INDEPENDENT
MR. NESTOR BASTERRA LARROUDÉ	DIRECTOR	INDEPENDENT

## AUDIT COMMITTEE

Name	Title	Category
MR. JOSE CRUZ PEREZ LAPAZARAN	CHAIRMAN	INDEPENDENT
MS. AGATHA ECHEVARRÍA CANALES	DIRECTOR	OTHER EXTERNAL
MR. ALEJANDRO LEGARDA ZARAGÜETA	DIRECTOR	INDEPENDENT
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	DIRECTOR	INDEPENDENT

## B.2.2 State whether the Audit Committee has the following duties:

Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.	YES
Periodically review the internal control and risk management systems, in order for themain risks to be properly identified, managed and made known.	YES
Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit area; propose the budget for such area; receive periodic information regarding its activities; and verify that senior rmanagement takes into account the conclusions and recommendations contained in its reports.	YES
Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.	NO
Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.	YES
Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.	YES
Ensure the independence of the external auditor.	YES
In the case of groups of companies, favor the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.	YES

### B.2.3 Describe the rules of organization and operation of, and the duties assigned to, each of the Board committees.

<b>Committee name</b>	<b>APPOINTMENTS AND COMPENSATION COMMITTEE</b>
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#### Short description

Governed by the Board Rules:

Article 14,- Appointments and Compensation Committee.

There shall be an Appointments and Compensation Committee of the Board of Directors.

The mission of the Appointments and Compensation Committee shall be as follows:

- a) Ensure the appropriateness and integrity of the selection of Directors and senior managers.
- b) Propose to the Board of Directors the election or reelection of independent Directors,
- c) Report to the Board of Directors on the election or reelection of all other Directors.
- d) Report the appointment and separation of executives that the Chief Executive Officer proposes to the Board,
- e) Report to the Board of Directors on matters of gender diversity.
- f) Propose to the Board of Directors:
  - i.- the compensation policy for Directors and executives, as well as the distribution of Directors' compensation,
  - ii.- executive Directors' individual compensation as all as other terms of their contracts.
  - iii.- the basic terms of executives' contracts.

The full Board of Directors is empowered to appoint its members as well as to remove them, and there shall be no fewer than three members of the Committee. The members of the Committee shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company.

<b>Committee name</b>	<b>EXECUTIVE OR DELEGATE COMMITTEE</b>
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#### Short description

Company By-laws:

Article 30:

1.- The Executive Committee shall comprise a minimum of three and a maximum of five members. The following shall be members of the Executive Committee: the Chairman, the First Vice Chairman, and one to three Directors appointed by the Board itself pursuant to legal requirements.

The Executive Committee shall adopt its resolutions by majority vote and the Chairman shall have the tie-breaking vote. The Chairman of the Board shall chair the Committee. All powers except the following shall be vested in the Executive Committee as a permanent delegation by the Board of Directors: Sale, swap and encumbrance of real property, industrial or commercial premises and businesses of all kinds, establishment and modification of interests on such real property, premises and businesses, transfer, disposal, ownership and encumbrance of real property, establishment and modification of real estate mortgages, submitting issues to private arbitration and such powers as cannot legally be delegated.

Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Corporation Law.

The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case.

Board Rules:

Article 12,- Executive Committee.

The Executive Committee shall comprise the number and type of members set forth in the By-laws. The Board of Directors is empowered to appoint its members as well as to remove them, based on a report by the Appointments and Compensation Committee. The members of the Executive

Committee shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company.

The Executive Committee shall have the authorities and powers conferred upon it by the By-laws and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders Meeting.

The Executive Committee shall exercise its powers with the utmost transparency *vis-a-vis* the Board, informing it of the matters discussed and any resolutions adopted.

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**Committee name****AUDIT COMMITTEE**

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**Short description**

Company By-laws:

Article 30:

2- The Audit Committee shall comprise a minimum of three members appointed by the Board of Directors pursuant to legal requirements.

The members of the Committee shall automatically cease to serve on the Committee when they cease to serve as Directors or based on a decision by the Board of Directors.

The members of the Audit Committee shall elect from among their number a Chairman, who shall be replaced every four years; the Chairman may be reelected one year after he/she ceases to serve as Chairman.

The Audit Committee shall meet whenever convened by its Chairman, by decision of the Board of Directors, or upon the request of the majority of its members.

The Audit Committee shall have a quorum with the presence or representation 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 tie-breaking vote.

Resolutions shall be recorded in the Audit Committee's Minutes Book, and shall be signed by the Chairman of the Committee, as shall any certifications of resolutions adopted that may be issued.

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.

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors:

- a) Report the shareholders at the General Shareholders Meeting on matters brought forth by the shareholders with respect to matters within its competence.
- b) Propose to the Board of Directors for submittal to the shareholders at the General Shareholders Meeting the appointment of the Auditor referred to in Article 204 of the Spanish Corporation Law.
- c) Supervise, when appropriate, the internal audit services.
- d) Become familiar with the Company's financial reporting process and its internal control systems.
- e) Maintain a relationship with the Auditor to receive information on matters that may threaten the Auditor's independence and any other matters related to the process of performing the audit, as well as to receive information from and maintain with the Auditor the communications set forth in audit law and in technical audit standards.

Board Rules:

Article 13,- Audit Committee.

There shall be an Audit Committee of the Board of Directors.

The composition of the Audit Committee and its functioning shall be as set forth in the Company's By-laws. The members of the Audit Committee shall be appointed by the Board of Directors pursuant to legal requirements based on a report by the Appointments and Compensation Committee, and they shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company or by decision of the Board of Directors.

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.

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors:

- a) Report the shareholders at the General Shareholders Meeting on matters brought forth by the shareholders with respect to matters within its competence.
- c) Supervise, when appropriate, the internal audit services.
- c) Become familiar with the Company's financial reporting process and its internal control systems.
- d) With respect to the independent auditors:
  - i.- Submit to the Board proposals for the selection, appointment, reappointment and replacement of the independent auditor.
  - ii.- Receive regularly from the external auditor information on the audit plan and the results of its performance, and verify that Management takes into accounts its recommendations,
  - iii.- Ensure the independence of the external auditor and to such end:
    - 1.- That the Company reports to the CNMV [The Spanish Securities and Exchange Commission] as a material fact the change of auditor and includes with the report a declaration of any disagreements with the outgoing auditor and, if any the content thereof;
    - 2.- That it is ensured that the Company and the auditor comply with prevailing standards on the rendering of services other than audit services, the auditor's business concentration limits and, in general, all other standards established to ensure the independence of the auditors;
    - 3.- That in the event of the resignation of the independent it reviews the circumstances triggering the resignation.
- e) Report on the Annual Accounts, as well as on the half-yearly and quarterly financial statements, which must be filed with the regulatory or market oversight agencies, mentioning the internal control systems, the monitoring of follow-up and compliance through internal auditing, when appropriate, as well as, when applicable, the accounting criteria applied. It shall also inform the Board of any change in accounting criteria and balance sheet and off-balance sheet risks.
- f) Prepare an annual report on the Committee's activities.

#### B.2.4 Indicate the advisory and consulting powers as well as the delegated powers, if any, of each of the committees:

Committee name	APPOINTMENTS AND COMPENSATION COMMITTEE
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##### Short description

Board Rules:

Article 14,- Appointments and Compensation Committee.

There shall be an Appointments and Compensation Committee of the Board of Directors.

The mission of the Appointments and Compensation Committee shall be as follows:

- a) Ensure the appropriateness and integrity of the selection of Directors and senior managers.
- b) Propose to the Board of Directors the election or reelection of independent Directors,
- c) Report to the Board of Directors the election or reelection of all other Directors.
- d) Report on the appointment and separation of executives that the Chief Executive Officer proposes to the Board.
- e) Report to the Board of Directors on matters of gender diversity.
- f) Propose to the Board of Directors:

- i.- the compensation policy for Directors and senior managers, as well the distribution of Directors' compensation,
- ii.- executive Directors' individual compensation as all other terms of their contracts,
- iii.- the basic terms of senior managers' contracts.

The full Board of Directors is empowered to appoint its members as well as to remove them, and there shall be no fewer than three members of the Committee. The members of the Committee shall automatically cease to serve on the Committee when they cease to serve as Directors of the Committee.

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<b>Committee name</b>	<b>EXECUTIVE OR DELEGATE COMMITTEE</b>
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**Short description**

Company By-laws:

Article 30:

1.- The Executive Committee shall comprise a minimum of three and a maximum of five members. The following shall be members of the Executive Committee: the Chairman, the First Vice Chairman, and one to three Directors appointed by the Board itself pursuant to legal requirements.

The Executive Committee shall adopt its resolutions by majority vote and the Chairman shall have the tie-breaking vote. The Chairman of the Board shall chair the Committee. All powers except the following shall be vested in the Executive Committee as a permanent delegation by the Board of Directors: Sale, swap and encumbrance of real property, industrial or commercial premises and businesses of all kinds, establishment and modification of real rights on such real property, premises and businesses, transfer, disposal, ownership and encumbrance of real property, establishment and modification of real estate mortgages, submitting issues to private arbitration and such powers as cannot legally be delegated.

Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Joint Stock Companies Law.

The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case.

Board Rules:

Article 12,- Executive Committee.

The Executive Committee shall comprise the number and type of members set forth in the By-laws. The Board of Directors is empowered to appoint its members as well as to remove them, based on a report by the Appointments and Compensation Committee. The members of the Executive Committee shall automatically cease to serve on the Committee when they cease to serve as Directors of the Committee.

The Executive Committee shall have the authorities and powers conferred upon it by the By-laws and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders Meeting.

The Executive Committee shall exercise its powers with the utmost transparency *vis-a-vis* the Board, informing it of the matters discussed and any resolutions adopted.

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<b>Committee name</b>	<b>AUDIT COMMITTEE</b>
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**Short description**

Company By-laws:

Article 30:

2. - The Audit Committee shall comprise a minimum of three members appointed by the Board of Directors pursuant to legal requirements.

The members of the Committee shall automatically cease to serve on the Committee when they cease to serve as Directors or based on a decision by the Board of Directors.

The members of the Audit Committee shall elect from among their number a Chairman, who shall be replaced every four years; the Chairman may be reelected one year after he/she ceases to serve as Chairman.

The Audit Committee shall meet whenever convened by its Chairman, by decision of the Board of Directors, or upon the request of the majority of its members.

The Audit Committee shall have a quorum with the presence or representation 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 tie-breaking vote.

Resolutions shall be recorded in the Audit Committee's Minute Book, and shall be signed by the Chairman of the Committee, as shall any certifications of resolutions adopted that may be issued.

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.

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors:

- a) Report to the shareholders at the General Shareholders Meeting on matters brought forth by the shareholders with respect to matters within its competence.
- b) Propose to the Board of Directors for submittal to the shareholders at the General Shareholders Meeting the appointment of the Auditor referred to in Article 204 of the Spanish Corporation Law.
- c) Supervise, when appropriate, the internal audit services.
- d) Become familiar with the Company's financial reporting process and its internal control systems.
- e) Maintain a relationship with the Auditor to receive information on matters that may threaten the Auditor's independence and any other matters related to the process of performing the audit, as well as to receive information from and maintain with the Auditor the communications set forth in audit law and in technical audit standards.

Board Rules:

Article 13,- Audit Committee.

There shall be an Audit Committee of the Board of Directors.

The composition of the Audit Committee and its functioning shall be as set forth in the Company's By-laws. The members of the Audit Committee shall be appointed by the Board of Directors pursuant to legal requirements based on a report by the Appointments and Compensation Committee, and they shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company or by decision of the Board of Directors.

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.

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors:

- a) Inform the shareholders at the General Shareholders Meeting regarding matters brought forth by the shareholders with respect to matters within its competence.
- b) Supervise, when appropriate, the internal audit services.
- c) Become familiar with the Company's financial reporting process and its internal control systems.
- d) With respect to the independent auditors:
  - i.- Forward to the Board proposals for the selection, appointment, reappointment and replacement of the independent auditor.
  - ii.- Receive regularly from the external auditor information on the audit plan and the results of its execution and verify that Management takes into accounts its recommendations,
  - iii.- Ensure the independence of the external auditor and to such end:



- 1.- That the Company reports to the CNMV [The Spanish Securities and Exchange Commission] as a material fact the change of auditor and includes with the report a declaration of any disagreements with the outgoing auditor and, if any the content thereof;
  - 2.- That it is ensured that the Company and the auditor comply with prevailing standards on the rendering of services other than audit services, the auditor's business concentration limits and, in general, all other standards established to ensure the independence of the auditors;
  - 3.- That in the event of the resignation of the independent it reviews the circumstances triggering the resignation.
- e) Report on the Annual Accounts, as well as on the half-yearly and quarterly financial statements, which must be filed with the regulatory or market oversight agencies, mentioning the internal control systems, the monitoring of follow-up and compliance through internal auditing, when appropriate, as well as, when applicable, the accounting criteria applied. It shall also inform the Board of any change in accounting criteria and balance sheet and off-balance sheet risks.
- f) Prepare an annual report on the Committee's activities.

**B.2.5 Indicate, if applicable, the existence of regulations of the Board committees, where such regulations may be consulted and the amendments made during the fiscal year. Also indicate if any annual report of the activities performed by each committee has been voluntarily prepared.**

Committee name	APPOINTMENTS AND COMPENSATION COMMITTEE
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**Short description**

It is governed by the Board Rules available on the Company's web page and which has been submitted to the CNMV.

At the meeting of Viscofan S.A.'s Board of Directors held on January 08, 2008, the Directors adapted the Board's operating Rules drafted at the Board Meeting held on March 30, 1999 and subsequently amended at the Board Meeting held on February 23, 2004, in order to comply with the Recommendations included in the Report of the Special Working Group on the Good Governance of Listed Companies, known as the 'Conthe Unified Code.'

The amendments introduced consist primarily of better defining the exclusive powers of the Board, increased regulation of the Audit and Appointments and Compensation Committees, articulation of a evaluation mechanism for the Board and the Committee and adding information regarding Directors' compensations.

Committee name	EXECUTIVE OR DELEGATE COMMITTEE
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**Short description**

It is governed by Article 30 of the Company's By-laws for the Executive Committee and the Audit Committee and in the Board Rules available on the Company's web page and which has been submitted to the CNMV.

At the meeting of Viscofan S.A.'s Board of Directors held on January 08, 2008, the Directors adapted the Board's operating Rules drafted at the Board Meeting held on March 30, 1999 and subsequently amended at the Board Meeting held on February 23, 2004, in order to comply with the Recommendations included in the Report of the Special Working Group on the Good Governance of Listed Companies, known as the 'Conthe Unified Code.'

The amendments introduced consist primarily of better defining the exclusive powers of the Board, increased regulation of the Audit and Appointments and Compensation Committees, articulation of an appraisal procedure for the Board and the Committee and enhanced information regarding Directors' compensations.

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**Committee name****AUDIT COMMITTEE**

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**Short description**

It is governed by Article 30 of the Company's By-laws for the Executive Committee and the Audit Committee and in the Board Rules available on the Company's web page and which has been submitted to the CNMV.

At the meeting of Viscofan, S.A.'s Board of Directors held on January 08, 2008, the Directors adapted the Board's operating Rules drafted at the Board Meeting held on March 30, 1999 and subsequently amended at the Board Meeting held on February 23, 2004, in order to comply with the Recommendations included in the Report of the Special Working Group on the Good Governance of Listed Companies, known as the 'Conthe Unified Code.'

The amendments introduced consist primarily of better defining the exclusive powers of the Board, increased regulation of the Audit and Appointments and Compensation Committees, articulation of a performance appraisal for the Board and the Committee and enhanced on Directors' compensations.

**B.2.6 Indicate whether the composition of the Executive Committee reflects the participation of the different directors in the Board of Directors based on their category:**

NO

**If not, explain the composition of your Executive Committee**

The composition of the Executive Committee reflects the participation of the various Directors according to their category, although not in the same proportion because, for operational reasons and reasons of efficiency, it is advisable to keep its size and composition appropriate to its nature of an Executive Committee so that it is not simply a duplication of the Board of Directors.

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**C - RELATED-PARTY TRANSACTIONS**

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**C.1 State whether the Board as a full body has reserved for itself the power to approve, after a favourable report of the Audit Committee or any other committee entrusted with such duty, transactions carried out by the Company with Directors, with significant shareholders or shareholders represented on the Board, or with persons related thereto:**

YES

**C.2 Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the Company's significant shareholders:**

**C.3 Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the directors or managers of the Company:**

**C.4 Describe the relevant transactions made by the Company with other companies belonging to the same group, provided they are not eliminated in the preparation of the consolidated financial statements and they are not part of the ordinary course of business of the Company as to their purpose and conditions:**

**C.5 State whether the members of the Board of Directors have been subject to any conflict of interest situation during the fiscal year pursuant to the provisions of Article 127 ter of the Companies Law.**

NO

## **C.6 Describe the mechanisms used to detect, determine and resolve potential conflicts of interest between the company and/or its Group, and its directors, managers or significant shareholders.**

Board Rules.

Article 22,- Duty of loyalty.

The Company's Directors, in fulfilling their duty of loyalty, shall be bound to report to the Board, prior to occurrence or as soon as they are aware of the existence, of any situation of conflict of interest with the Company and its group of companies. This includes the obligation to resign immediately in the event of the persistence of such conflict or if their presence on the Board is contrary to the Company's interests.

Furthermore, Directors shall abstain from voting on matters in which they have an interest.

Any situations of conflict of interest in which Directors find themselves shall be included in the annual corporate governance report.

Directors may not hold positions either on their own or through a representative, positions of any type in companies that are competitors of Viscofan and its group of companies, nor may they render to such companies representation or advisory services.

In its various facets this Director's duty of loyalty also encompasses activities engaged in by related persons, as defined in these rules.

## **C.7 Is more than one company of the Group listed in Spain?**

NO

Identify the subsidiaries listed in Spain:

## **D - RISK CONTROL SYSTEMS**

### **D.1 General description of the risk control policy adopted by the Company and/or its Group, describing and assessing the risks covered by the system and a justification for the adjustment of such system to the profile of each kind of risk.**

Viscofan has carried out a process of identifying the principal risks inherent in its activity. These include the most specific risks that could have a significant impact on the activity of the listed Company or its subsidiaries:

#### **a) Market risks. Competition, prices. Technological developments.**

Given the special characteristics of the sector, the qualitative differentiation in the supply of products that Viscofan Group can offer to the market is particularly significant. To do so, Viscofan has been acquiring over the year several active companies specializing in various types of artificial packaging to build a full range of products: cellulose, collagen, plastics and fibrous.

Viscofan Group bolsters its R & D and innovation activity by registering its own industrial property rights and collaborating in the acquisition of joint rights in fields in which it believes it is more advisable to participate in projects with non-Group third parties. It also promotes collaboration with research centres for the development of new technologies related to its activity.

#### **b) Exchange rate risk.**

The location of production in areas with currencies other than those of the points of sale has traditionally had an impact on the Group's earnings. In order to reduce our dependence on foreign exchange and particularly on the U.S. dollar, production has been distributed geographically, making the location of the productive processes flexible and basing it on the destination market for the production in order to dampen the effect of these fluctuations. In addition to this natural hedging, exchange rate hedging is normally executed to cover the period from invoicing to collection.

**c) Credit risk.**

Viscofan has executed a global hedge enabling it to unify hedging for all the Group's companies to supplement the system for monitoring the performance of payment obligations.

**d) Risk of property damage, machinery breakdown, and loss of earnings due to property damage or machinery breakdown.**

Both during operations and, in cases in which production facilities are improved or expanded, during the assembly and testing phase, the Group has executed a global hedge program that, by providing hedging unified with respect to terms and limits, enables it to minimize this type of risk, particularly in cases in which the number of production centres available within the Group for the manufacture of a given product is more limited.

**f) Third party liability risk.**

Viscofan has implemented internal control systems to ensure the quality of its products and the product production process, as well as any other related activity necessary for their manufacture and sale.

Nonetheless, the risk of claims for damages caused by a product itself or by engaging in Group activities is covered by global third party liability policies that unify the coverage of risks at Viscofan and its subsidiaries.

**g) Goods transport risk.**

Although Viscofan has followed the policy of distributing production geographically, making the location of the productive processes flexible and basing it on the destination market, there is a continuous volume of raw materials and semi-finished and finished products traffic among the various Group companies and to the end customer.

In order to minimize the risks inherent in this traffic, Viscofan has taken out a transport insurance policy at the Group level, with automatic coverage sufficient for all transport that may be generated.

In specific cases in which transport carries a very high cost, Viscofan takes out specific policies to cover that risk.

**h) Environmental risk.**

Viscofan Group constantly monitors environmental risks in all countries in which it operates in order to reduce them and to decrease any potential liability deriving from such risks. In addition, it has taken out several global policies covering all Group companies.

At the production centres located in Spain, progress is being made on the gradual implementation of the Best Available Techniques (BATs) deriving from Community Directive IPPC 96/61/EC on integrated pollution prevention and control, as well as arranging for the Integrated Environmental Authorization.

In addition to these risks, there are other risks inherent in the Company's activity, which because of their nature require other controls, These risks are described below:

A,- Because its primary activity involves foodstuffs, and more specifically meats, the company focuses on risks deriving from potential occurrences of cases of foodborne illnesses that could cause a severe decline in demand, a changed in consumer habits, or a shortage of raw materials. Prevention of these risks cannot be controlled by Viscofan. Nevertheless it seeks to minimize their effects by marketing its products in all geographic areas, thus diminishing the impact of the reduction of demand on a given area could cause.

B,- With respect to the canning industry, we should note the seasonality of activity with respect to the manufacture of canned asparagus, tomato products and olives. These seasonality increases the risk of crop problems, which could result in a price increase for raw materials or a shortage in such supply. In order to blunt the effects of this risk, various direct and indirect measures have been taken to diversify contracts for raw materials and the activity by manufacturing and marketing alternative products that lessen the potential impact.

There are also specific risks inherent to the activity within the group; they may have a greater impact if there are inefficiencies in the heating process cause deficiencies in the elimination of the various pathogens. In order to prevent this risk, IAN has implemented a system of automated parametrisation of the process that permits detection of any anomaly of the functioning of the heating process.

**D.2 Indicate whether any of the various types of risks (operational, technological, financial, legal, reputational, tax-related, etc.) affecting the Company and/or its Group materialized during the fiscal year.**

NO

If so, indicate the circumstances giving rise to them and whether the established control systems have worked:

Risk that materialized during the fiscal year

Circumstances that gave rise to it

No risk that affected the Company's or the Group's activity occurred.

Operation of control systems

**D.3 Indicate whether there is any committee or other decision-making body in charge of establishing and supervising these control mechanisms.**

YES

If so, describe its duties:

Name of the committee or body

AUDIT COMMITTEE

Description of functions

The Board of Directors is vested with the ultimate oversight function. The Audit Committee operates within the Board with control functions with respect to some of the risks indicated. To carry out these functions it is strengthening the establishment of internal auditing with advisory services being performed by an outside company. The internal audit program includes the assessment of the universe of risks in order to identify the areas of greatest exposure. These will be prioritized in the annual audit plan. The tests and reviews to be performed each fiscal year are to be included in this plan. The work will focus on obtaining a diagnostic of current controls as well as proposing future improvements.

**D.4 Identification and description of the procedures for compliance with the various regulations that affect the Company and/or its Group.**

In order to identify and ensure compliance with the various regulations to which the Company and the Group are subject at all levels, Viscofan, S.A. has an internal legal advisory department whose objectives include the carrying out of all the companies' activities in due compliance with regulations applicable at all levels.

To achieve this it also has local advisory services at each of the locations where the Group has a presence and where even prior to a presence such services are necessary on a one-off or ongoing basis.

In addition, the Company has external advisors at all levels for all one-off and aspects for which it deems it advisable to strengthen its internal structure by obtaining the opinion of independent experts.

## E - GENERAL SHAREHOLDERS' MEETING

**E.1 Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Companies Law in connection with the quorum needed to hold a valid General Shareholders' Meeting.**

NO

	Quorum differing from that set forth in Article 102 of the Stock Companies Law for general circumstances	Quorum differing from that set forth in Article 103 of the Stock Companies Law for the special circumstances set forth in Article 103
Quorum required on first call	0	0
Quorum required on second call	0	0

**E.2 Indicate and, if applicable, explain whether there are differences with the rules provided by the Spanish Corporation Law for the adoption of corporate resolutions.**

NO

Describe the differences with the rules provided by the Spanish Corporation Law.

**E.3 Explain the rights of the shareholders regarding general shareholders' meetings which are different from the rights provided in the Spanish Corporation Law.**

With respect to shareholders' rights to information, challenge, procedures, approval of Minutes and other matters related to Shareholders Meetings, the provisions set forth in the Spanish Corporation Law, Viscofan, S.A.'s Rules for General Shareholders Meetings and other applicable regulations shall apply.

The Rules for General Shareholders Meetings specifically govern the following shareholders' rights:

#### CHAPTER IV

Article 11.- Right to access to information.

The Company shall use all means at its disposal to ensure access to information for the Company's shareholders.

Article 12.- Shareholders Meeting documentation.

At the time to Notice of Meeting is published, the Company shall make available to the shareholders the documentation on the times to be discussed at the General Shareholders Meeting included on the Agenda. This documentation shall be available in hard copy at the corporate domicile as well as in digital form on the Company's web page. In addition, the Company shall send at no cost such information to the shareholders so requesting.

Article 13.- Request for information.

Up to seven days prior to the date set for the holding of the General Shareholders Meeting, and during the Meeting, with respect to the items included on the Agenda, shareholders may also ask Management for information or clarifications and may ask questions about the information provided, as well as any other information accessible to the public provided by the Company since the last General Shareholders Meeting. Management shall provide such information immediately or in writing unless it is prejudicial to the Company's interests.

#### CHAPTER V

Article 14.- Right to attend.

Shareholders holding shares with a total par value of at least €450 who at least five days before the Shareholders Meeting have them registered in the pertinent stock ledger shall have the right to attend (pursuant to Article 22 of the Bylaws). Shareholders who do not hold the number of shares required to attend may form groups for such purpose.

Article 15.- Shareholder accreditation.

Sociedad de Gestion de los Sistemas de Registro, Compensacion and Liquidacion de Valores, S.A. (Iberclear) or, as appropriate, the entity or entities competent to perform such function or Iberclear member entities shall provide to the shareholders the pertinent certificates or any other document evidencing ownership of the shares after publication of the Notice of Meeting.

Article 16.- Proxy Voting.

All shareholders with the right to attend by proxy at the General Shareholders Meeting .

Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, as a special power for each Shareholders Meeting.

#### **E.4 Indicate, if applicable, the measures adopted to encourage the participation of shareholders at General Shareholders' Meetings.**

As has been the practice for Notices of General Shareholders Meetings in recent years, in order to encourage shareholders participation, the Board resolved to distribute an attendance fee of 0.005 Euros per share to all shares present or represented by proxy at the General Shareholders Meeting whose holders have duly evidenced their attendance or representation thereat at the General Shareholders Meeting held on June 18, 2007.

#### **E.5 Indicate whether the chairman of the General Shareholders' Meeting is also the chairman of the Board of Directors. Describe, if applicable, the measures adopted to ensure independence and proper operation of the General Shareholders' Meeting:**

YES

##### **Description of measures**

The General Shareholders Meeting is chaired by the Chairman of the Board of Directors.

With respect to the measures for independence and proper operation set forth in Article 23 of the Rules for Viscofan General Shareholders Meetings, Paragraph B) Interventions and information sets forth the following:

' B,-) Interventions and information

1. Shareholder interventions shall take place in the order in which they are called upon by the Chair. Shareholders shall initially have a maximum of five minutes for each intervention, notwithstanding the Chair's power to extend such time. Nonetheless, where the number of interventions requested or other circumstances so dictated, the Chair may set a maximum duration for interventions of less than five minutes, in all cases treating all shareholders requesting interventions equally and respecting the principle of non-discrimination.
2. Directors shall be bound to provide the information requested, except under the circumstances set forth in Article 13 above or when the information requested is not available at the Shareholders Meeting. In such case, such information shall be provided in writing within seven days following the adjournment of the Shareholders Meeting, to which end the shareholder shall indicate the domicile or address to which to send the information.
3. The information or clarification requested shall be provided by the Chair or, as appropriate and at the Chair's request, by the chairman of the Audit Committee, the Secretary, a Director or, if appropriate, any employee or expert in the matter who is present.
4. In exercising his/her powers of running the Shareholders Meeting and notwithstanding other actions the Chair may:
  - (i) ask those wishing to take the floor to clarify issues that were not understood or were not sufficiently explained during the intervention;
  - (ii) call to order shareholders who take the floor so that they limit their intervention to matters that may properly come before the Shareholders Meeting and refrain from making improper statements or from exercising their rights in any way that may be deemed abusive;
  - (iii) announce to shareholders taking the floor that their time limit is about to run out so that they can adjust their interventional accordingly. When the time allotted for their intervention has run out or if they persist in the behaviors described in sub-paragraph (ii) above, the floor may be taken from them. '

## E.6 Indicate the amendments, if any, made to the Regulations for the General Shareholders' Meeting during the fiscal year.

No changes have been made

## E.7 Indicate the data on attendance at the general shareholders' meetings held during the fiscal year referred to in this report:

### Attendance information

Date of the General Shareholders Meeting	% of physical presence	% represented	% voting remotely		Total
			Electronic voting	Other	
06/18/2007	2.810	56.766	0.004	12.910	72.490

## E.8 Briefly describe the resolutions adopted by the shareholders acting at the general shareholders' meetings held during the fiscal year referred to in this report and the percentage of votes by which each resolution was passed.

On second call, the shareholders at Viscofan, S.A.'s General Shareholders Meeting held on June 18, 2007, adopted the following resolutions:

1.- The Balance Sheet, Income Statement, Notes, Management Report and the corporate management performed during the fiscal year ended December 31, 2006, of the company Viscofan, S.A. as well as the Balance Sheet, Income Statement, Notes, Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Shareholders Equity, the consolidated Management Report and corporate management performed during the fiscal year ended December 31, 2006, for the companies of which Viscofan is the parent company were approved.

Viscofan's individual balance sheet and the declaration of the dividend distributed in the month of January 2007, in the amount of 0.14 Euros per share and the one-off dividend charged against fiscal year 2007 earnings were approved.

The partial return of the issue premium in the amount of 0.160 was also approved; it shall be paid out to shareholders beginning on June 27, 2007.

Taking into account the interim dividend in the amount of 0.14 Euros per share and the General Shareholders Meeting attendance fee in the amount of 0.005 Euros, total compensation per share equals 0.305 Euros.

The resolution was adopted by majority vote. Thirty four million six hundred twenty five thousand five hundred sixteen (34,625,516) shares voted in favor.

Fifty nine thousand ninety-nine (59,099) shares abstained. Eighty thousand eight hundred and forty-six (80,846) shares voted against.

2.- It was resolved to appoint Ernst & Young, S.L. as the auditors for the accounts of Viscofan, Sociedad Anonima and the consolidated accounts of the group of companies for the group of companies of which Viscofan is the parent company, for fiscal years 2007 through 2009, both inclusive.

The resolution was adopted by majority vote. Thirty four million seven hundred six thousand three hundred sixty-two (34,706,362) shares voted in favor.

Fifty nine thousand ninety-nine (59,099) shares abstained. There were no votes against.

4.- It was resolved to reelect as the Company's independent Director Mr. Jose Maria Cuevas Salvador for a term of six years.

The resolution was adopted by majority vote. Thirty million seventy four thousand five hundred fourteen (30,074,514) shares voted in favor. Four million four hundred twenty two thousand eight hundred twenty-four (4,422,824) shares voted against. Two hundred sixty eight thousand one hundred twenty-three (268,123) shares abstained.

5.- It was resolved to decrease the Company's share capital by 198,889.20 Euros (one hundred ninety eight thousand eight hundred eighty-nine Euros and twenty euro cents), in order to amortise treasury shares, amortising 662,964 (six hundred sixty two thousand nine hundred sixty-four) , with the consequent amendment to Article 5 of the Company's By-laws.

The resulting share capital after the decrease is 14,189,052.60 Euros (fourteen million one hundred eighty nine thousand fifty-two Euros and sixty euro cents) represented by 47,296,842 shares (forty seven million two hundred ninety six thousand eight hundred forty-two shares) with a par value of 0.30 Euros (30 euro cents) each.



The resolution was adopted by majority vote. Thirty four million seven hundred thirty five thousand three hundred twenty-nine (34,735,329) shares voted in favor. Twenty eight thousand one hundred (28,100) shares abstained. Two thousand thirty-two (2,032) shares voted against.

6.- It was resolved to renew for a maximum of 18 months the authorization conferred upon the Board of Directors to trade on the market in Company shares at the price prevailing on the transaction date, for the maximum number of shares permitted by Spanish Corporation Law and related provisions, at a minimum price of 100% and a maximum price of 5.000% of the par value.

The resolution was adopted by majority vote. Thirty four million seven hundred thirty five thousand three hundred twenty-nine (34,735,329) shares voted in favor. Twenty eight thousand one hundred (28,100) shares abstained. Two thousand thirty-two (2,032) shares voted against.

7.- Finally, it was resolved to delegate to the Board of Directors the appropriate interpretation, cure, application, supplement, development and execution of the resolutions adopted and to empower Mr. Jaime Echevarria Abona and Mr. Jose Antonio Canales Garcia to joint and several or either one of them individually have recorded in public instruments from among the resolutions adopted those that so require and to file the reports or applications for registration required by Law.

The resolution was adopted by majority vote. Thirty four million seven hundred thirty seven thousand (34,737,361) shares voted in favor. Twenty eight thousand one hundred (28,100) shares abstained. There were no votes against.

**E.9 Indicate whether there are any by-law restrictions requiring a minimum number of shares to attend the General Shareholders' Meeting.**

YES

Number of shares required to attend the General Shareholders' Meeting	1,500
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**E.10 Indicate and justify the policies followed by the company with respect to proxy-voting at the General Shareholders' Meeting.**

Chapter V - Article 16 of the Rules for the General Shareholders Meeting sets forth:

'Proxy Voting. Any shareholder entitled to attend may be represented by proxy at the General Shareholders Meeting . Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, as a special power for each Shareholders Meeting.'

Article 23 of the Company's By-laws is worded along the same lines:

'Any shareholder entitled to attend may be represented by proxy at the General Shareholders Meeting. Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, provided that the identity of the individual exercising voting rights is duly ensured.

Such proxy shall be conferred specially for each Shareholders Meeting '.

**E.11 Indicate whether the Company is aware of any policy of institutional investors as to participating or not in the decisions of the Company:**

NO

**E.12 Indicate the address and manner for accessing corporate governance content on your website.**

This information is available to the general public and to shareholders on the Company's web page ([www.viscofan.com](http://www.viscofan.com)), in the section Shareholders and Investors, under the Corporate Governance tab.

## F - DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of conformance to the recommendations of the Unified Good Governance Code.

If the company does not comply with any of such recommendations, please explain the recommendations, standards, practices or criteria applied by the company.

1. The By-Laws 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.

*See sections: A.9, B.1.22, B.1.23 and E.1, E.2*

**Complies**

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:
  - a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;
  - b) The mechanisms in place to resolve any conflicts of interest that may arise.

*See sections: C.4 and C.7*

**Not Applicable**

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:
  - a) The transformation of listed companies into holding companies through "subsidiarization," i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;
  - b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;
  - c) Transactions whose effect is tantamount to the liquidation of the company.

**Complies**

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.

**Complies**

5. Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:
  - a) To the appointment or ratification of directors, which shall be voted on individually;
  - b) In the event of amendments of the By-Laws, to each article or group of articles that are substantially independent of one another.

*See section: E.8*

**Complies**

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for the account of different clients can divide their votes in accordance with the instructions given by such clients.

*See section: E.4*

**Complies**

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company. It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it carries on its business, and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies

8. The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the objectives set while pursuing the company's interest and corporate purpose. As such, the full Board reserves for itself the right to approve:

- a) The company's policies and general lines of strategy, and in particular:

- i) The strategic or business Plan as well as the management targets and annual budgets;
- ii) The investment and financing policy;
- iii) The design of the structure of the corporate group;
- iv) The corporate governance policy;
- v) The corporate social responsibility policy;
- vi) The policy for compensation and assessment of the performance of senior managers;
- vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.
- viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.

See sections: B.1.10, B.1.13, B.1.14 and D.3

- b) The following decisions:

- i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.

See section: B.1.14

- ii) The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.

See section: B.1.14

- iii) The financial information that the Company must periodically make public due to its status as listed company.
- iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Shareholders' Meeting.
- v) The creation or acquisition of interests in special purpose entities or entities 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.

- c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").

However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;
2. They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;
3. The amount thereof is no more than 1% of the Company's annual revenues.

It is recommended that related-party transactions only be approved by the Board upon the prior favorable report of the Audit Committee or such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the full Board.

*See sections: C.1 and C.6*

**Complies**

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no few than five and no more than fifteen members.

*See section: B.1.1*

**Complies**

10. External directors, proprietary and independent, occupy an ample majority of the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.

*See sections: A.2, A.3, B.1.3 and B.1.14*

**Complies**

11. If there is an external director who cannot be deemed either proprietary or independent, the company explains such circumstance and the links such director maintains with the company or its managers or with its shareholders.

*See section: B.1.3*

**Explain**

Director Ms. Agatha Echevarria Canales cannot be considered independent, since she has family ties to the Chief Executive Officer that prevent her categorization as such.

12. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

*See sections: B.1.3, A.2 and A.3*

**Complies**

13. The number of independent directors represents at least one-third of the total number of directors.

*See section: B.1.3*

**Complies**

14. The status of each director is explained by the Board at the General Shareholders' Meeting at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Nominating Committee. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

*See sections: B.1.3 and B.1.4*

#### Complies

15. When women directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it; and in particular, the Nominating Committee takes steps to ensure that, when new vacancies are filled:

- a) Selection procedures do not have an implied bias that hinders the selection of women directors; proprietary directors and the rest of its capital.
- b) The company deliberately looks for women with the target professional profile and includes them among the potential candidates.

*See sections: B.1.2, B.1.27 and B.2.3*

#### Complies in part

The Company has one female Director due to her valuable contributions and experience in several areas of general and special interest to the Company: economic-legal training, experience in audit, knowledge of industry and the sector.

The Company has always proposed its Directors based on objective criteria stressing the experience and qualifications of persons regardless of their sex.

The Company is willing to propose the nomination of female candidates for Director when their personal circumstances make them suitable candidates.

16. The Chairman, as the person responsible for the effective operation of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular evaluations of the Board and, where appropriate, the Chief Executive Officer.

*See section: B.1.42*

#### Complies

17. When the Chairman of the Board is also the chief executive of the company, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new business on the agenda; to coordinate and hear the concerns of external directors; and to lead the Board's evaluation of the Chairman.

*See section: B.1.21*

#### Explain

Although this possibility has not been formalised, there is no impediment whatsoever to the Board of Directors meeting pursuant to Article 139 of the Stock Companies Law with the attendance of one half plus one of the Directors, acting on all the Agenda items that the Directors deem appropriate.

Given the composition of the Board, which comprises 75% independent Directors, the coordination and attention to their concerns is ensured.

18. The Secretary of the Board takes particular care to ensure that the Board's actions:

- a) Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;
- b) Comply with the company's bylaws and the Regulations for the General Shareholders' Meeting, the Regulations of the Board and other regulations of the company;
- c) Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal are reported by the Nominating Committee and approved by the full Board; and that such appointment and removal procedures are set forth in the Regulations of the Board.

*See section: B.1.34*

**Complies**

19. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.

*See section: B.1.29*

**Complies**

20. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.

*See sections: B.1.28 and B.1.30*

**Complies**

21. When directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.

**Complies**

22. The full Board evaluates the following on a yearly basis:

- a) The quality and efficiency of the Board's operation;
- b) On the basis of a report submitted to it by the Nominating Committee, how well the Chairman and chief executive of the company have carried out their duties;
- c) The performance of its Committees, on the basis of the reports furnished by them.

*See section: B.1.19*

**Compiles in part**

Pursuant to Article 16 of the By-laws, - Appraisal of the Board of Directors and the Committees, each year the Board of Directors shall appraise:

- a) the quality and effectiveness of the functioning of the Board itself;
- b) the Chairman's and Chief Executive Officer's performance of their duties based on the report submitted to it by the Appointments and Compensation Committee;
- c) the operation of the Board Committees based on the report forwarded to it by each Committee.

The first appraisal called for in the Board Rules will be carried out in 2008.

23. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the By-laws or the Regulations of the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.

*See section: B.1.42*

**Complies**

24. All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.

*See section: B.1.41*

**Complies**

25. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programs when circumstances so advise.

**Complies**

26. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:

- a) Directors apprise the Nominating Committee of their other professional duties, in case they might detract from the necessary dedication;
- b) Companies lay down rules about the number of boards on which their directors may sit.

*See sections: B.1.8, B.1.9 and B.1.17*

**Complies**

27. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Shareholders' Meeting, as well as the interim appointment of directors to fill vacancies, are approved by the Board:

- a) On the proposal of the Nominating Committee, in the case of independent directors.
- b) Subject to a prior report from the Nominating Committee, in the case of other directors.

*See section: B.1.2*

**Complies**

28. Companies post the following director information on their websites, and keep such information updated:

- a) Professional and biographical profile;
- b) Other Boards of Directors of listed or unlisted companies on which they sit;
- c) Indication of the director's classification, specifying, for proprietary directors, the shareholder they represent or to whom they are related.
- d) Date of their first and subsequent appointments as a company director; and
- e) Shares held in the company and options thereon held by them.

**Complies**

29. Independent directors do not hold office as such for a continuous period of more than 12 years.

*See section: B.1.2*

#### Explain

The Company takes into account the recommendation that the independent Directors' term of office should not be longer than twelve years. Nevertheless, this recommendation is not considered to be advisable based on other factors that ensure their independence, including their experience, knowledge and past contributions, since by ignoring these facts, their independence would be questioned simply due to the fact of having served the Company for a period of time.

The Company therefore believes that, given the professional track record, experience, knowledge and contributions of the Directors that would be affected by this recommendation, and having analyzed the performance of their functions as Company Directors, the passage of time is a factor that rather than compromising their independence, has contributed to improving their contributions to the Company in all cases because they are more familiar with the sector, the Company's activity, its environment and the applicable circumstances.

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them do likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.

*See sections: A.2, A.3 and B.1.2*

#### Complies

31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the bylaws, for which he was appointed, except for good cause is found by the Board upon a prior report of the Nominating Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.

The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the equity structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.

*See sections: B.1.2, B.1.5 and B.1.26*

#### Complies

32. Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes described in Section 124 of the Companies Law, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.

*See sections: B.1.43 and B.1.44*

#### Complies



33. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.

When the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusions and, if he chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.

This Recommendation also applies to the Secretary of the Board, even if he is not a director.

**Complies**

34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a significant event, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

*See section: B.1.5*

**Complies**

35. The compensation policy approved by the Board specifies at least the following points:

- a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed compensation they give rise to;
- b) Variable compensation items, including, in particular:
  - i) The classes of directors to which they apply, as well as an explanation of the relative weight of variable to fixed compensation items.
  - ii) Performance evaluation criteria used to calculate entitlement to compensation in shares, share options or any other variable component;
  - iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
  - iv) An estimate of the absolute amount of variable compensation arising from the proposed compensation plan, as a function of the degree of compliance with benchmark assumptions or targets.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.
- d) Terms and conditions that must be included in the contracts of executive directors performing senior management duties, which will include:
  - i) Duration;
  - ii) Notice periods; and
  - iii) Any other provisions relating to hiring bonuses, as well as indemnity or "golden parachute" provisions in the event of early or other termination of the contractual relationship between the company and the executive director.

*See section: B.1.15*

**Complies**

36. Compensation paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company's performance or pension schemes is confined to executive directors.

This recommendation shall not apply to the delivery of shares when such delivery is subjected to the condition that the directors hold the shares until they cease to hold office as directors.

*See sections: A.3 and B.1.3*

**Complies**

37. The compensation of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to compromise their independence.

Complies

38. The compensation linked to company earnings takes into account any qualifications included in the external auditor's report that reduce such earnings.

Not Applicable

39. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Complies

40. The Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting, as a separate item on the agenda and for advisory purposes. This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.

Such report shall focus especially on the compensation policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the compensation policy was applied in such prior fiscal year.

The Board also reports on the role played by the Compensation Committee in the preparation of the compensation policy and, if external advice was provided, it states the name of the external advisors that have given such advice.

*See section: B.1.16*

Complies

41. The Notes to the Financial Statements list the individual directors' compensation during the fiscal year, including:

- a) A breakdown of the compensation of each director, to include where appropriate:
  - i) Attendance fees or other fixed compensation received as a director;
  - ii) The additional compensation received as chairman or member of a Board committee;
  - iii) Any compensation received under profit-sharing or bonus schemes, and the reason for the accrual thereof;
  - iv) Contributions on the director's behalf to defined contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans;
  - v) Any severance package agreed or paid;
  - vi) Any compensation received as a director of other companies in the group;
  - vii) Compensation for the performance of senior management duties by executive directors;
  - viii) Any item of compensation other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from a true and fair view of the total compensation received by the director.
- b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:
  - i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;
  - ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;

- iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;
  - iv) Any change during the year in the terms for the exercise of previously-awarded options.
- c) Information on the relationship, in such past fiscal year, between the compensation received by executive directors and the profits or other measures of performance of the company.

**Complies**

42. When there is an Executive Committee (hereinafter, "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.

*See sections: B.2.1 and B.2.6*

**Compiles in part**

The composition of the Executive Committee reflects the participation of the various types of Directors according to their category, although not in the same proportion because, for operational reasons and reasons of efficiency, it is advisable to keep its size and composition appropriate to its nature of an Executive Committee so that it is not simply a duplication of the Board of Directors. The Secretary of the Committee is the Secretary of the Board.

43. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.

**Complies**

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors forms a single Nominating and Compensation Committee as a separate committee of the Board, or a Nominating Committee and a Compensation Committee.

The rules governing the make-up and operation of the Audit Committee and the Nominating and Compensation Committee or committees are set forth in the Regulations of the Board, and include the following:

- a) The Board appoints the members of such Committees, taking into account the background knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work.
- b) These Committees are formed exclusively of external directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.
- c) Committee Chairmen are independent directors.
- d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.
- e) Minutes are prepared of their meetings, and a copy sent to all Board members.

*See sections: B.2.1 and B.2.3*

**Compiles in part**

The Chairman of the Appointments and Compensation Committee is the Chairman of the Board.

45. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Nominating Committee or, if they exist separately, to the Compliance or Corporate Governance Committee.

**Explain**

Such supervision is entrusted to the Board of Directors as an exclusive power pursuant to Article 5 of the Board Rules:

‘The following constitute matters within the exclusive powers of the full Board of Directors, in addition to those reserved to it by law:

- a) The Company's general policies and strategies, and in particular:
  - iv) The corporate governance policy;
  - v) The corporate social responsibility policy'

46. The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their background knowledge and experience in accounting, auditing and risk management matters.

**Complies**

47. Listed companies have an internal audit function which, under the supervision of the Audit Committee, to ensure the smooth operation of the information and internal control systems.

**Explain**

The internal audit function has been performed in a disseminated, fragmented fashion and was partially entrusted to various persons and departments within the Company. In order to unify and formalise this function and its competencies, the Audit Committee has defined a plan that has commenced with identification and systematization. With the support of external advisors, this will lead to the formalisation this fiscal year of the internal audit function for coming years, focusing on controls and reviews of the areas representing the greatest risks to the Company.

48. The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.

**Compiles in part**

The Audit Committee has temporarily assumed the internal audit function and is performing the functions inherent in such activities as explained under recommendation 47 above.

49. Risk control and management policy specifies at least:

- a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;
- d) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.

*See section: D*

**Compiles in part**

The Company has identified the principal risks to which it is exposed, as well as the level of risk deemed acceptable. The Audit Committee is actively working to gradually improve controls and ensure that the measures proposed are carried out.

50. The Audit Committee's role is:

1. With respect to the internal control and reporting systems:

- a) To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.
- b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.

- c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.
  - d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.
2. With respect to the external auditor:
- a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.
  - b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.
  - c) To monitor the independence of the external auditor, to which end:
    - i) The company reports a change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.
    - ii) The Committee ensures that the company and the 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, all other regulations established to safeguard the independence of the auditors;
    - iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.
  - d) In the case of groups, the Committee favors the auditor of the group assuming responsibility for the audits of the companies that form part thereof.

*See sections: B.1.35, B.2.2, B.2.3 and D.3*

#### **Compiles in part**

The Audit Committee has been conferred all the powers and functions indicated in the recommendation and performs them through periodic meetings it holds over the course of the fiscal year. Many of these meetings are held in the presence of the independent auditors, Management or Company staff performing functions related to those conferred upon the Audit Committee or with areas in which it deems advisable to gather information.

However, no mechanism as such has been formalised to permit employees to communicate any potentially material irregularities that they note within the Company. However, there are de facto mechanisms that make this possible and the availability of the Audit Committee to address such situations is implicitly included in the functions assigned to it.

51. The Audit Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.

#### **Complies**

52. The Audit Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:

- a) The financial information that the Company must periodically make public due to its status as a listed company.  
The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.
- b) The creation or acquisition of interests in special purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

**Complies in part**

Article 5 of the Board Rules,- Exclusive powers of the Board.

‘The following constitute matters within the exclusive powers of the full Board of Directors, in addition to those reserved to it by law:

- v) The creation or acquisition of shares in special purpose vehicles or in entities domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of a similar nature that due to their complexity may impede the Group’s transparency.
- d) Transactions that the Company executes with Directors, major shareholders or shareholders represented on the Board, or with related persons (‘related-party transactions’).

53. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders’ Meeting without reservations or qualifications in the auditor’s report and, in the exceptional instances where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

*See section: B.1.38*

**Complies**

54. The majority of the members of the Nominating Committee –or of the Nominating and Compensation Committee, if one and the same– are independent directors.

*See section: B.2.1*

**Complies**

55. The Nominating Committee has the following duties, in addition to those stated in the earlier Recommendations:

- a) To assess the qualifications, background knowledge and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.
- c) To report on senior manager appointments and removals that the chief executive proposes to the Board.
- d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

*See section: B.2.3*

**Complies in part**

The Appointments and Compensation Committee is specifically vested with all the functions set forth in this recommendation except for paragraph b). While it is not literally conferred so specifically, it constitutes one of the Committee’s powers, considering the general functions attributed and also considering its mission of ensuring the appropriateness and integrity of the selection of Directors and senior managers included in Article 14 of the Board Rules.

56. The Nominating Committee consults with the Company’s Chairman and chief executive, especially on matters relating to executive directors. And that any board member may request that the Nominating Committee consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.

**Complies**

57. The Compensation Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:

- a) To propose to the Board of Directors:
  - i) The compensation policy for directors and senior managers;
  - ii) The individual compensation of executive directors and other terms of their contracts.
  - iii) The basic terms and conditions of the contracts with senior managers.
- b) To ensure compliance with the compensation policy set by the company.

*See sections: B.1.14 and B.2.3*

**Complies**

58. The Compensation Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.

**Complies**

## **G - OTHER INFORMATION OF INTEREST**

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If you believe that there is any relevant principle or aspect regarding the corporate governance practices applied by your company that has not been discussed in this Report, please mention it and explain it below.

In this section, you may include any other information, clarification or comment relating to the prior sections of this report.

Specifically, indicate whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this Report.

Binding definition of independent director:

**NO**

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in subsection 5 of the Unified Good Governance Code:

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of 04/18/2008

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

**NO**