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# *ANNUAL CORPORATE GOVERNANCE REPORT 2014*

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*Viscofan S.A*

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*Year end: 31/12/2014*

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

State whether there are different classes of shares with different rights attached 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		% of total voting rights
		Name or company name of the direct holder of the stake	Number voting rights	
MS. MARIA DEL CARMEN CAREAGA SALAZAR	0	ONCHENA S.L.	1,406,947	3,019
MARATHON ASSET MANAGEMENT, LLP	0		2,297,473	4.930
APG Algemene Pensioen Groep NV, Inc.	2,408,875		0	5,169
BLACKROCK, INC.	0		1,463,530	3.140
DELTA LLOYD N.V.	0		1,426,704	3.061
CORPORACION FINANCIERA ALBA SA		ALBA PARTICIPACIONES SAU	3,162,694	6,786

Name or company name of the indirect shareholder	Through: name or company name of the direct shareholder	Number of total voting rights
MARATHON ASSET MANAGEMENT, LLP	Other shareholders of the Company	2,297,473
DOÑA MARIA DEL CARMEN CAREAGA SALAZAR	ONCHENA S.L.	1,406,947
DELTA LLOYD N.V.	Other shareholders of the Company	1,426,704
BLACKROCK, INC.	Other shareholders of the Company	1,463,530
CORPORACION FINANCIERA ALBA SA	Alba participaciones S.A.U.	3,162,694

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 transaction</b>	<b>Description of the transaction</b>
CORPORACION FINANCIERA ALBA S,A	29/05/2014	Exceeded 3% of the share capital
CORPORACION FINANCIERA ALBA S,A	30/06/2014	Exceeded 5% of the share capital
AMERIPRISE FINANCIAL, INC	06/02/2014	Down from 3% of the share capital
ONCHENA S.L.	29/5/2014	Down from 5% of the share capital
APG ALGEMENE PENSIOEN GROEP N.V.	18/02/2014	Exceeded 5% of the share capital
BESTINVER GESTION SA SGIIC	14/03/2014	Exceeded 3% of the share capital
BESTINVER GESTION SA SGIIC	08/05/2014	Down from 3% of the share capital
UBS AG	28/05/2014	Exceeded 3% of the share capital
UBS AG	12/06/2014	Down from 3% of the share capital
UBS AG	13/06/2014	Exceeded 3% of the share capital
UBS AG	17/06/2014	Down from 3% of the share capital
UBS AG	04/07/2014	Exceeded 3% of the share capital
UBS AG	07/07/2014	Down from 3% of the share capital
UBS AG	08/07/2014	Exceeded 3% of the share capital
UBS AG	01/08/2014	Down from 3% of the share capital
UBS AG	18/09/2014	Exceeded 3% of the share capital
UBS AG	22/09/2014	Down from 3% of the share capital
UBS AG	24/09/2014	Exceeded 3% of the share capital
UBS AG	25/09/2014	Down from 3% of the share capital
UBS AG	29/09/2014	Exceeded 3% of the share capital
UBS AG	30/09/2014	Down from 3% 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 Shareholder	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Name or company name of the direct holder of the stake	Number voting rights	
MR JOSE DOMINGO DE AMPUERO Y OSMA	50,322		0	0.11
MR NESTOR BASTERRA LARROUDÉ	212,452		0	0.46
MS AGATHA ECHEVARRÍA CANALES	16,809		0	0.036
MR ALEJANDRO LEGARDA ZARACÚETA	8,250		0	0.018
MR IGNACIO MARCO-GARDOQUI IBÁÑEZ	30,276		0	0.065
MR JOSÉ MARÍA ALDECOA SAGASTOSOLA	0		0	0.000
MS LAURA GONZÁLEZ MOLERO	5		0	0.000
MR. JAIME REAL DE ASÚA Y ARTECHE	0			
MR. JOSÉ ANTONIO CANALES GARCÍA	10,453			0.02

Total % of voting rights of the Board of Directors:	0.70
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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 Shareholder	Number of direct rights	indirect rights		Equivalent number of shares	% of total voting rights
		Name or company name of the direct holder	Number voting rights		

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:

No applicable

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:

Name or company name	Relationships type	Description
CORPORACIÓN FINANCIERA ALBA S.A.	CORPORATE	JOSE DOMINGO DE AMPUERO Y OSMA IS MEMBER OF ITS BOARD OF DIRECTOR

A.6- Indicate whether if any para-corporate shareholders 'agreements affecting the Company pursuant to the provisions of art 530 and 531 of the Capital Companies Act 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 fiscal year end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
0	0	0

(\*) Through:

Name or company name of the direct holder of the stake	Number of direct shares
Total:	0

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

Notification date	Total number of direct shares acquired	Total number of indirect shares acquired	% of total share capital
	0	0	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 30 April 2013 on second call:

The following resolution was adopted by majority:

"The proposal is to cancel the authorization for acquiring own shares that was given to the Board of Directors at the Company's General Shareholders Meeting of 23rd May 2012.

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

The proposed authorisation is for the maximum term envisaged by law and will run from the date of the resolution. It is conferred upon the Board subject to existing legal restrictions on the purchase of treasury shares and, more specifically, those restrictions prescribed by Articles 146 and 509 of the Spanish Capital Companies Act (Ley de Sociedades de Capital).

In the event the Board of Directors should need to exercise the authorisation 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 148 of the Spanish Capital Companies Act.

A.10 - State whether there are any restrictions on share transfer and/or any restrictions on voting rights. In particular, report on restrictions of any type that may impede the takeover of the company by means of the acquisition of its shares in the market.

NO

Description of restrictions

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

A.12 - State whether or not the Company has issued securities that are not traded in an EU-regulated market.

NO

If so, describe the different classes of shares and, for each class of shares, the inherent rights and obligations.

### **B.- GENERAL SHAREHOLDER'S MEETING**

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

NO

	% Quorum differing from that set forth in art 193 of LSC (Capital Companies Act) for general circumstances	% Quorum differing from that set forth in art 194 of LSC (Capital Companies Act) for the special circumstances set forth in art 194
Quorum required on first call		
Quorum required on second call		

Describe de differences:

B.2- Indicate and, if applicable, explain whether there are differences with the rules provided by the Spanish Public Limited Companies Act for the adoption of corporate resolutions.

NO

Describe the differences with the rules provided by the Spanish Public Limited Companies Act.

	Reinforced majority different to that set forth by Article 201.2 of LSC (Capital Companies Act) for the purposes of Article 194.1 of LSC	Other instances of reinforced majority
% set forth by the Company for adoption of resolutions		
	Describe the differences	

B.3- State the regulations applicable to the amendment of the Company's bylaws. In particular, indicate the majority required for the amendment of the bylaws and, where applicable, the regulations set forth for protecting shareholders' rights when amending the bylaws.

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

The requirements for passing resolutions set forth in Article 21 of the Bylaws and Article 18 of the Regulations of the General Shareholders Meeting match those stated above.

B.4- Indicate the data on attendance at the general shareholders' meetings held during the fiscal year referred to in this report and prior years.

Attendance information					
Date of the General Shareholders Meeting	% physical attendance	% represented	% voting remotely		Total
			Electronic voting	Other	
30/04/2013	1,490	31,500	0,000	44,710	77,700
11/04/2014	1,190	36,920	0,000	38,250	76,360

B.5- Indicate whether there are any restrictions in the Articles of Association requiring a minimum number of shares to attend the General Shareholders' Meeting.

YES

<b>Number of shares required to attend the General Shareholders' meeting:</b>	1,000
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B.6- Indicate whether or not any decisions have been made that entail a structural amendment of the Company ("subsidiarization", sale or purchase of essential operating assets, transactions equivalent to Company's liquidation, etc.) which must be submitted for approval by the General Shareholders Meeting, even if it is not expressly stipulated under commercial law.

YES

B.7- State the address and the access path to the Company's website with regard to information about corporate governance and information about general meetings that has to be made available to the shareholders on the Company's website.

This content is available via the company's website ([www.viscofan.com](http://www.viscofan.com)) and can be accessed through the Corporate Responsibility section or through the Investor Relations section, subsequently clicking on the Corporate Governance tab. The information also forms part of the documentation relating to the General Meeting and is similarly included in the Annual Report, both of which can also be accessed directly from the home page



## C.- OWNERSHIP STRUCTURE OF THE COMPANY

### C.1- Board of Directors

C.1.1- Describe the maximum and minimum number of Directors set forth in the Articles of Association:

Maximum number of Directors	9
Minimum number of Directors	3

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

Name or company name of Director	Representing	Director position on the board	Date first elected	Date last elected	Election procedure
MR JOSE DOMINGO DE AMPUERO Y OSMA		CHAIRMAN	27/02/2009	03/06/2009	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR NESTOR BASTERRALARROUDE		1st VICE-CHAIRMAN	29/07/1997	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS AGATHA ECHEVARRÍA CANALES	-	2 <sup>nd</sup> VICE CHAIRWOMAN	24/06/1998	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR ALEJANDRO LEGARDA ZARAGÜETA	-	DIRECTOR	22/05/2006	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR IGNACIO MARCO - GARDOQUI IBAÑEZ	-	DIRECTOR	01/01/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA	-	DIRECTOR	23/05/2012	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS LAURA GONZALEZ MOLERO	-	DIRECTOR	22/04/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER'S MEETING
MR. JAIME REAL DE ASUA Y ARTECHE		DIRECTOR	11/04/2014	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR. JOSE ANTONIO CANALES GARCÍA		DIRECTOR	11/04/2014	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING

Total number of Directors	9
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Indicate any separations from the Board of Directors during the period:

Name or company name of the Committee	Committee that proposed the nomination	Position on the Company's organizational chart
MR. JOSÉ CRUZ PEREZ LAPAZARÁN	independent	11/04/2014
MR. GREGORIO MARANÓN BERTRAN DE LIS	independent	11/04/2014

C.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	Committee that proposed the nomination	Position on the Company's organizational chart
MR JOSE DOMINGO DE AMPUERO Y OSMA	Appointments and remuneration Committee	Chairman
MR. JOSE ANTONIO CANALES GARCÍA	Appointments and remuneration Committee	DIRECTOR

Total number of Executive Directors	2
% of the entire Board	22,222

### EXTERNAL DIRECTORS REPRESENTING A CONTROLLING SHAREHOLDER

Name or company name of the Committee	Committee that proposed the nomination	Position on the Company's organizational chart
Total number of Executive Directors	0	
% of the entire Board	0	

### EXTERNAL INDEPENDENT DIRECTORS

#### Name or company name of the Director

*MR ALEJANDRO LEGARDA ZARAGÜETA*

#### Profile

Industrial engineering graduate from the Escuela Superior de Ingenieros Industriales in San Sebastian and holds a Masters in Economics and Business Administration from IESE (Barcelona). Doctor in innovation economics from the Universidad Politécnica de Madrid.

With broad experience in industry, in 1989 he was appointed Financial and Administrative Director of Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) where he subsequently became General Managing Director in 1992 until 2014, and board member from then onwards.

He joined the Board of Directors of Viscofan,S.A. as an Independent Director in 2006, became a member of the Audit Committee in 2007 and is now its Chairman, and was appointed an Independent Director of Pescanova, S.A. in 2013.

### **Name or company name of the Director**

*MR IGNACIO MARCO-GARDOQUI IBAÑEZ*

#### **Profile**

Economics degree from Deusto University.

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

He also has developed wide experience in several industrial companies, belonging to several Board of Directors; currently he is Director of Schneider Electric España, Progénika Biopharma, Minerales y Productos Derivados, Tubacex Tubos Inoxidables SA and Iberdrola Ingeniería y construcción (Iberinco) SA. Previously, he has belonged, amongst others, to the Board of Directors of Técnicas Reunidas, Banco de Comercio, IBV, and Banco de Crédito Local, and was Chairman of Naturgás.

### **Name or company name of the Director**

*MR JOSÉMARÍA ALDECOA SAGASTASOLOA*

#### **Profile**

Graduate in Technical Electronic Engineering from the Polytechnic School of Mondragón. PADE Graduate from the Executive Management Programme at IESE

Throughout his long professional career, he has held various posts at COPRECI (1971-1982). He was Managing Director of FAGOR ELECTRÓNICA and member of the Board of Directors of Fagor, S. Coop. (1982-1991). Between 1984 and 1991, he was Vice-Chairman of ANIEL (National Association of Electronic Industries) and Chairman of the Components Board. He was also member of the Board of Directors of the European Electronic Components Association (EECA) between 1986 and 1991. Between 1992 and 2012, he held various positions at MONDRAGÓN CORPORACION and, in 2007, he was appointed Chairman of the General Board, a position he held until July 2012. He has a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong, the integration of the production plants of Orkli, Orbea, Mondragón Automoción in the industrial park of Kunshan, China and the opening of the (industrial Park) of Pune in India. He has sat on the Board of Directors of various automotive and components companies (Copreci-Czech Republic, Copreci-Mexico, Vitorio Luzuriaga, Fagor Ederlan-Brazil, ParanoaCicautxo-Brazil, FPK, Fagor Ederlan-Slovakia), and director (1992-2006) and Chairman (2007-2012) of MONDRAGÓN INVERSIONES.

He was also Chairman of the Engineering Faculty of the University of Mondragón (1998-2002).

He is currently an independent director and member of the Delegate Committee of Gamesa Corporación Tecnológica, S.A.

**Name or company name of the Director**

*MRS. LAURA GONZALEZ MOLERO*

**Profile**

Chairman of Bayer Healthcare Latin America and Independent Director of the Leche Pascual Group.

Since June 2014, and based in the USA, she has directed the operations of the Bayer Healthcare Group Division. Before joining this company, she chaired Merck's pharmaceutical division, based in Brazil, from January 2012 onwards. Likewise, she headed the project to integrate Milipore in the Merck Chemical group. Prior to this, she headed the process to merge the Merck Group with the biotech company Serono in 2007, an entity in which she had held a number of executive positions since 1999 and, at the time of the merger with the Merck group, she held the post of Vice-Chair of Serono Iberia and Scandinavian Countries.

She was the Managing Director of Essex Pharmaceuticals of the Schering-Plough Group and of the Pharmaceuticals Laboratory Guerbert S.A, as well as the sales director of Roche Iberia S.A.

She is currently a member of the National Board of Directors of ApD and Director of the Adecco Foundation.

In the course of her career, she has received a number of prizes and awards, in recognition of her work as an outstanding director.

She is a member of the Viscofan Appointment and Remuneration Committee.

**Name or company name of the Director**

*MR JAIME REAL DE ASUA Y ARTECHE*

**Profile**

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

He currently holds the post of Vice-chairman of the Board of Directors of Elecnor, S.A. He is also Chairman and director of Adhorna Prefabricación S.A., director of Enerfin Sociedad de Energía S.A. and of Enerfin Enervento S.A., director of Celeo Concesiones e Inversiones, and director of Deimos, all part of the Elecnor Group. Likewise, from 1987 to 2012, he was director of Internacional de Desarrollo Energético, S.A. (IDDE).

Furthermore, from 1981 to 2011, he was associated with the Cementos Portland Valderrivas Group, holding a number of management posts and was on the Board of a number of its companies.

Total number of Independent Directors	5
% of the entire Board	55,555

State whether any Director classified as "Independent" receives from the Company, or from its Group, any funds or benefits for any concept other than Director's remuneration or maintains, or has maintained during the last year, a business relationship with the Company or any company in the Group, on their own behalf or as a major shareholder, Board Member or senior executive of the company that maintains or has maintained such a relationship.

If so, include a justified statement made by the Board of Directors outlining the reasons why this member of the Board of Directors can continue to fulfill his or her duties as an Independent Director.

Name or company name of the Director	Description of the relationship	Justified statement

### OTHER EXTERNAL DIRECTORS

Name or company name of the Director	Committee that proposed the nomination	Position on the Company's organizational chart
Mr. NESTOR BASTERRA LARROUDÉ	Appointment and remuneration committee	
MRS. AGATHA ECHEVARRIA CANALES	Appointment and remuneration committee	
Total number of Executive Directors	2	
% of the entire Board	22.222	

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

Name or company name of the Director	Reasons	Related-party company, executive or shareholder
MRS . AGATHA ECHEVARRIA CANALES	More than 12 years on the Board of Directors.	
MR. NESTOR BASTERRA LARROUDE	More than 12 years on the Board of Directors.	

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

Name or company name of the Director	Change date	Prior condition	Actual condition
AGATHA ECHEVARRIA CANALES	11/04/2014	Independent	Other external
MR. NESTOR BASTERRA LARROUDE	11/04/2014	Independent	Other external

C.1.4- Complete the following schedule with information corresponding to the number of Board Members during the last four years, as well as the nature of these Board Members:

	Number of Board Members				% of total Board Members per each type			
	Period 2014	Period 2013	Period 2012	Period 2011	Period 2014	Period 2013	Period 2012	Period 2011
Executive	0	0	0	0	0	0	0	0
Representing controlling shareholders	0	0	0	0	0	0	0	0
Independent	1	2	2	2	11.11	11.11	25	25
Other external	1				11.11	11.11		
TOTAL	2	2	2	2	22.22	22.22	25	25

C.1.5- Explain the measures, if any, that have been taken to include a sufficient number of women on the Board of Directors in order to reach a balanced number of men and women.

The duties of the Appointment and Remuneration Committee include establishing a representation target for the least represented sex on the board or directors, and preparing guidelines on how to achieve this objective. As a result of the amendment of the regulations of the Board of Directors, approved on the 26th February 2015, 33.33% of its members are women.

In accordance with the current composition of the Board of Directors, women account for 22.22%

The Committee has worked on ensuring the presence of women candidates in the selection processes to cover any board vacancies that may arise, including amongst the requirements to be taken into account, the demand that the total number of candidates to be assessed should equally consider men and women candidates, in order to guarantee gender diversity.

Furthermore, initiatives have been undertaken in order to guarantee the presence of women on the Board and their participation in the various Committees, bearing in mind their status, as well as their education and experience.

C.1.6- Explain the measures, if any, adopted by the Appointments and Remuneration Committee to ensure that selection procedures do not have an implied bias that hinders the selection of female directors and that the Company deliberately looks for women with the target professional profile and includes them among potential candidates:

The Committee has worked on ensuring the presence of women candidates in the selection processes to cover any board vacancies that may arise, including amongst the requirements to be taken into account, the demand that the total number of candidates to be assessed should equally consider men and women candidates, in order to guarantee gender diversity.

If, despite the adopted measures, if applicable, there are few or no women directors, describe the reasons that justify this situation:

C.1.7 - Describe the way major shareholders are represented on the Board of Directors.

Shareholders that have major stakes reported to the CNMV are not represented on the Board of Directors.

C.1.8 - 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.

Name or company name of the Shareholder	Justification

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.

Name or company name of the shareholder	Justification

C.1.9- State whether any director has withdrawn from his/her position before the end of his/her term of office, whether or not 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

Name of the Director	Reason for the removal:

C.1.10 - Describe the powers delegated to the Chief Executive Officer(s), if any:

Name or company name of the Director	Short description
MR JOSE DOMINGO DE AMPUERO Y OSMA	In his position as Chairman of the Board, he has been granted powers of representation, powers relating to purchase or disposal, powers relating to personnel, collections, payments, contracts, tenders and transactions, Current accounts, credit and savings accounts, bills of exchange and promissory notes, securities and shares, bonds and guarantees, and complementary powers to the above.
MR. JOSÉ ANTONIO CANALES GARCÍA	In his position as managing director, he has been granted powers of representation, powers relating to purchase or disposal, powers relating to personnel, collections, payments, contracts, tenders and transactions, Current accounts, credit and savings accounts, bills of exchange and promissory notes, securities and shares, bonds and guarantees, and complementary powers to the above.

C.1.11- Identify the directors who are managers or directors of companies within the listed company's group, if any:

<b>Name or company name of the Director</b>	<b>Company name of the Group entity</b>	<b>Title</b>
MR JOSE DOMINGO DE AMPUERO Y OSMA	GAMEX CB S.R.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	DIRECTOR
MR JOSE DOMINGO DE AMPUERO Y OSMA	KOTEKS VISCOFAN D.O.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA. INC	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SA	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN UK LIMITED	DIRECTOR
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN URUGUAY S.A.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	ZACAPU POWER S.DE R.L DE C.V.	CHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	CHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN URUGUAY S.A.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	GAMEX CB S.R.O.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN UK LIMITED	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	GAMEX CB S.R.O.	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	VICECHAIRMAN
MR JOSE ANTONIO CANALES GARCIA	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN
MR JOSE ANTONIO CANALES GARCIA	NATURIN VISCOFAN GMBH	DIRECTOR



MR JOSE ANTONIO CANALES GARCIA	VISCOFAN CZ S.R.O.	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN URUGUAY S.A.	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN USA INC.	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN UK LIMITED	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN CANADA	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DE MEXICO S. DE RL. DE CV.	DIRECTOR
MR JOSE ANTONIO CANALES GARCIA	ZACAPU POWERS DE RL DE CV	DIRECTOR
MR. JOSE ANTONIO CANALES GARCIA	VISCOFAN CENTROAMERICA COMERCIAL SOCIEDAD ANONIMA	SECRETARY

C.1.12- 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 JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION ALBA SA	DIRECTOR
MR NESTOR BASTERRA LARROUDÉ	IBERPAPEL GESTIÓN SA	DIRECTOR
MR ALEJANDRO LEGARDA ZARAGÜETA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES SA	DIRECTOR
MR ALEJANDRO LEGARDA ZARAGÜETA	PESCANOVA SA	DIRECTOR
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	TUBACEX. S.A.	DIRECTOR
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	MINERALES Y PRODUCTOS DERIVADOS, S.A.	DIRECTOR
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA	GAMESA CORPORACIÓN TECNOLÓGICA. S.A.	DIRECTOR
MR. JAIME REAL DE ASUA Y ARTECHE	ELECNOR	VICECHAIRMEAN

C.1.13- 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 Regulations:**

Article 21 of the Regulations of the Board of Directors, with an amendment approved by the Board of Directors at the meeting held on 6 February, 2015, sets forth:

Company directors may not sit on more than three Boards of Directors of listed companies, in addition to the Board of Viscofan, S.A.

Directors shall inform the Appointments and Remuneration Committee of any other professional duties that could interfere with the levels of dedication required of them”.

C.1.14- Indicate the Company's general policies and strategies reserved for approval by the full Board:

	Yes	No
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 remuneration 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	

C.1.15- Indicate the total remuneration of the Board of Directors:

Remuneration of the Board of Directors (Thousand Euros)	3,186
The amount of total remuneration corresponding to pension-related rights accumulated by the Directors (thousands of euros)	0
Global remuneration of the Board of Directors (Thousand euros)	3,186

C.1.16- Identify the members of the Company's senior management who are not executive directors and state the total remuneration accruing to them during the fiscal year:

Name or company name	Title
MR GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR CÉSAR ARRAIZA ARMENDÁRIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH AND DEVELOPMENT VISCOFAN GROUP
MR ANDRES DÍAZ ECHEVARRÍA	HEAD OF OPERATIONS VISCOFAN GROUP
MR MILOSLAV KAMIS	MANAGING DIRECTOR GAMEX CB SRO., MANAGING DIRECTOR VISCOFAN CZ SRO
MR BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH
MR EDUARDO AGUIÑAGA	MANAGING DIRECTOR VISCOFAN DE MEXICO SRL DE CV
MR LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S.COM E IND. LTDA
MR DOMINGO GONZÁLEZ	MANAGING DIRECTOR VISCOFAN USA INC.
MR ALEJANDRO MARTÍNEZ CAMPO	MANAGING DIRECTOR INDUSTRIAS ALIMENTARIAS DE NAVARRA SAU
MR JUAN NEGRI SAMPER	MANAGING DIRECTOR VISCOFAN TECHNOLOGY SUZHOU INC
MR ANDREJ FILIP	MANAGING DIRECTOR KOTEKS VISCOFAN DO.O.
MR ANGEL MAESTRO ACOSTA	MANAGING DIRECTOR URUGUAY S.A.
Total executive management remuneration (thousand euros)	2,117

C.1.17. State the identity of the members of the Board of Directors, if any, who are also members of the Board of Directors of major shareholder companies and/or of the companies within their Group:

Name or company name of the Director	Company name of the major shareholder	Title
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION FINANCIERA ALBA SA	DIRECTOR

Describe, if applicable, any significant relationships, other than those covered in the previous section, of the members of the Board of Directors that link them to major shareholders and/or at companies within the Group:

Name or company name of the related Board member	Name or company name of the major related shareholder	Description of the relationship

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

SI

**Description of amendments:**

The Board of Directors, at its meeting on the 26th February 2015, approved the following amendments to the Regulations of the Board, all within the framework of the dynamic policy to adopt the best corporate governance practices and to adapt the current Regulations to Act 31/2014 of 3rd December, amending the Corporate Enterprises Act in order to improve corporate governance:

Addition of the general principle of diligence; adaptation of the powers reserved for the exclusive knowledge of the Board to include the powers conferred by Law; inclusion of the need for a favourable vote of two thirds of the Board for the permanent delegation of powers and the appointment of CEOs; reinforcement of the commitment of the Board of Directors and the Appointment and Remuneration Committee to guarantee diversity on the Board, in particular with regard to gender; completion of the formalisation in the Regulations of the duties of the Chairman and Secretary of the Board; determination of the composition of the Audit and Appointments and Retribution Committees; more detailed specification of some of their duties, including additional control procedures; details of the duties of the coordinating director to direct the evaluation of the Chairman; reclassification of the duties of the directors, detailing the obligations of each one; inclusion of the definition of related parties, for the purpose of the duties of the directors; and adaptation of the periods for providing information to the shareholders with regard to the General Meeting.

C.1.19- Indicate the procedures for the appointment, re-election, 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 Articles of Association:

The representation and administration of the Company will be commissioned to a Board of Directors, made up of a minimum of three members and a maximum of nine.

Their appointment will correspond to the General Shareholders meeting in accordance with article 243 of the Capital Companies Act.

And Article 27 sets forth that:

To be appointed to the position of director, the status of shareholder is not a requirement. The term of office for Directors is six years from the date they are appointed.

The appointment of Directors will cease when their term of office has ended and the next General Shareholders Meeting has been held or the period stipulated by law for holding the Shareholders Meeting to resolve on the approval of the prior year's accounts has passed.

Article 27 ter establishes limits on the re-election of Independent Directors:

Independent Directors may not be re-elected or appointed for a new term of office under the same classification when they have sat on the company's Board for a term of twelve (12) years counted from the date on which they were first appointed.

The independent directors who reach the limit of twelve (12) years described in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office.

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 Articles of Association.

The Board will propose to the shareholders at the General Shareholders Meeting the most appropriate number to ensure due representation and the effective operation of the Board based.

And, article 8 of the version approved by the Board of Directors on the 26th February 2015, establishes that:

#### Article 8. Appointment of Directors

The shareholders at the General Shareholders Meeting or the Board of Directors itself will elect the Directors in the circumstances provided in law.

The Board of Directors must ensure that the procedures to select its members favours the diversity of gender, experiences, knowledge and that there is no implicit bias that may involve some type of discrimination, and, in particular, they should facilitate the selection of women directors.

The proposals relating to the appointment or re-election of directors, within the limits set out in the articles of incorporation, shall be made by the Appointment and Remuneration Committee in the case of independent directors and by the Board itself, subject to a report by the Committee, in the case of the other directors.

Any proposals must be accompanied, in any case, by an explanatory report from the Board, assessing the competence, experience and merits of the candidate proposed, and shall include the presence on the Board of a reasonable number of independent directors and shall tend to maintain a majority of directors who are external to management.

The Directors will hold their posts for the term provided in the company bylaws, and may be elected either once or several times.

Independent directors may not be re-elected or appointed for a new term of office under the same classification when they have sat on the company's Board for a term of twelve (12) years as from the date on which they were first appointed.

The independent directors who reach the limit of twelve (12) years provided in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office.

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

The mission of the Appointments and Remunerations Committee, amongst others, will be as follows:

- a) Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from the candidates due to cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their mandate.
- b) Provide the Board of Directors with proposals for the appointment of independent Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting. Submit proposals for the re-election or removal of such Directors.
- c) Provide information on proposals for the appointment of all other Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting, as well as proposals for their re-election or removal by the General Shareholders Meeting.

Pursuant to Article 16 of the Board Regulations, relating to the Appraisal of the Board of Directors and the Committees:

Each year the Board of Directors will evaluate:

- a-) the quality and efficiency of the operation of the Board itself;
- b-) the performance of their functions by the Chairman of the Board and the company's chief executive, based on the report raised by the Appointments and Remunerations Committee; should the Chairman have the capacity of executive director, then the coordinating director shall direct the periodical evaluation of the Chairman of the Board of Directors.
- c-) the operation of the Board's Committees, based on the report raised by each committee.

The Board must propose, based on the results of the said evaluation, an action plan to correct any shortcomings detected.

In accordance with this article of its Regulations, led by the Appointments and Remunerations Committee or by the coordinating director in the case of the Chairman, and coordinated by the Secretary of the Board, the Board assesses the Board itself and all its Committees on an annual basis, analysing various formal and material issues of the activities carried out by each one, together with the content of the meetings, access to business

knowledge, information about issues that are necessary for the development of their functions, the presence of executives at Board meetings and the various Committees, the quality of the discussions and the taking of decisions, the performance of the directors and Chairmen of each committee and the Board itself, the qualification of the directors and the Secretary of the Board, the quality applied to achieve targets, among others. Suggestions are also requested, together with the inclusion of any comment that may help improve the performance of each one.

Each Director and the members of the Committees make their own individual analysis in accordance with guidelines and provide the results to the Secretary of the Board anonymously. After consolidating the results that are obtained, the Secretary gives them to the Board or to each of the Committees, where applicable, for internal debate and to resolve, where applicable, on the actions that help improve the operation and fulfilment of the functions of the Board and each Committee.

Additionally, the Board of Directors will perform the evaluation of the Chairman based on the report submitted by the Appointments and Remuneration Committee and headed by the coordinating director.

The removal of directors is governed by the following articles of the Regulations of the Board of Directors, in the version approved on the 26th February 2015

Article 28. Separation of Directors.

Directors will serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they will tender their resignation in the following cases:

- a) When they become subject to any of the disqualifications or prohibitions set down in law.
- b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.
- c) Directors representing a controlling shareholder will tender their resignations when the shareholder they represent sells a substantial part of its stake.

The Board of Directors may not propose the removal of independent directors before the end of their term of office, unless the Board considers there is due cause following a report to such effect from the Appointments and Remuneration Committee.

When a director steps down before the end of his/her term of office, whether by resigning or for any other reason, he/she must explain the reasons for his/her departure in a letter to be sent to all other members of the company's Board of Directors.

The departure will be reported to the CNMV (National Securities Market Commission) as a material event, and the reason for the departure will be reported in the Annual Corporate Governance Report.

Article 29. Directors' Duties after Separation.

After separation upon completion of the period for which they were elected or for any other reason, the Directors may not serve at any entity competing with the Company and its corporate group for a period of two years unless the Board of Directors grants dispensation from this requirement or shortens its term.

C.1.20- State whether the Board of Directors has performed a self-assessment during this year:

SI

If so, describe whether such self-assessment has led to significant changes in its internal organisation and the procedures applicable to its activities.

**Description of amendments:**

Assessment results did not suggest that significant changes should be implemented

C.1.21- Indicate the circumstances under which the resignation of Directors is mandatory.

In addition to the circumstances already stated in the point above relating to the resignation of directors (article 28 of the Regulations of the Board), according to article 24 of the Regulations of the Board, in the version approved by the Board of Directors on the 26th February 2015, relating to the duty to avoid conflicts of interest.

The directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants, informing of the progress of any such prosecution. In this event, the Board shall study the case. It shall follow the progress of the proceedings and, in view of the same, shall decide on whether or not the Director should continue in office.

C.1.22- 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 Company has created the figure of lead director and awarded said position specific functions to limit the accumulation of powers in one single person.

In particular, in accordance with article 9 bis of the internal Regulations of the Board of Directors

If the post of Chairman of the Board of Directors and Chief Executive of the company correspond to the same person, one of the independent directors will be authorized to perform the following functions:

- a) request a Board Meeting or the inclusion of new items on the agenda,
- b) coordinate the external directors and communicate their concerns,
- c) direct the Board's assessment of its Chairman.

Moreover, both the Chairman and the CEO will be assessed by the Board of Directors in accordance with Article 16 of the Regulations of the Board of Directors.

Each year, the Board of Directors will assess:

b) the Chairman's and Chief Executive Officer's performance of their duties based on the report submitted to it by the Appointments and Remunerations Committee;

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.

YES

**Explanation of the rules:**

See Article 9 bis (above mentioned)

C.1.23- Are qualified majorities, other than the statutory majorities, required to adopt any type of decision?

NO

C.1.24- Explain whether there are specific requirements, other than the requirements relating to Directors, in order to be appointed Chairman.

NO

C.1.25- Indicate whether the Chairman has the casting vote.

YES

**Matters on which a casting vote may be made**

Pursuant to Article 28 of the Articles of Association:

Resolutions shall be adopted by absolute majority vote of the Directors attending the meeting and the Chairman shall have the casting vote.  
Article 7 of the Board Rules sets forth the same thing.

C.1.26- Indicate whether the Articles of Association or the Regulations of the Board of Directors set forth any age limit for directors:

NO

Age limit for the chairman (no age)

Age limit for the CEO (no age)

Age limit for Directors (no age)

C.1.27- Indicate whether the Articles of Association or the Regulations of the Board of Directors establish any limit on the term of office for independent directors, other than that stipulated in the legislation.

NO

Maximum number of years in office	12
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C.1.28- State whether or not the bylaws or the regulations of the Board of Directors establish specific rules for delegating votes on the Board of Directors, the procedure for doing so and, in particular, the maximum number of delegations that may be entrusted to a Director, as well as whether or not it is obligatory to delegate a vote to a Director of the same type. If so, provide a brief description of these rules.

The Board Regulations cover proxy voting at the Board of Directors or delegation in any of its members:

Article 34. Use of Delegated Voting, according to the version approved by the board of directors at its meeting held on the 26th February 2015

If the Board of Directors or any of its members request representation for himself/herself or for another individual and, in general, when the request is made in public, the document describing the empowerment must contain or have attached the agenda, as well as the applications for instructions to exercise the right to vote and the indication of how the representative is to vote if no precise instructions are given.

The delegations of votes received by the Board of Directors or any of its members will be executed in full accordance with the instructions received accordingly and the minutes will record the exercise and identification of the voting instructions received when they include a vote against the Board's proposals in order to protect the rights that may correspond to the delegating shareholder, where applicable.

Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:

- a) His/her appointment, ratification, removal or resignation as a Director.
- b) The bringing of an action for liability against him/her.
- c) The approval or ratification of transactions with the company in relation to which the director has a conflict of interests.
- d)

C.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. Proxies granted with specific instructions shall be counted as attendance.

Number of Board Meetings	11
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	10
Number of Appointments and Remuneration Committee Meetings	7
Number of Appointments Committee Meetings	
Number of Remuneration Committee Meetings	

C.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:

<b>Attendances of the directors</b>	10
<b>Failures to attend as a percentage of total votes during the fiscal year</b>	95.95

C.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:

YES

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>Name</b>	<b>Title</b>
MR JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGER
MR CÉSAR ARRAIZA ARMENDÁRIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MS MARÍA DEL CARMEN PEÑA RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.

C.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.

To avoid any qualifications in the audit report on the financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting, the Board has delegated this task to the Audit Committee, other functions, as provided in article 13 of the Board Regulations:

'D) With respect to the external auditor:

Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report

For practical purposes, the Audit Committee will ensure compliance with the necessary mechanisms established to perform continuous control over the preparation of financial information at every level, from its start to its consolidation in the Viscofan Group companies.

Both the corporate financial department and the internal audit department have collaborated closely with the Audit Committee to establish, put in place and monitor the most appropriate controls for guaranteeing the truthfulness of the financial information to ensure that it gives a true and fair view of the Group's financial situation.

The internal audit department has also included the continuous review of said controls in its annual plan for various subsidiaries, where said review will apply to the financial departments and areas that also take part in preparing the information: operations, human resources, purchasing and commercial, etc.

Both the internal audit department and the corporate financial department have

collaborated actively with the Audit Committee to coordinate and monitor the evolution of the control system, proposing corrective measures where necessary and verifying their effectiveness.

The Audit Committee, internal audit and corporate financial departments have also held informative and follow-up meetings with external auditors to give them the characteristics of the internal control system and its implantation in all the Group's companies and to involve them in their fulfilment and maintain bidirectional communication to allow better monitoring of the improvements that have been put in place. All with the aim of continuing to guarantee the operation of the Group's financial information with greater control at all levels.

Furthermore, the company has maintained a policy of pre-closing the year on 31 October in order to anticipate and correct any incidents that may have arisen during the year.

**C.1.33- Is the Secretary of the Board of Directors a Director?**

NO

**C.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 Appointments Committee and approved by the full Board.**

**Procedure for election and separation**

Pursuant to Article 11 of the Board Regulations:

‘The election and removal 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 Remuneration 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 removal?	YES

**Is the secretary of the Board responsible for specially ensuring compliance with good governance recommendations?**

YES

**C.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.**

Article 13 of the Regulations of the Board of Directors, according to the version approved by the Board, at its meeting held on the 26th February 2015 confers upon the Audit Committee the following duties relating to the external auditor:

- D) With respect to the internal auditor
- (4) Safeguarding the independence of the financial auditor, paying particular attention

to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:

(i) The Audit Committee shall ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor resigns, the committee shall explore the underlying causes.

(ii) Likewise, it shall be ensured that the company and auditor observe the applicable rules to ensure the independence of the auditors and, specifically, the rules on the provision of non-audit services and any restrictions on the limits on the concentration of the auditor's business.

(iii) It shall establish the appropriate relations with the accounts auditor in order to receive information on matters that could put its independence at risk, and any matters related to the progress of the audit.

(iv) It shall annually receive from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(v) It shall annually issue, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the status of independence or to the rules governing the audit.

Article 5 of the Regulations of the Board of Directors includes the following powers among those reserved exclusively for the Board of Directors sitting in full session, in addition to those reserved for the Board by law:

e) Definition of the information policy relating to shareholders, markets and public opinion.

With regard to analysts and investment banks, the mechanisms envisaged under Article 34 of the Regulations of the Board of Directors, coupled with the company's commitment to monitoring applicable law, ensure that independence is upheld and that the information is made available to everyone at the same time and under the same conditions, thus ensuring equal access to such information.

Article 35 - 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 Articles of Association, as well as any information deemed by the Board to be in the interest of the public.

The periodic financial information shall be homogeneous and reliable and, as appropriate, shall be submitted to the relevant Committee.

The Board shall also immediately provide information to the public on:

- a) Relevant facts that could materially influence the formation of stock market prices.
- b) Substantial amendments to the Company governance rules.
- c) Treasury share policies that 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.

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

NO

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

NO

C.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.

YES

	Company	Group	Total
Amount for work other than audit work (thousands of euros)	28	25	53
Amount for work other than audit work (thousands of euros)	21.36	4.31	7.44

C.1.38- State whether the audit report on the Annual Financial Statements for the previous 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

C.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	8	8

	Company	Group
Number of years audited by the current audit firm/Number of years the Company has been audited (as a %)	32	36

C.1.40- Indicate whether there is any procedure for Directors to hire external advisory services, and if so, describe it:

YES

**Description of procedure:**

According to article 18 of the Board Regulations, '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'.

C.1.41- 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:

The Board members will receive the information required to carry out their work in due time and detail with respect to the matters in question. They may obtain additional information should they see fit; such information shall be channelled through the Secretary of the Board of Directors., unless there are urgent reasons for calling a meeting or under exceptional circumstances.

The directors may gather additional information when considered advisable. The request shall be channelled through the Secretary of the Board

C.1.42- 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:**

This was dealt with in point C.1.21 above.

C.1.43- 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 art 213 of the Capital Companies Act.

NO

Indicate whether the Board of Directors has analysed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the Director should remain in office, or, where applicable, describe the actions performed or scheduled to be performed by the Board of Directors up to the date of this report.

NO

Decision made	Substantiated explanation

C.1.44- Provide details about significant agreements that the Company has made and are coming into force or being amended or terminated, in the event of a change of control of the company as a result of a takeover bid and their effects.

No significant agreements have been made with these characteristics.

C.1.45- Identify, on an aggregate basis, and describe in detail the agreements between the Company and the members of the Board of Directors, management or employees which contain indemnity or "golden parachute" provisions in case of resignation or wrongful dismissal or if the contractual relationship is terminated due to a public offer of acquisition or other transaction type.

Number of beneficiaries	2
<b>Beneficiary type</b> Executive Chairman  General Manager Director	<b>Description of the agreement</b> Indemnity of two years' salary in the event of irregular termination, with two years of non-competition.  Indemnity of three years' salary in the event of irregular termination, with two years of non-competition

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

	Board of directors	General shareholders Meeting
Body that authorizes the clauses	YES	NO

Is the General Meeting informed about the clauses? SI

## C.2 - Committees of the Board of Directors

C.2.1- List all the committees of the Board of Directors and the members thereof and the proportion of proprietary and independent directors that form part thereof:

## DELEGATE COMMITTEE

Name	Title	Category
MR JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	OTHER EXTERNAL
MR NESTOR BASTERRA LARROUDÉ	DIRECTOR	OTHER EXTERNAL

% Executive Directors	33.33%
% Proprietary Directors	
% Independent Directors	
% Other External Directors	66.66%

## AUDIT COMMITTEE

Name	Title	Category
MR ALEJANDRO LEGARDA ZARAGÜETA	CHAIRMAN	INDEPENDENT
IGNACIO MARCO GARDOQUI	DIRECTOR	INDEPENDENT
MR JOSÉ MARÍA ALDECOA SAGASTOSOLOA	DIRECTOR	INDEPENDENT

% Executive Directors	
% Proprietary Directors	
% Independent Directors	100%
% Other External Directors	

## APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Title	Category
MR IGNACIO MARCO-GARDOQUI IBÁÑEZ	CHAIRMAN	INDEPENDENT
MR JAIME REAL DE ASUA Y ARTECHE	DIRECTOR	INDEPENDENT
MS LAURA GONZÁLEZ MOLERO	DIRECTOR	INDEPENDENT

% Executive Directors	
% Proprietary Directors	
% Independent Directors	100%
% Other External Directors	



C.2.2-Complete the following schedule by providing information about the number of Directors who formed part of the Committees under the Board of Directors during the last four years:

	Number of Board Members			
	Year 2014 Number%	Year 2013 Number%	Year 2012 Number%	Year 2011 Number%
<b>Delegate Committee</b>	1 33.33%	1 33.33%	1 33.33%	1 33,33%
<b>Audit committee</b>	1 25%	1 25%	1 25%	1 25%
<b>Appointments and Remuneration Committee</b>	1 33.33%	1 33.33%	1 33.33%	1 33,33%

C.2.3-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

Reviewing the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.

YES

Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and removal of the head of the internal audit area; propose the budget for this area; receive periodic information regarding its activities; and verify that senior management 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.

YES

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

C.2.4- Describe the rules of organization and operation of, and the duties assigned to, each of the Board committees.

**Committee name**

**APPOINTMENTS AND REMUNERATION COMMITTEE**

**Short description:**

This is regulated in the Articles of Incorporation of the Company and in the Board Regulations

Article 14, -Board regulation

Appointments and Remuneration Committee. (Version approved at the meeting of the Board of 26th February 2015)

The Appointments and Remuneration Committee, formed by a minimum of three and a maximum of five members, shall be exclusively comprised of non-executive Directors appointed by the Board of Directors; at least two must be Independent Directors.

The members of the Committee will automatically cease to sit on the Committee when they cease to sit as Directors or based on a decision of the Board of Directors.

Committee members will appoint a Chairman selected from the Independent Directors that form part of the Committee.

The mission of the Appointments and Remuneration Committee will be as follows:

Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from the candidates due to cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their mandate.

Set a representation target for the least represented sex on the Board of Directors and prepare guidelines on how to achieve this target.

Provide the Board of Directors with proposals for the appointment of independent Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting. Submit proposals for the re-election or removal of these Directors.

Provide information about proposals for appointment of all other Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting, as well as proposals for their re-election or removal by the General Shareholders Meeting.

Provide information about proposals for appointing and dismissing of senior management and the principal conditions of their contracts.

Review and organise the succession procedure for the Chairman of the Board of Directors and the Chief Executive Officer and, where applicable, submit proposals to the Board of Directors to ensure that this succession is handled in an ordered and planned manner.

Provide the Board of Directors with a proposal for remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive Directors and oversee adherence to such policy.

The Appointments and Remuneration Committee will report to the Board of Directors on the business it addresses and all resolutions it adopts. And the minutes of its meetings will be given to all the directors.

## **Committee name**

### **DELEGATE COMMITTEE**

#### **Short description:**

Company Articles of Association: Article 30:

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

The Delegate Committee will adopt its resolutions by majority vote and the Chairman will have the casting vote. The Chairman of the Board will chair the Committee. As a permanent delegation of the Board of Directors, the Delegate Committee will exercise all the powers of the Board, except for the following: sale, swap and encumbrance of property, industrial or commercial premises and all manner of businesses; creation and modification of real rights over said property, premises and businesses; conveyance, disposal, ownership and encumbrance of property; creation and modification of property mortgages; submission of disputes to private arbitration; and those powers that may not be delegated in accordance with applicable law.

Board Regulations: Article 12, - Delegate Committee.

The Delegate Committee will comprise the number and type of members set down in the company bylaws.

The Secretary of the Board of Directors will also serve as secretary of the Delegate Committee.

The Board of Directors is empowered to appoint and separate its members based on a report by the Appointments and Remunerations Committee. The agreement must be approved by the favourable vote of two thirds of the members of the Board. The members of the Delegate Committee will automatically cease to sit on the Committee when they cease to serve as Directors of the Company.

The Delegate Committee will possess such authority and powers as are awarded by the company bylaws and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders Meeting.

The Delegate Committee will perform its duties with the utmost transparency before the Board, informing the latter of all business discussed and all resolutions adopted, and furnishing all Board members with the minutes of its meetings.

## **Committee name**

### **AUDIT COMMITTEE**

#### **Short description**

**This is regulated in the Articles of Incorporation of the Company and in the Board Regulations**

Board Regulations:

Article 13,- Audit Committee.

There will be an Audit Committee of the Board of Directors. This will be formed by a minimum of three and a maximum of five members.

The Audit Committee will be exclusively comprised of non-Executive Directors appointed by the Board of Directors, of which at least two must be Independent Directors and one will be

appointed taking into account his or her background knowledge and experience in accounting, auditing, or both.

The members of the Audit Committee will be appointed by the Board of Directors pursuant to legal requirements based on a report by the Appointments and Remunerations Committee, and they will 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 members of the Committee will automatically cease to sit on the Committee when they cease to sit as Directors or following a decision by the Board of Directors.

The Audit Committee will elect one of its Independent Director members as Chairman, who will be replaced every four years; the Chairman may be re-elected one year after he/she ceases to serve as Chairman.

The Audit Committee will be entitled to request the presence of any member of the management team or any company employee at its meetings, including the presence of the company's independent auditors or any company advisor whose presence is deemed desirable. All the aforementioned persons will be bound to cooperate and provide access to any information they may have.

The Audit Committee will report to the Board on the business it addresses and on all resolutions adopted at the Board meetings convened for such purpose, and will furnish all Board members with the minutes of its meetings. Notwithstanding the above, and if the Chairman of the Committee deems it necessary based on the urgency and importance of the business in question, the information will be passed to the Board at the first meeting to be held after the Committee meeting.

Notwithstanding other functions stipulated in the applicable legislation, Company's Bylaws or those delegated to it by the Board of Directors, the Audit Committee's mission will include the following:

A) To report to the General Shareholders' Meeting on any issues or concerns raised by shareholders and falling within its remit.

B) Proposing the appointment of the financial auditor to the Board of Directors, which will then be passed on to the General Meeting, and also the terms and conditions of engagement.

C) With respect to internal control and reporting systems:

(a) Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, special purpose vehicles, and the correct application of accounting standards.

(b) Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.

(c) Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.

(d) Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, so that the main risks can be correctly identified, managed and reported.

(e) Discussing with the auditor any significant shortcomings in the internal control system, detected during the audit.

(f) Overseeing the internal auditing services, including, in particular:

(i) proposing the selection, appointment, re-election and separation of the head of internal auditing;

(ii) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving regular information on the results of the work performed, including any incidents that may arise. The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;

(iii) ensuring the independence and efficiency of the internal audit function;

(iv) proposing the budget for this same internal function;

(v) receiving periodic information on its activities; and

(vi) verifying that the senior management takes into account the conclusions and recommendations set down in its reports.

D) With respect to the external auditor:

(1) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report.

(2) Overseeing compliance with the audit agreement, ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

(3) Monitoring the decisions of the senior management team regarding any adjustments recommended by the external auditor, and to hear and, where applicable, mediate any disagreements between both parties.

(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:

(i) the Audit Committee will ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor and, where applicable, the content thereof, and, in the event that the financial auditor has resigned, it will investigate the circumstances that may have given rise thereto.

(ii) the Audit Committee will likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.

(iii) Maintaining the necessary relations with the auditor in order to receive information on all matters that could jeopardize the independence thereof, and any other matters related to the audit procedure.

(iv) Annually receiving from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(v) Annually issuing, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the

valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the independence or with the rules governing the audit.

(5) Attempting to ensure that the group's auditor also audits each component group company.

E) Reporting to the Board of Directors on the following issues, before the latter adopts the corresponding resolutions:

(a) The regular financial information the company has to publish, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.

(b) The creation or acquisition of interests in special purpose vehicles or those domiciled in countries or territories considered tax havens, plus any other similar transactions or operations which, owing to their complexity, might diminish the group's transparency.

(c) Associate transactions.

F) Address and, where appropriate, respond to any initiatives, suggestions or complaints raised by shareholders in relation to the committee's remit, as referred to the committee by the Company's General Secretary.

G) Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing.

H) Supervision of compliance with internal codes of conduct and rules on corporate governance.

C.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 REMUNERATION COMMITTEE**

##### **Short description:**

This is addressed in article 30 of the Company's Articles of Association, registered in the Companies Register and posted on the corporate website as a consolidated text comprising all applicable provisions.

It is governed also by the Regulations of the Board of Directors, which are available on the company's website and have been duly filed with the Spanish CNMV and with the Commercial Registry.

Its regulations have been changed pursuant to the resolution of the Board of Directors of 26 February 2015, which amended its Regulation. The current wording is provided in section C.2.4. above.

The Committee draws up an annual business report including, among other activities, the preparation and monitoring of the annual assessment of the Board and the Committees, the coordination of the evaluation of senior management, the proposed application of the remunerations policy for the Board and senior management, the preparation of the proposal for the Board on the remunerations policy for the current year, the preparation of the proposed annual remunerations report for subsequent submission to the Company's General Shareholders Meeting, reports and proposals for the appointment of directors, where applicable.

Furthermore, the Committee raises proposals to the Board on activities designed to improve knowledge of the attributions, duties and responsibilities of the various members of the Group's senior management at Viscofan S.A. and the other companies in the Group. It fosters the organisation of training courses on particular business issues for the Board of Directors and analyses any requests for participation in the Company's governing bodies.

Lastly, the Appointments and Remuneration Committee will report to the Board on the business it addresses and submit minutes of its meeting to all directors and customized reports on the most significant matters.

All the aforementioned will be performed notwithstanding its subsequent inclusion in the annual activities report.

#### **Committee name**

#### **DELEGATE COMMITTEE**

##### **Short description:**

The Delegate Committee is governed by Article 30 of the company's Articles of Association, as filed with the pertinent Commercial Registry and published on the company's website as a consolidated text encompassing all current provisions.

It is similarly governed by Article 12 of the Regulations of the Board of Directors, which are available from the company's website and have been duly filed with the Spanish CNMV and with the Companies Registry.

The provisions of the regulation were amended by agreement of the Board on the 26th February 2015, amending its Regulations. The text in force was transcribed in point C.2.4 above.

The Delegate committee regularly reports to the Board of Directors on all the matters discussed at its meetings and provides the minutes thereof.

#### **Committee name**

#### **AUDIT COMMITTEE**

##### **Short description:**

The Audit Committee is governed by Article 30 of the company's Articles of Association, as posted on the company's website, and by Article 13 of the Regulations of the Board of Directors, which is similarly available from the company's website and has likewise been duly filed with the Spanish CNMV and with the Companies Registry.

The amendment of the Regulations of the Board of Directors approved by the Board on 26 February 2015 its minimum and maximum number of members, and it has fulfilled its duties, particularly those relating to internal control and to maintaining the independence of the external auditor, as stipulated in section C.2.4. above.

The Audit Committee draws up an annual activity report that describes the targets set by the Committee, the activities carried out during the year and the results obtained from said activities.

An extract of said report is submitted to the General Shareholders Meeting on an annual basis for information purposes.

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

YES

## **D.- RELATED-PARTY TRANSACTIONS**

D.1 - Identify the competent body and describe, where applicable, the approval procedure for associate and intra-Group transactions.

### **Competent body for approval of associate transactions**

Approval corresponds to the Board of Directors as one of the matters reserved exclusively for the Board by virtue of Article 5 of the Board Regulations:

e) Transactions made by the company with directors, major shareholders or shareholders with Board representation, or with other persons related thereto ("associate transactions").

However, the Board's authorisation shall not be required for associate transactions that simultaneously meet the following three conditions:

1. They are governed by standard agreements applied across the board to a large number of clients;
2. They are arranged at prices or rates set on a general basis 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 revenue.

The Board will approve associate transactions following a favourable report from the Audit Committee.

### **Procedure for the approval of associate transactions**

In accordance with the provisions stated in the above section, associate transactions have to be analysed by the Audit Committee and the report will be submitted to the Board, which will decide on its approval.

Describe whether or not the approval of associate transactions has been delegated, stating the body or individuals entrusted with these powers, if any.

Powers were delegated exclusively to the highest-level legal representatives of Grupo Viscofan for the purposes of enabling them to engage in operations related to their regular business activity with either the parent company or with other Group companies. In view of the special structure of the Group, whereby all subsidiary companies are 100% owned by the parent company Viscofan, S.A., this risk is eliminated in the consolidation of financial statements due to the application of various policies and internal controls, especially the system of internal control over financial information that is in place.

D.2. Describe transactions that are considered significant based on their amount or important due to their nature carried out between the Company or entities within its Group and the Company's significant shareholders:



Name or company name of the major shareholder	Name or company name of the shareholder or a company of its Group	Nature of the relationship	Transaction type	Amount (in thousands of Euros)
NONE				

D.3- Describe the transactions that are considered significant based on their amount or important due to their nature carried out between the Company or entities within its Group and the Company's Board members or senior management:

Name or company name of the major shareholder	Name or company name of the shareholder or a company of its Group	Relationship	Transaction type	Amount (in thousands of Euros)
NONE				

D.4 - Describe the significant transactions carried out 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 in terms of its purpose and conditions.

Under all circumstances, report on intra-group transactions carried out with entities registered in countries or territories that are considered tax havens:

Company name of the Group entity	Short description of the transaction	Amount (in thousands of Euros)
NONE		0

D.5- Describe the amount of transactions carried out with related parties.

NONE

D.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.

Article 22 of the Board Regulations, relating to the duty of loyalty establishes the obligation of the Company directors to perform their duties under the principle of personal responsibility with freedom of opinion or judgement and independently with regard to third party relations and instructions.

The duty to avoid conflicts of interest is governed by article 24 of the Board of Directors Regulations, in the version approved on the 26th February 2015.

Article 24.- Duty to avoid conflicts of interest

The directors shall adopt the measures required to avoid situations of conflict with the company interest and with their duties towards the company and its group of companies, and they shall be obliged to inform the Board, prior to occurrence or as soon as they are aware of the existence

thereof, with the obligation to immediately resign should the said conflict persist or should their presence on the board be contrary to the company's interests.

Directors shall refrain from discussing and voting on matters in which they have either a direct or indirect interest, even through related parties, except in the agreements or decisions affecting their capacity as member of the board, such as their appointment or removal from positions within the Board.

Likewise, the directors shall refrain from conducting transactions with the company, except for ordinary transactions, of little importance, made in standard conditions for customers.

Any situations of conflict of interest in which the Directors are involved, shall be included in the annual corporate governance report.

The directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants, informing of the progress of any such prosecution. In this event, the Board shall study the case. The progress of the case shall be monitored and, in view of the same, a decision shall be taken as to whether or not the Director continues to hold the position.

Directors cannot, either personally or through an intermediary, carry out activities or hold positions of any nature in businesses or companies that are currently or potentially competitors of Viscofan and its group of companies, neither may directors act as a representative or consultant to such businesses or companies or perform any other activity that puts them in a situation of conflict of interests with the Company.

Moreover, the duty of loyalty and the duty to avoid conflicts of interest is extended to related parties, according to the definition included in the Board Regulations, in the version approved by the Board at its meeting held on the 26th February 2015.

#### Article 26,- Related parties

The director's duty of loyalty, of avoiding conflicts of interest and of abstention in its various facets, also covers those activities performed by related parties, based on the definition contemplated in this regulation.

For the purpose of this regulation, the following shall be considered to be related parties:

- 1) The Director's spouse or spousal equivalent.
- 2) The ascendants, descendants and siblings of the Director or spouse.
- 3) The spouses of the ascendants, descendants and siblings of the Director.
- 4) The companies in which the administrator, either personally or through an intermediary, directly or indirectly, holds or has the power to hold control, holds an executive position or has a significant shareholding.

If the administrator is a legal person, then the following shall be understood to be related parties:

- 1) The partners who, in relation to the legal person administrator, hold or may hold, directly or indirectly, the control, hold an executive post or who have a significant shareholding.
- 2) De jure or de facto administrators, official receivers, and those attorney-in-fact with general powers of legal person administrator.
- 3) Companies forming part of the same group, that constitute a decision making unit due to the fact that one of them holds or has the power to hold, directly or indirectly, the control of the rest, or because the said control corresponds to one or several natural persons acting together as one.

4). Those persons that, in accordance with the paragraph above, are related to the directors of the legal person administrator.

With regard to the duties in relation to significant shareholders, article 32 puts the responsibility on the directors acting on their behalf, for extending to the shareholders the duties of the directors, in addition to those legally stipulated or set out in the Articles of Incorporation.

Likewise, the regulation stipulates that any transactions performed with the said significant shareholders must be approved by a plenary meeting of the Board and must be included in the company's annual report and in the corporate governance annual report.

Finally,, Article 34 of the Regulations of the Board of Directors, regulating the use of voting by proxy, reads as follows:

Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:

- a) His/her appointment, ratification, removal or resignation as a Director.
- b) The bringing of an action for liability against him/her.
- c) The approval or ratification of transactions with the company in relation to which the director has a conflict of interests.

D.7- Is more than one company of the Group listed in Spain?

NO

**Identify the subsidiaries listed in Spain:**

#### **Listed subsidiary companies**

Describe whether a detailed description has been made available to the public regarding their respective areas of activity and any business dealings between them, as well as between the listed subsidiary company and other companies belonging to the group:

**Describe any business dealings between the parent company and the listed subsidiary company, as well as between this company and other companies belonging to the group:**

Describe the mechanisms established to resolve any eventual conflicts of interest between the listed subsidiary company and other companies in the group:

#### **Mechanisms in place to resolve any conflicts of interest**

### **E. - RISK CONTROL SYSTEMS**

E.1 - Describe the scope of the Risk Management System of the Company.

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

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

The monitoring of the company's Risk Management System is performed through a number of risk management committees, as set out in point E.2.

In the course of this present fiscal year, a review has been made of the map of existing risks, defined by the Overall Risk Committee, in compliance with the code of ethics, the internal regulations and the Be MORE Strategic Plan for the 2012-2015 period. Within this review, the decision was taken to adopt the COSO methodology, reclassifying the risks identified into four categories:

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

There are a number of objectives:

- ✓ Update the assessment of the risks already identified on the inherent risk map.
- ✓ Update the assessment of the risks on the residual risk map, taking account of the mitigating measures implemented.
- ✓ Link the risks to the four key objectives of the "Be MORE" Strategic Plan in force.
- ✓ Add new risks.

The Viscofan Group considers relevant risks to be those that could compromise the achievement of its objectives in the MORE initiatives:

- Market: positioning of Viscofan as a global market leader.
- Optimisation: reduction of costs and increased efficiency.
- Returns: value creation by stakeholders within the objectives defined in the annual budget.
- Excellence: protection of Viscofan's culture and values, improvement of service, quality, commitment to the protection of human rights, safety, and the environment.

By being aware of the location of each risk on the inherent map and on the residual map, it is possible for the Organisation to determine the mitigating effect of the measures adopted and to focus on those risks that are still out of the comfort zone, by adding corrective and preventive measures in order to reduce the impact and/or the probability of the risk occurring.

The management of corporate risks is not a serial process in which each component only affects the following one, but is a multi-directional iterative process in which one component may affect any other one.

All these measures together are reflected in the internal regulations, in the financial reporting internal control system and in the code of conduct implemented throughout the Group.

The company has specifically regulated, assigning the duties corresponding to each case to the various bodies involved in risk management, as described in section E.2 below, including participation in the risk prevention and control system of personnel of investee companies (local level) and at corporate level.

## E.2- Describe the corporate bodies responsible for preparing and implementing the Risk Management System.

### **Name of the committee or body**

#### **BOARD OF DIRECTORS**

##### **Description of functions**

In powers”, the risk control and management policy and the periodic monitoring of internal information accordance with Art. 5 of the Regulations of the Board of Directors of the Company, relating to “Exclusive and control systems constitute one of the matters that may only be heard and addressed by the Board of Directors when in full session.

### **Name of the committee or body**

#### **AUDIT COMMITTEE**

##### **Description of functions**

The Audit Committee, through its duties in relation to the internal control and reporting systems, is responsible for overseeing the preparation and control of the financial information in general and, specifically, all the procedures implemented for this purpose, for overseeing the internal audit function and relations with the external auditor, in order to guarantee its independence and ensure a report with no reservations, amongst other functions.

Furthermore, a specific duty of the Audit Commission is to oversee the suitability of the control procedures and policies implemented and to review the internal control systems and risk management, in order to ensure that the main risks are identified, managed and effectively disseminated.

### **Name of the committee or body**

#### **INTERNAL AUDIT**

##### **Description of functions**

For its part, the objectives of the Internal Audit Department include the insurance and control of risks of any nature, faced by the Organisation. For this purpose it has the power to inspect and assess the control and mitigation systems and procedures for all risks, as well as the methodologies used. To facilitate these duties, Internal Audit is present on all Committees in which senior management is present: Committee for Corporate Responsibility and Regulatory Compliance, Ethics Committee, Overall Risk Committee, Credit Risks Committee and Investment Committee.

### **Name of the committee or body**

#### **CORPORATE RESPONSIBILITY AND REGULATORY COMPLIANCE COMMITTEE**

##### **Description of functions**

The Corporate Responsibility and Regulatory Compliance Committee includes among its duties that of overseeing risks specific to the Company in relation to criminal liability or any other breach of Company regulations.

### **Name of the committee or body**

#### **ETHICS COMMITTEE**

##### **Description of functions**

The Ethics Committee is responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may give rise to a situation of risk for the Viscofan

Group as a result of a breach of the Viscofan Group's internal regulations or any other circumstance.

**Name of the committee or body**

**GLOBAL RISK COMMITTEE**

**Description of functions**

The Global Risk Committee is a collegial body established for the purpose of making an in-depth analysis of the exposure to risks affecting the organisation, assessing this exposure, and making recommendations for the actions required to manage the risks within reasonable margins.

The Global Risk Committee is therefore a body set up to analyse, rate and coordinate risk issues and management.

**Name of the committee or body**

**CREDIT RISK COMMITTEE**

**Description of functions**

The Credit Risk Committee is established as a supervisory and control body for those risks related to customer payment management. The purpose of this Committee is to thoroughly study the prevention, monitoring and solution of the said risks, through the creation and implementation of those instruments considered to be the most suitable at any given time, including taking out insurance policies. In this way, the supervision of the financial risk incurred during business with the Group's customers is conducted not only at a local level but also at a corporate level, as a regular and ongoing process. In 2014, this Committee held five meetings.

**Name of the committee or body**

**INVESTMENTS COMMITTEE**

**Description of functions**

The main purpose of the Investment Committee is to control and supervise compliance with the Investment Plan approved by the Board of Directors. To achieve this, it meets on a quarterly basis for the purposes of performing periodic follow-up checks on the correct application of approved investments and controlling the efficient use of Group resources and investments.

**Name of the committee or body**

**SENIOR MANAGEMENT**

**Description of functions**

Senior management is responsible for identifying and assessing the risks to which the Group is exposed in the course of its business and for taking appropriate measures to prevent the appearance of these risks or, if they do appear, to reduce or eliminate their impact. Therefore, it plays a fundamental role in designing and implementing control mechanisms and ensuring their fulfilment across the organisation.

**Name of the committee or body**

**EMPLOYEES**

**Description of functions**

Finally, the remaining Viscofan Group employees shall comply with the measures in place in the risk control and prevention systems and, where applicable, report any behaviour they consider may be a possible risk to the Viscofan Group.

In order to facilitate coordination tasks, better identify risks and risk prevention and control actions, certain individuals were identified at local levels who will coordinate their actions with the competent bodies at the corporate level.

### E.3- State the main risks that may interfere with achieving business targets

The risks were identified following the COSO methodology, and are shown on the Viscofan Group's risk map under qualitative and quantitative parameters. The main risks that could affect the achievement of the Viscofan Group's business objectives:

1.- Strategic risks: Those risks affecting the objectives at a high level, aligned with the company's mission. The company has identified the following specific risks within this category:

Natural disasters

Country risk

Risks associated with the competitive environment and the sector market (competitors, customers and substitute products)

Reputation risk

Company property risk

Obsolescence and innovation risk

2.-Information risks Those risks affecting the reliability of the information provided and the objectives with regard to the availability of sufficient capital and resources to conduct business and achieve the company's financial objectives. The company has identified the following specific risks within this category:

Computing contingencies

Integrity of the preparation of financial information

Financing and lack of liquidity

Exchange rate

Interest rate

Budgetary control

Pension plans

3.- Operational risks: Those risks affecting the objectives related to the efficient use of resources and long term business continuity. The company has identified the following specific risks within this category:

Property damage

Business continuity

Energy market

Customer satisfaction

Transport risk

Shortage of raw materials

Public liability

Knowledge and the development of know-how

Human capital

Group cohesion

Food risk

Sabotage

4.- Compliance risks: Those risks affecting the objectives relating to compliance with applicable laws and rules and regulations, including internal rules, in addition to the protection of employees and the company.

Environment

Accidents at work  
Occupational safety and hygiene  
Evolution of the regulatory framework  
Compliance with multinational food legislation  
Compliance with obligations derived from business transactions  
Corporate risk  
Criminal liability of corporate bodies  
Taxation

As mentioned in point A.1, during the update of the risk map in 2014, each risk was linked to the four objectives of the strategic plan in force.

#### E.4- Describe whether the company has a risk tolerance level

The company has a risk map in which the risks are quantitatively and qualitatively rated, making it possible to define a tolerance level for the risk identified. The appetite accepted for the risk is supported by the strategy defined and is reviewed by the various risk committees.

Prior to establishing preventive and corrective measures for each risk identified, the company and the various bodies exercising the functions referred to above, shall discuss the probability of occurrence of each risk, the consequences of the different scenarios in the event of occurrence and the impact that the said occurrence could have on the Group, on its activity and on its financial statements, in addition to its resilience in each case. This information is used to determine the acceptable tolerance level, in order to adapt this to the preventive and corrective measures to be implemented.

#### E.5- Describe the risks that occurred during the year

The actual company diversification, at a geographic level (sales and production), and with regard to the product range, is a measure in itself that mitigates the risks identified on the risk map. However, this global nature also means that, during the fiscal year, adverse circumstances also develop, making it difficult to achieve the objectives established in the budget for 2014. However, in the course of 2014, the measures implemented and the quantification of the said risks have not prevented the company from achieving the financial objectives established and reported to the investment community.

In this context, some of the risks to materialise with the most significant impact, are as follows:

##### **Risk to materialise during the fiscal year**

Strategic risks Country risk

##### **Circumstances giving rise to the risks**

The geopolitical situation in Eastern Europe has led to a significant drop in sales in Ukraine.

##### **Functioning of the control systems**

The company has avoided sales trips to the country in military conflict, whilst strengthening business activities in the neighbouring countries which, due to cultural affinity or as an export route, have a similar consumption profile to Ukraine. A measure directed at recovering the drop in sales in that country.

##### **Risk to materialise during the fiscal year**

Financial risk: exchange rate

##### **Circumstances giving rise to the risks**

The global economic situation and the economic and monetary policies conducted by the competent authorities in the various countries, has given rise



to the fluctuation of a number of currencies in which the Group operates, with particular mention of the Brazilian Real and the USA Dollar, not only in average terms, but the volatility between maximum and minimum exchange rate values was particularly significant in the course of the year.

#### **Functioning of the control systems**

Viscofan attentively watches for opportunities to take out exchange rate hedges, endeavouring to cover the transaction flows between different currencies, as required by circumstances. Over the last few years, the company has strengthened the treasury team and has contracted information systems in order to improve the hedging capacity to minimise risk at a lower cost.

On the other hand, the international expansion of the Group, with the installation of production plants in China and Uruguay, involves bringing production closer to the end customer, thereby reducing the exchange rate risk, yet without eliminating it completely.

#### **Materialised risk in the course of the fiscal year**

Operational risks: energy costs

#### **Circumstances giving rise to the risks**

Volatility in energy prices

#### **Functioning of the control systems**

Viscofan is making considerable investments directed at optimising energy costs from a financial and environmental point of view. In turn, when dictated by circumstances, the company makes hedging on energy prices, involving a reasonable cost or reducing the budget compliance risk. Nevertheless, the volatility of energy prices, and the reduction in the Brent price have meant that certain hedges have been made at a higher cost than the spot price, or that the investment payback periods have been greater. However, the risk control measures have meant that the energy costs are for a reasonable amount with regard to the budget approved.

#### **Materialised risk in the course of the fiscal year**

Competitive environment and market risk

#### **Circumstances giving rise to the risks**

As a result of the PED virus, the pig stock in the USA has been reduced, leading to a price increase for our customers, the meat processors. They have not been able to pass this increase on to the end customer and, as a result, the production volume for sausage products has decreased and, consequently, the casings market in this country. In this context, the business activity of the casings producers has been focussed on defending their market share in this country.

#### **Functioning of the control systems**

Monitoring work of this market has been performed, maintaining disciplined trading policies that will not damage the financial objectives of profitability. The company has strengthened the specific projects in the USA directed at improving service and quality levels, involving increased protection of the market share in adverse scenario and which also involves a greater source of competitive advantage when the casings market recovers from the drop caused by the PEDV crisis.

### **E.6- Describe response and control plans for the main risks faced by the Company**

#### **1.1-Strategic risks**

### Natural disasters

We have requested the preparation of a Business Continuity Plan.

On the other hand, we are working on intra-group diversity, in other words the production of any plant may be assumed by another group plant in the event of a natural disaster or similar circumstances.

### Country risk

The Credit Risk Committee met periodically in order to analyse the actual risk to customers of the entire Group, analyse potential delays, review compliance with established procedures, verify the status of insurance policy coverage and conditions, review the risk in different countries, especially the current political and financial instability in certain countries, including Spain, and adopt the measures required in each case to ensure, or, where applicable, decrease, this exposure by changing sales conditions, requesting collection assurance measures, etc. In the course of 2014, the Credit Risk Committee has held five meetings. Although the economic situation is not favourable, the monitoring conducted by the Committee has made it possible to stabilise the amount of the debt covered, reaching a percentage of 77%

## **2.Financial and systems risks**

### Exchange rate

Viscofan is attentive to new business and exchange rate hedging opportunities, advisable at any given time, and which make it possible to reduce the impact of this risk.

### Financial control of transactions

The company has expanded its corporate management control team in order to conduct a more exhaustive analysis of production costs and to improve the reporting systems. This team will also facilitate the work of financial support, depending on the needs of the various Group subsidiaries.

### Computing contingencies.

Once the company defined the contingency plan to reduce the impact of a systems failure, this plan was then implemented, including servers located in different cities, to guarantee system operation in less than twenty-four hours following any type of occurrence, and ensuring the continuity of activity in the event of damage.

## **3.Operational risks**

### Energy market

The company is analysing a number of alternatives in order to obtain the most benefit from reductions in energy costs. Likewise, following the regulatory changes made in Spain throughout the fiscal years of 2013 and 2014, the company is making studies and contingency plans to reduce the impact of new regulatory changes in the future. In Germany, the Group has invested in a cogeneration turbine to reduce the plant's dependence on third party supplies. This is more efficient with regard to energy costs whilst the company has taken an important step forward in environmental terms, due to the drop in the consumption of primary energy at this plant.

### Scarcity of raw materials

The company is analysing a number of alternatives in order to obtain the most benefit from reductions in energy costs. Likewise, following the regulatory changes made in Spain throughout the fiscal years of 2013 and 2014, the company is making studies and contingency plans to reduce the impact of new regulatory changes in the future. In Germany, the Group has invested in a cogeneration turbine to reduce the plant's dependence on third party supplies.

This is more efficient with regard to energy costs whilst the company has taken an important step forward in environmental terms, due to the drop in the consumption of primary energy at this plant.

#### Environmental, safety and hygiene risks

The Board of Directors has endorsed a new corporate policy on the Environment, Safety and Hygiene, which is mandatory for all Viscofan Group collaborators. Driven by this new policy, the new corporate plan in this area is being deployed, a plan which will involve greater knowledge of the corporate standards and their local development in the different factories and a more standardised measurement criterion in order to define the quantitative corporate objectives in this area.

## **4.Regulatory risks**

#### Changes to the regulatory framework

Every effort has been made to monitor the regulatory amendments, particularly in Spain, where there have been ongoing regulatory changes in a number of aspects affecting the company. Whenever possible, the company has carried out prevention actions on the possible impacts that these changes could cause.

#### Monitoring system and complaints channel

With outside professional advice, the Ethics Committee has updated its investigation regulations and protocol in order to guarantee greater independence of its work, to facilitate the use of the complaints channel and to give greater protection to any collaborators who may use the said complaints channel.

These specific tasks and projects come within the framework of the general policy conducted this year, with an increase in the monitoring measures in the different risk areas in order to control any potential occurrence and incident and to establish the prevention and control measures required, or to adapt those already in place, and to ensure compliance with the same.

As a result of this work, 2014 has seen many more monitoring meetings and reports provided, which have been submitted to the Audit Commission and to the Board of Directors. These reports were made out by the following bodies: Internal audit; Committee for Corporate Responsibility and Regulatory Compliance; Ethics Committee; Overall Risk Committee; Credit Risks Committee; and the Investment Committee, and also Senior Management. The Company has also implemented action plans, established for each of the bodies, the controls derived from the said plans, and the recommendations arising from the said controls.

## **F.- INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR THE FINANCIAL REPORTING PROCESS (SCIIF)**

Describe the mechanisms that make up internal control and risk management systems for the financial reporting process (SCIIF) of the Company.

### **F.1 Control environment of the institution**

Provide information, indicating the main characteristics, about at least:

F.1.1- Bodies and/or functions responsible for: (i) The existence and maintenance of an appropriate and effective financial information internal control system (FIICS); (ii) its implementation; and (iii) its supervision.

Article 5 of the Board Regulations includes among the powers of exclusive knowledge of the Board of Directors as a whole:

"vii) Risk control and management policy, as well as the periodic monitoring of internal information and control systems."

Furthermore, article 13 of the Regulations of the Viscofan Board of Directors lists the functions of the Audit Committee in relation to internal information and control systems.

Among these functions, the Committee has assigned the following supervision and review functions:

"Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, special purpose vehicles or instrumental entities, and the correct application of accounting standards".

In turn, the Internal Audit Division has assigned the general function of examining and assessing the systems and procedures for the control and mitigation of all risks, and the methodologies used.

Specifically, with respect to the control of financial information, it examines and assesses the reliability of the financial information, both accounting and management information, checking that it is complete and correct. It also reviews the procedures for recording it and the information, accounting and data processing systems.

In addition, the Internal Audit Division liaises with the Audit Committee and, where applicable, also with the Divisions involved, keeping them informed about the results of all audit, investigation and consultancy activities.

For its part, according to the Policy on Internal Control of the Viscofan Group's Financial Information, the Corporate Finance Division is responsible for carrying out:

- The design, start-up and dissemination of the financial information internal control system (hereinafter, FIICS).
- The definition, review and dissemination of the accounting policies and procedures to be applied, aiming to guarantee uniformity in the processes and in the accounting information.
- The definition of the process of preparation of the financial information and identification of risks that may affect its reliability.
- Identification of the control activities to be carried out to mitigate risks and the supervision of their appropriate performance both at local and corporate level.
- Supervision of the appropriate design and use of the financial information systems and of the Financial Departments of each of the companies in the Group:
- Compliance with the common accounting principles and policies.

- Dissemination of the FIICS among the local organisation, identifying those responsible for the execution of each control activity.
- Coordination of the work of the other local departments so that the local financial information is prepared in accordance with the objectives set.
- Performance of the control activities allocated to the department, and supervision of the activities that correspond to the rest of the departments (sales, purchasing, production, warehouse, maintenance, etc.).

Finally, all other Group Departments are to cooperate in the dissemination of the FIICS within their area of responsibility.

Furthermore, each Department shall be responsible for the application of the controls corresponding to its area and coordination with other departments in the application of the FIICS, with the supervision of the corporate departments, and for correcting any deficiencies identified by the Internal Audit Department in its duty of supervision of the system.

F.1.2- If they exist, especially regarding the process of preparing financial information, the following elements:

- Departments and/or mechanisms responsible: (i) for the design and review of the organisational structure; (ii) for clearly defining the lines of responsibility and authority, with appropriate distribution of tasks and roles; and (iii) for there being sufficient procedures for their correct dissemination within the company.

The General Management and the Corporate Human Resources Division are responsible for the design and review of the organisational structure and for the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Human Resources Division has procedures for updating corporate-level organisational structures and those of each of the Group subsidiaries. Dissemination takes place via the corporate Intranet, with publication of the current organisational flowcharts of each company and the most relevant changes that take place in them.

Financial Management has organisational structure charts with the composition of the financial departments of each subsidiary company, as well as information about the tasks performed by different members of these departments. Each team has a person responsible for the FIICS at local level, responsible for disseminating it to the rest of the departments involved, checking that each one of them carries out the checks allocated and regularly reporting on the operation of the system.

The aim of all of this is to guarantee that the internal control principles are suitably disseminated within the organisation, contributing to improved quality of control over financial information.

- Code of conduct, approving body, level of dissemination and instruction, principles and values included (indicating whether there are specific mentions in the register of operations and preparation of financial information), body responsible for analysing non-compliance and for proposing corrective actions and disciplinary measures.

The body that approves the Code of Conduct is the Board of Directors, at the proposal of the Corporate Responsibility and Regulatory Compliance Committee. The code affects the Boards of Directors, Senior Management and the rest of the Group's employees in their daily professional performance, regarding the relations and interactions they have with all their stakeholders.

The Code of Conduct that applies in the Viscofan Group was approved by the Board of Directors at their meeting held on 29 February 2012. This Code of Conduct's principles and guidelines cover regulatory compliance, integrity, responsibility, transparency and confidentiality. Furthermore, it also includes the criteria to be taken into account by employees who participate in the preparation of financial information, previously regulated in the Policies that are in force.

Specifically, the Group has implemented a Policy on the Internal Control of Financial Information, with the specific aim of establishing the guidelines necessary to guarantee appropriate preparation and subsequent dissemination of financial information, which establishes the principles that should govern it and describes the roles and responsibilities of each one of the Departments, financial or otherwise, both at Group level and at local level.

This Policy has been widely disseminated and is available to employees on the Group Intranet.

- A reporting channel is used to notify the Audit Committee of financial and accounting irregularities, any eventual breaches of the Code of Conduct and irregular activities in the organisation, stating whether or not they are confidential in nature, where applicable.

Article 13 of the Board Regulations allocates the following role to the Audit Committee:

"Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing."

The Ethics Office has been created for this purpose, as a virtual space for Group employees to discuss matters associated with compliance with the Code of Conduct and, generally, with all of the Viscofan Group's internal regulations, especially when there are signs of non-compliance.

This Ethics Office makes it possible to establish a suitable channel to facilitate reporting to the Audit Committee of any financial and accounting irregularities, guaranteeing the confidentiality of communications.

The Audit Committee has delegated the creation and management of this Ethics Office to the Ethics Committee, which is made up of the corporate areas of Internal Audit, Legal, Investor Relations and Communication, and the Board Secretary.

- Regular training and refresher programmes for personnel involved in the preparation and review of financial information, as well as in the evaluation of the FIICS, to cover at least accounting standards, audit, internal control and risk management.

The aim of the Viscofan Group Training Policy is to guarantee that Group employees have all the knowledge and skills necessary for optimum execution of the duties assigned to them, improving or updating their performance.

Concerning one of the principles of this Policy, namely, planning, and in accordance with the

responsibilities described therein, each year the Annual Training Plan is prepared, in which the managers of each department take part. Together with Human Resources Management, they identify training opportunities and the programmes to be carried out during the year.

In the case of the personnel involved in the preparation and review of the financial information for specific training intended to cover the specific needs of each individual or, if applicable, a department, the external training actions for the review of standards and accounting procedures are combined with internal training, mainly concentrated on the dissemination of policies and procedures and on the execution of the internal controls included in the FIICS.

In the course of 2014, a financial coordination meeting was held to convey the accounting and cost reporting improvements, and also to continue to make progress in the standardisation of accounting and production cost calculation policies.

## F.2- Financial information risk assessment

Provide information on, at least, the following:

F.2.1- The main characteristics of the risk identification process, including those of error or fraud, in terms of:

Whether the process exists and is documented.

The two areas most directly involved in the identification of risks that could affect the drafting of financial information are the Corporate Finance Division and the Internal Audit Division. In their daily activities, permanent communication is encouraged between these two departments to analyse how the FIICS is working and identify risk areas for which additional controls should be incorporated into the system.

Subsequently the Internal Audit Division, in its quarterly report, informs the Audit Committee of the main risks identified in the period, and the monitoring carried out on the corrective actions established in previous periods.

- Whether the process covers all of the objectives of the financial information (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.

In each process and sub-process that affects the preparation of financial information, the Group identifies the risks that may materialise taking the following information into account:

- Description of the existing control objectives to meet the business targets defined by the Company and guarantee the reliability of the financial information.
- Possibility of the occurrence of an error risk, according to its impact on the financial statements, being categorised as follows:
  - Validity: All transactions generated in the period are valid.
  - Integrity: All transactions have been recorded correctly.
  - Registry: All transactions have been accurately entered into the accounts.
  - Cut-off: All transactions recorded represent economic events that occurred during the period in question; transactions are recorded in the corresponding period.
  - Assessment: Assets and liabilities are correctly valued (they appropriately

- reflect the existing circumstances of the business and its financial conditions).
- Presentation: The financial statements are appropriately presented and disclosed.

At the meetings discussed above, a conclusion may be reached as to the need or not to modify the existing risk map, following an analysis of the information compiled.

- The existence of a process for identifying the scope of consolidation, taking into account, amongst other aspects, the possible existence of complex company structures, instrumental entities or special purpose vehicles.

In accordance with the Board Regulations, the definition of the structure of the group of companies is the exclusive remit of the Board of Directors, and in turn the Audit Committee's role is to supervise the appropriate delimitation of the scope of consolidation, considering, amongst other aspects, the possible existence of complex company structures, instrumental entities or special purpose vehicles.

The Viscofan Group Accounting Policy Manual determines that the responsibility of keeping the scope of consolidation duly updated lies with the Consolidation Area, which forms part of the Corporate Finance Division. Corporate operations that could affect the scope are reported appropriately by the General Management and Legal Divisions.

Independently of the fact the Group can grow either via acquisitions or organic growth, the Group's corporate strategy is to maintain as simple a structure as possible, in order to facilitate control of the business, from both an operational and a financial and accounting perspective.

Accordingly, at present the Group's parent company, Viscofan, S.A. is the owner of all of the capital in Group companies, either directly or indirectly, and in this latter case, the holding in all cases is through other Group companies.

In addition, it is the exclusive power of the Board of Directors in full to create or acquire interests in special purpose vehicles or institutions registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

According to article 13 of these same Regulations, the Audit Committee is responsible for informing the Board, prior to it making the corresponding decisions in this area.

In this respect, the Viscofan Group does not currently own or have an interest in any company in the territories listed by the OECD or by the Spanish Government that could be defined as tax havens.

- If the process takes account of the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) in so far as they affect the financial statements.

Periodically, the Audit Committee evaluates the situation of the main risks that affect the Group, in accordance with the description given in section D of the Annual Corporate Governance Report. For said purpose, it is supported by the Global Risks Committee, set up at the Audit Committee's proposal and representing the Group's General Management and other divisions (Production, Financial, Legal and Commercial) and Internal Audits.



Specifically, control of risks covers following risk categories:

1. Concerning the risks of reliability of the financial information, as described above.
2. Concerning criminal risks. The Corporate Responsibility and Regulatory Compliance Committee is responsible for monitoring all matters related to risk prevention and the identification of measures for detecting possible crimes, fraud or conduct contrary to Group policy in relation to the criminal liability of companies.
3. Concerning general risks. The responsibility is shared between the General Risks Committee, which identifies the risks map and implements the control policies that are designed to reduce them, and the Audit Committee, which supervises the adaptation of the control policies and procedures in place and reviews the risk management systems so that the main risks are identified, reported and suitably managed.

Among these, in addition to those of a financial nature, the risk map that is monitored takes account of operational, fiscal, technological, legal, reputational and environmental risks, etc. Specifically, in 2014, progress has been made in the formalisation of a computing risk map.

- Which governing body of the company supervises the process

Article 13 of the Regulations of the Viscofan Board of Directors assigns the Audit Committee the role of monitoring the risk management carried out by the Group.

"Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, so that the main risks are properly identified, managed and reported".

Furthermore, one of the objectives of the Internal Audit Division is the identification and assessment of any type of risk faced by the Organisation, and to this effect, it is authorised to examine and evaluate the systems and procedures in place for the control and mitigation of all risks, as well as the methodologies used.

### **F.3- Control activities**

Provide information, indicating the main characteristics, about the existence of at least the following:

F.3.1- Procedures for the review and authorisation of financial information and the description of the FIICS, to be published in the securities markets, listing those responsible for them and the documentation describing the flow of activities and controls (including those related to fraud risk) of the different types of transactions that could materially affect the financial statements, including the book closing procedure and the specific review of the relevant opinions, estimates, appraisals and forecasts.

The procedures existing in the Viscofan Group define the activities and controls to be carried out in the process of drafting the financial information, distinguishing the following stages until its dissemination:

- Recording of daily operations by each local department involved, including the book closing for each subsidiary.
- Carryover of financial information for consolidation.
- Consolidation of the information.
- Validation and approval of the financial information.
- Publication and dissemination of the information.

In accordance with what is set forth in the Policy on the Internal Control of Financial Information, the Corporate Finance Division is responsible for the design, start-up and dissemination of the FIICS, and for the accounting policies and procedures to be applied, the definition of the process of preparation of the financial information and the control activities for mitigating possible risk. To do this, it receives support from the Internal Audit Division, which in its task of overseeing the comprehensive nature of the accounting and management information issued, both internally and externally, cooperates in defining the FIICS.

Based on the documentation describing the flows that affect the different departments (purchasing, billing, salaries, banks and cash, etc.), the risk areas are identified and the internal controls to be carried out are proposed.

On the other hand, based on the balance sheet and profit and loss accounts, the most significant accounts are identified, analysing, by means of the controls implemented or establishing new controls if considered necessary, the coverage percentage, in order to guarantee the reliability of the information published.

In this way, adding the two approximations by process and by items in the income statement and profit and loss account, the aim is to guarantee that the controls in place cover the risks of the most significant risk areas.

To facilitate the internal control a tool has been developed on Viscofan's intranet to implement the FIICS controls, enabling the management of master control data according to subsidiary (executor, supervisor, frequency, etc.), the management of execution and supervision flows for each control, the storage of evidence of each control and access to controls and evidence from Corporate Finance and Internal Audits. The principal improvements implemented in 2014 were the preparation of documents describing the objectives of each control, the standardisation of evidence provided by the various subsidiaries and the inclusion of new controls in the areas of employee liabilities and asset management.

At local level, each subsidiary has a person responsible for the FIICS, who coordinates the launch, execution and supervision of the monthly controls.

When the local financial information has been generated, in accordance with the Reporting Validation and Analysis Procedure, each company should carry out the additional controls established in this Procedure, with the participation of at least two people: on the one hand, the person responsible for book closing at local level and, on the other hand, the person responsible for validating this closing, who is usually the Company finance manager or the person responsible for the commercial subsidiary.

The procedure for validation of the financial information reported by each subsidiary makes it possible to check that the data received for consolidation is consistent with that existing in the

local systems and is standardised in accordance with the corporate accounting plan in force. The computer application used for consolidation has basic controls incorporated to flag any inconsistency in the information reported.

Those responsible for the accounts inform about changes to the financial statements of their subsidiary, transmitting the most relevant accounts with details of the calculations made.

The consolidated information is reviewed by the General Management, the Corporate Finance Division and the Investor Relations and Communication Division. This review takes place before the information is sent to the Board of Directors for final approval.

The Audit Committee intervenes in the supervision of the Company's regular financial information, filling the roles assigned to it in the Board Regulations.

*"Overseeing the process devised by senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.*

*Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed."*

This involvement from the Audit Committee extends to permanently monitoring account auditing, holding regular meetings with the audit team to directly supervise the result of the process after both pre-closing and definitive closing of the annual accounts.

All this complies with the following roles allocated by the Board Regulations (art. 13) to the Audit Committee in relation to the external auditor:

- (1) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report.
- (2) Overseeing compliance with the audit agreement, ensuring that the audit opinion relating to the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

The Commission pays special attention to proposals for improving internal control, the quality of the opinions and estimates and the accounting criteria applied in the Group.

F.3.2- Policies and procedures for internal control over the information systems (amongst others, secure access, monitoring of changes, their implementation, operational continuity and separation of roles) that support the relevant company processes in relation to the preparation and publication of financial information.

The main standards and procedures existing in the Viscofan Group in relation to the control of computer systems are contained in the following manuals and policies, available on the Group intranet, which regulate the use of computer systems and networks and their control and management:

- Computer systems and networks user manual
- Authorisation policy on computer access and profiles

- Password policy
- Computer systems and networks management policy

These manuals develop the following aspects:

- The control systems should record and limit access to all Group computer systems and networks, establishing at least the creation of a username for each authorised user and the need for a password associated with it in accordance with Password Policy.
- Management of access to any computer system or network shall comply with the provisions of Authorisation policy on computer access and profiles. Thus, the person responsible for managing profiles and access should keep a record that justifies the authorisation of each action or modification of profiles and each access made.
- Maintenance of the computer systems and networks should include periodic measures that guarantee the copying and the possibility of backup and recovery of the data and information contained in the different Viscofan Group computer systems and networks in each case. Access to these copying and backup resources or mechanisms should be limited, protecting their content in all cases and establishing mechanisms for safekeeping and custody that guarantee their security.
- Any development or modification made by the computer departments to the Viscofan Group computer systems and networks shall be carried out with as much coordination as possible, requesting the authorisations necessary for its implementation or for performing any test process and, in any case, establishing at least the same measures in terms of security and limitation of access to the data as at the start.
- The security policy, change management, maintenance and handling of incidents should guarantee rapid recovery of the Viscofan Group computer systems and networks in the event of any contingency that could have an impact on their availability.

The main infrastructure of the Group is located in two Data Processing Centres (DPC), replicated and located in two different cities. The Viscofan Group has a Disaster Recovery Plan, coming within the framework of processes and procedures, and which will serve to guide and support the teams during an incident. This will enable the teams to respond in a way which is as most efficient and controlled as possible, minimising the impact on users, in order to return to operational service as soon as possible.

[F.3.3-Internal control policies and procedures intended for supervising the management of activities sub-contracted to third parties, as well as aspects of assessment, calculation or valuation assigned to independent experts, which could materially affect the financial statements.](#)

The most relevant services that the Viscofan Group sub-contracts to third parties are actuarial calculations of labour costs and the calculation of the Company Tax for certain Group companies.

In any case, the criterion is maintained of working only with prestigious institutions, and the valuations received are reviewed by the financial departments involved.

#### F.4- Information and communication

Provide information, indicating the main characteristics, about the existence of at least the following:

F.4.1- A specific role responsible for defining and reviewing accounting policies (accounting policies area or department) and resolving any queries or conflicts derived from their interpretation, maintaining smooth communication with those responsible for the organisation's operations, as well as an accounting policy manual that is updated and sent to all units through which the company operates.

The responsibility for defining, updating and disseminating the accounting policies and procedures to be applied to guarantee standardisation of processes and accounting information lies with the Corporate Finance Division, in accordance with the Policy on the Internal Control of Financial Information.

The manuals are disseminated through the document libraries on the corporate Intranet and are available to the financial teams. Contact between corporate and local levels is continuous, and lines of communication are maintained for resolving any queries and conflicts derived from their interpretation.

In addition, regular account coordination meetings are held to transmit accounting policies, provide training in the performance of the controls included in the FIICS and check standardisation in the preparation of the information reported by each subsidiary.

F.4.2- Mechanisms for capturing and preparing the financial information with standard formats for application and use by all units of the institution or group, which support the main financial statements and the notes, as well as the information detailed about the FIICS.

In accordance with the Policy on the Internal Control of the Financial Information, the Group Financial Department is responsible for supervising the appropriate design and use of the financial computer systems.

For these purposes, the Corporate Finance Division has organised selection, set-up, implementation and training into a single reporting tool for consolidation for all Viscofan Group companies.

The data from the local applications are integrated into the consolidation system following a single corporate accounting procedure, the Corporate Accounting Plan. The Corporate Finance Division is responsible for reviewing the equivalence between the accounting plans from each subsidiary and the Corporate Accounting Plan in order to guarantee the standardisation of the information received.

As an additional control measure, the data from the financial modules of each subsidiary and from the consolidation system are exported to a data analysis module in order to check consistency between the original and the final information.

The content of the information reported includes both the financial statements and most of the information necessary for preparing the tables and notes for the Annual Report, the first draft of which is prepared directly in this system.

## F.5- Supervising the system's operation

Provide information, indicating the main characteristics, about at least the following:

F.5.1- Activities for supervising the FIICS carried out by the Audit Committee, and whether the institution has an internal audit system whose responsibilities include supporting the committee in its task of supervising the internal control system, including the FIICS.

Furthermore, information is provided about the scope of the evaluation of the FIICS made during the fiscal year and the procedure used by the person responsible for carrying out the evaluation to report their findings, whether the institution has an action plan containing details of any corrective measures and whether their impact on the financial information has been considered.

In accordance with Board Regulations. The Audit Committee is responsible for the following:

"Overseeing the internal auditing services, including in particular:

(i) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;

(ii) ensuring the independence and efficiency of the internal audit function;

(iii) proposing the budget for this same internal function;

(iv) receiving periodic information on its activities, and

(v) verifying that senior management takes into account the conclusions and recommendations set forth in its reports".

The Viscofan Group has an Internal Audit Division, which reports functionally to the Audit Committee.

The objectives set forth in the Internal Audit Statute are:

1. Guaranteeing there is a suitable and adequate risk control system;

2. Assisting the Board of Directors or the corresponding delegated body in the objective fulfilment of their responsibilities, offering support to the Group Management and the Organisation in the improvement and consolidation of the internal control system, procedures applied and control activities

3. Checking that, through the standardised and efficient application of the policies and procedures in the internal control system, risks are appropriately managed, facilitating the achievement of the strategic objectives of the Viscofan Group;

4. Reviewing and checking that the Organisation's processes are appropriate and complied according to approved policies and procedures

5. Identifying and assessing all types of risks faced by the Organisation;

6.Overseeing the comprehensiveness of the accounting and management information issued, both internally and externally, i.e., it should be complete and correct;

7.Overseeing compliance with the law

The Internal Audit Division prepares Audit Plans, broken down into two classes, according to the time they are in force:

a)Multi-annual plans.

b)Annual plans.

Annual plans are considered the materialisation in a more limited timeframe of the generic work defined in the multi-annual plan. The latter is considered a declaration of measurable objectives for a longer period.

In addition, the Internal Audit Division carries out the following reporting work:

“It communicates with the Audit Committee and also, where applicable, the Divisions involved, keeping them informed about the results of all audit, investigation and consultancy activities. It also regularly reports to the Audit Committee on the application of audit plans and other relevant activities;

It drafts the results of the work and subsequently discusses them with the managers of the Divisions concerned before the reports are finally issued;

It assesses the level of implementation and efficiency of the recommendations by virtue of the reports issued, and reports on this to the Audit Commission.”

The Audit Committee holds regular meetings at which it coordinates the actions of the Internal Audit Division, prepares the action plans, reports on and monitors the progress of each of these plans and analyses the level of implementation of the recommendations that have arisen as a result of its actions.

During 2014, the Internal Audit work plan concentrated especially on:

- Monitoring the activity of the Investment Committee,
- In 2014 the Investment Committee has met four times at the same time as quarterly financial closures.

The investments in all the subsidiaries are monitored very closely. A report is issued each fortnight and sent to the members of the Committee to enable the rapid detection of deviations so that the group can proceed accordingly.

- Monitoring the activity of the Credit Risk Committee, particularly concerning the levels of cover of credit risk and the main balances to be collected.

The Credit Risk Committee has met five times over the year. Its main aim is to report on the agreements signed with credit insurers, compliance with the procedures that are in place and the added risk resulting from selling in certain countries. It also makes a detailed analysis of actual customer risk, especially for those with high amounts due.

Although the economic situation is not healthy, the Committee's monitoring process has made it possible to improve slightly the amount of debt covered at 77%. In 2014, the loss rate remained below 1.5 per thousand.

- The review of the controls that were carried out and the quality of the evidence found. In particular, a random review of the most significant controls is performed at each quarterly closure and a summary report is submitted to the Audit Committee prior to the release of financial information to the public.
- In-situ review of the accounting and the invoice, purchase, and inventory procedures in three Group subsidiaries.
- The review of the processes carried out by the Human Resources Department to check compliance with employee selection, welcome, training and dismissal policies in place at the Viscofan Group for the purposes of adopting the Crime Detection and Prevention System.
- The review of the Sales Area processes, primarily the processes regarding the management of claims and the management of agent commissions.
- Checking the effectiveness of the corrective measures established after each action.

The Internal Audit activity is considered satisfactory, mainly due to the high level of application of the improvements and recommendations made to deal with the incidents detected.

The Internal Audit Department prepares action reports, which contain a list of incidents detected during the performance of work, as well as suggestions for improvement. These reports are initially discussed with the individuals in charge of the corresponding branches or departments. Based on the Materiality Policy, the appropriate corrective measures are established.

Once discussed with the individuals in charge, and after establishing the measures to be adopted, the report is transferred to the Audit Committee. If the identified incidents may have a quantifiable impact on the financial information, notification is provided to the Corporate Finance Department, as well as to the local Finance Departments affected, in order to rectify them.

F.5.2- Whether there is a procedure for discussion through which the account auditor (in accordance with what is stated in NTA), the internal audit team and other experts can report to Senior Management and the Audit Committee or administrators of the institution any significant weaknesses in internal control identified during the annual account review processes or any others assigned to them.

Furthermore, whether there is an action plan to correct or mitigate any weaknesses observed.

In addition to the roles of the Internal Audit Division described in the previous point, the Board Regulations authorise the Audit Committee to request the presence of the external auditors whenever they consider it appropriate:

"The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable. All of the aforementioned shall be bound to cooperate and facilitate access to the information they have."



In practice, the Audit Committee holds a minimum of three annual meetings with the external auditors, one of which coincides with the pre-audit carried out at the end of October each year and the other two with the year-end audit. At said meetings, the auditor's report any weaknesses in internal control that may have been detected. The Committee monitors them during the year, in coordination with the Internal Audit Division and the Corporate Finance Division, to identify and implement, where applicable, any measures that may be deemed advisable.

#### **F.6 - Other relevant information**

We do not consider it necessary to disclose any other information that has not been already described in the above sections.

#### **F.7 - External audit report**

Provide information about the following:

F.7.1. Whether or not SCIIF information released to the markets has been reviewed by an external auditor. If so, the company should attach the corresponding report as an appendix. If it has not, provide information about the reasons why.

SCIIF information has been submitted for review by our external auditors EY, in accordance with the Professional Action Guidelines and the Audit Report form concerning SCIIF-related information on listed companies in July 2013. A report with the conclusions of this review is attached hereto.

## **G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Indicate the company's degree of compliance with the recommendations of the Unified Good Governance Code.

If any recommendation was not followed, or was only partially followed, a detailed explanation for the reasons thereof should be attached, so that the shareholders, investors and the market in general have sufficient information to be able to evaluate the impact on the company. Explanations of a general nature are not acceptable.

1.-The Articles of Association 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.10, B.1, B.2, C.1.23, and C.1.24

Complies

2. When both the parent company and a subsidiary company 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: D.4 and D.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.

See section: B.6

Complies

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 27 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 to the Articles of Association, to each article or group of articles that are substantially independent of one another.

Complies

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

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 objectives and annual budgets;
  - ii) The investment and financing policy;
  - iii) The definition of the structure of the corporate group;
  - iv) The corporate governance policy;
  - v) The corporate social responsibility policy;
  - vi) The policy for remuneration 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, as well as the treasury stock policy and, especially, the limits thereto.

See paragraphs: C.1.14, C.1.16 and E.2

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.

ii)The remuneration of directors and, in the case of executive directors, the additional remuneration for their executive duties and other terms and conditions that must be included in their contracts.

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<sup>st</sup>They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;

2<sup>nd</sup> They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;

3<sup>rd</sup>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 favourable 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 Delegate Committee subject to subsequent ratification by the full Board.

See sections: D.1 and D.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: C.1.2

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.3 and C.1.3

Complies

11. 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:

1º- 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.

2º-Companies where there is more than one shareholder represented on the Board and these are not linked between themselves.

See section: A.2, A.3 and C.1.3

Complies

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

See section: C.1.3

Complies

13. 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 such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Appointments Committee. This 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: C.1.3 and C.1.8

Complies

14. When women directors are few or non-existent the Appointments 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.

b) The company deliberately looks for women with the target professional profile and includes them among the potential candidates.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

## Complies

15. 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: C.1.19 and C.1.41

## Complies

16. 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: C.1.22

## Complies

17. 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 Articles of Association 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 that 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 Appointments 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: C.1.34

## Complies

18. 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: C.1.29

## Complies

19. 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: C.1.28 and C.1.29 and C.1.30.

Complies

20. 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

21. 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 Appointments 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: C.1.19 and C.1.20

Complies

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

See section: C.1.41

Complies

23. 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: C.1.40

Complies

24. 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

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

- a) Directors apprise the Appointments 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: C.1.12, C.1.13 and C.1.17

Complies

26. 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 Appointments Committee, in the case of independent directors.
- b) Subject to a prior report from the Appointments Committee, in the case of other directors.

See section: C.1.3

Complies

27. 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

28. 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 paragraphs: A.2, A.3 and C.1.2

Complies

29. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the Articles of Association, for which he was appointed, except for good cause is found by the Board upon a prior report of the Appointments 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 ECC/461/2013 order.

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 11.

See paragraphs: C.1.2, C.1.9, C.1.19 and C.1.27

Complies



30. Companies establish regulations 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 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 art. 213 of the Spanish Public Limited Companies Act, 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 paragraphs: C.1.42 and C.1.43

Complies

31. All directors may 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, this 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

32. 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 paragraph: C.1.9

Not Applicable

33. 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 remuneration 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.

Complies

34. The remuneration 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

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

Complies

36. In the case of variable remuneration, remuneration policies include technical safeguards to ensure that such remuneration 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

37. When there is a Delegate Committee (hereinafter, "Delegate 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 paragraphs: C.2.1 and C.2.6

Partially complies

The executive directors are a majority in relation to the Executive and the Secretary is the Secretary of the Board.

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

Complies

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

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remuneration 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 carried out.

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 is sent to all Board members.

See paragraphs: C.2.1 and C.2.4

Complies

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

See paragraphs: C.2.3 and C.2.4

Complies

41. 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

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

See paragraphs: C.2.3

Complies

43. 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 activity report to it at the end of each fiscal year.

Complies

44. 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 paragraph: E

Complies

45. The Audit Committee's role is:

1. With respect to internal control and reporting systems:

a) To ensure that the main risks identified as a result of supervising the efficiency of the Company's internal control and, where applicable, internal audit, are adequately managed and reported.

b) To ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and removal of the head of the internal audit area; propose the budget for this area; receive periodic information regarding its activities; and verify that senior management takes into account the conclusions and recommendations contained in its reports.

c) 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 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.

b) 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) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.

See paragraphs: C.1.36, C.2.3, C.2.4 and E.2

Complies

46. 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

47. 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.

See paragraphs: C.2.3 and C.2.4

Complies

48. 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 paragraph: C.1.38

Complies

49. The majority of the members of the Appointments Committee – or of the Appointments and Remuneration Committee, if one and the same– are independent directors.

See paragraph: C.2.1

Complies

50. The Appointments 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 paragraph: C.2.4

Complies

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

Complies

52. 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 remuneration policy for directors and senior managers;

ii) The individual remuneration 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 remuneration policy set by the company.

See paragraphs: C.2.4

Complies

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

Complies

## **H. OTHER INFORMATION OF INTEREST**

1.- Provide a brief description of any relevant aspect, if any, of issues related to the corporate governance of the Company or the companies of the Group that have not been listed in the other sections of this report, but that should be included for the purposes of gathering more complete and reasoned information about the structure and governance policies of the Company or its Group .

With regard to point D2. Detail any significant transactions, for their amount or due to their subject matter, made between the company or group entities and the significant shareholders in the company. We would like to emphasise the following:

The financial debt of Viscofan S.A, includes a loan of 5 million Euros, granted in 2013 by a financial entity related to the Alba S.A. financial corporation, which is a significant shareholder of Viscofan S.A, holding 6.7% of its shares on the 31st December 2014. The payments made, including the financial costs, amounted to 162 thousand euros.

2.-In this section, you may include any other information, clarification or comment relating to the earlier sections of this report as long as it is relevant and not repetitive.

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.

3.- The Company can also indicate whether it has voluntarily adhered to any other Code of Ethics or Good Practice, whether international, sectorial or of any other nature. If so, name the corresponding Code and the adoption date.

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

February 26, 2015

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

NO

Name or company name of director who has not voted in favour of the adoption of this report	Reasons (counter, abstention, no assistance)	Explain the reasons