

Annual Corporate Governance Report

Sample Annual Corporate Governance Form For Listed Stock Companies

31 December 2009

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

A. OWNERSHIP STRUCTURE OF THE COMPANY

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

Date of last change	Share capital (€)	Number of shares	Number of voting rights
06 /03/2009	13,981,104.60	46,603,682	46,603,682

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

NO

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

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MS. MARIA DEL CARMEN CAREAGA SALAZAR	0	2,366,000	5.077
MARATHON ASSET MANAGEMENT, LLP	0	2,338,952	5.019

Name or company name of the indirect holder of the stake	Through: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
MS. MARIA DEL CARMEN CAREAGA SALAZAR	ONCHENA S.L.	2,366,000	5,077

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

Name or company name of the shareholder	Date of the transaction	Description of the transaction
MARATHON ASSET MANAGEMENT, LLP	10/27/2009	Exceeded 5% of the share capital
BESTINVER GESTIÓN SGIC	12/30/2009	Decreased 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 Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MR. JAIME ECHEVARRÍA ABONA	111,954	57,897	0.364
MS. AGATHA ECHEVARRÍA CANALES	16,749	0	0.036
MR. ALEJANDRO LEGARDA ZARAGÜETA	8,250	0	0.018
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	25,382	25,835	0.110
MR. JOSÉ CRUZ PÉREZ LAPAZARAN	210	0	0.000
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	30,000	0	0.064
MR. NÉSTOR BASTERRA LARROUDÉ	87,694	6,118	0.201

Name or company name of the indirect holder of the stake	Through: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
MR. JAIME ECHEVARRÍA ABONA	MS. CONCEPCION CANALES JAUREGUIBEITIA	57,897	0.124
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	MS. M ANGELES BUSTILLO BASTERRA	25,835	0.055
MR. NÉSTOR BASTERRA LARROUDÉ	MR. IGNACIO BASTERRA MARTINEZ	6,118	0.013
% of total voting rights held by the Board of Directors			0.794

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

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

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

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

NO

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

NO

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

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

NO

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

At financial year end

Number of direct shares	Number of indirect shares (*)	% of total share capital
0	0	0.000

(*) Through:

Total		0
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Describe any significant changes, pursuant to the provisions of Royal Decree 1362/2007, that have occurred during the fiscal year:

Capital gain/(loss) on treasury shares disposed of during the period	0
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A.9. Describe the terms and conditions and the duration of the powers currently in force given by the shareholders acting at the General Shareholders' Meetings to the Board of Directors in order to acquire or transfer Company stock:

Extract of the Minutes of the General Shareholders Meeting held on June 03, 2009 on second call:

It was resolved to revoke the authorization to acquire treasury shares that was conferred upon the Board of Directors at the Company's General Shareholders Meeting held on June 03, 2008.

It was resolved to authorize the Board of Directors to buy and sell on the market, through the person, Company or entity that it deems advisable, shares in the Company at the market price on the transaction date, for the maximum number of shares permitted by the Joint Stock Companies Law and related provisions, at a minimum price of 100 percent (100%) and a maximum of 100 (one hundred) times par value.

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

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

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

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

NO

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

NO

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

NO

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

NO

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

B. STRUCTURE OF THE COMPANY'S MANAGEMENT

B.1. Board of Directors

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

Maximum number of Directors	9
Minimum number of Directors	3

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

Name or company name of the Director	Representing	Director Position on the Board	Date first elected	Date last elected	Election procedure
MR. JAIME ECHEVARRÍA ABONA	-	CHAIRMAN	10/17/1975	06/27/2005	VOTING AT SHAREHOLDER MEETINGS
MS. AGATHA ECHEVARRÍA CANALES	-	DIRECTOR	06/24/1998	06/03/2008	VOTING AT SHAREHOLDER MEETINGS
MR. ALEJANDRO LEGARDA ZARAGÜETA	-	DIRECTOR	05/22/2006	05/22/2006	VOTING AT SHAREHOLDER MEETINGS
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	-	DIRECTOR	01/29/1999	06/03/2008	VOTING AT SHAREHOLDER MEETINGS
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	-	DIRECTOR	01/19/1998	06/03/2008	VOTING AT SHAREHOLDER MEETINGS
MR. JOSÉ CRUZ PÉREZ LAPAZARAN	-	DIRECTOR	06/24/1998	06/03/2008	VOTING AT SHAREHOLDER MEETINGS
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	-	DIRECTOR	02/27/2009	03/06/2009	VOTING AT SHAREHOLDER MEETINGS
MR. NESTOR BASTERRA LARROUDÉ	-	DIRECTOR	07/27/1997	06/03/2008	VOTING AT SHAREHOLDER MEETINGS
Total number of Directors					8

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

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

EXECUTIVE DIRECTORS

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

EXTERNAL DIRECTORS REPRESENTING A CONTROLLING SHAREHOLDER

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the Director

MR. ALEJANDRO LEGARDA ZARAGÜETA

Profile

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

Name or company name of the Director

MR. GREGORIO MARAÑÓN BERTRÁN DE LIS

Profile

Law Degree, Univ. Complut. Madrid, Executive Management Prog. IESE. Experience in law a in the financial sector. Chairman of Roche Farma, Universal Music Spain and Logistics. Member of the board of Altadis, Sogecable (Audit Committee), PRISA (Chairman of the corporate governance committee and member of the Executive committee), Unión Radio and SER. Chairman of the Advisory Board in Spencer Stuart. Member of the Advisory Boards in Vodafone, Apax and Aguirre Newman. Chairman ot the Sponsorship Teatro Real, Real Fundación Toledo and Real Fábrica de Tapices. Academic of the Real Acad. Bellas Artes San Fernando.

Name or company name of the Director

MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA

Profile

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

Name or company name of the Director

MR. JOSÉ CRUZ PÉREZ LAPAZARÁN

Profile

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

Name or company name of the Director

MR. JOSÉ DOMINGO DE AMPUERO Y OSMA

Profile

Industrial Engineering and Master of Business Administration. University of Southern California. Los Angeles. U.S.A. His long professional career has led him to occupy various positions such as Vice President of Naviera Vizcaino, President of SA Power, Vice-President of BBVA Bancomer (Mexico), Chairman of Bodegas and Bebidas, Vice Chairman of Banco Bilbao Vizcaya Argentaria SA, Vice President of Iberdrola, and President of Cementos Lemona SA. He is currently Chairman of Autopista Vasco-Aragonesa SA. He is also Chairman of the Board of Santa and Real Casa de Misericordia de Bilbao, a member of the Board of Directors of the Association for the Advancement of Management, President of the Círculo de Empresarios Vascos and its Board of Directors.

Name or company name of the Director

MR. NÉSTOR BASTERRA LARROUDÉ

Profile

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

Total number of independent Directors	6
% of total Directors	75.000

OTHER EXTERNAL DIRECTORS

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

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

MS. AGATHA ECHEVARRÍA CANALES

Company, officer or shareholder to which Director has ties

MR. JAIME ECHEVARRÍA ABONA

Reasons

FAMILY TIES

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

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

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

NO

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

NO

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

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

Name or company name of the Director	Company name of the Group entity	Title
MR. JAIME ECHEVARRÍA ABONA	GAMEX CB S.R.O.	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	KOTEKS VISCOFAN	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	NATURIN LIMITED	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	NATURIN VISCOFAN GMBH	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN CANADA. INC	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN CZ S.R.O.	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN
MR. JAIME ECHEVARRÍA ABONA	VISCOFAN USA INC.	CHAIRMAN
MR. NÉSTOR BASTERRA LARROUDÉ	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	DIRECTOR
MR. NÉSTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	DIRECTOR
MR. NÉSTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR
MR. NÉSTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	DIRECTOR

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

Name or company name of the Director	Company name of the Group entity	Title
MR. JAIME ECHEVARRÍA ABONA	IBERPAPPEL GESTIÓN. S.A.	CHAIRMAN
MR. ALEJANDRO LEGARDA ZARAGÜETA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES. S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRÁN DE LIS	PROMOTORA DE INFORMACIONES S.A.	DIRECTOR
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	IBERPAPPEL GESTIÓN. S.A.	DIRECTOR
MR. NÉSTOR BASTERRA LARROUDÉ	IBERPAPPEL GESTIÓN. S.A.	DIRECTOR

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

YES

Explanation of the rules

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

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

The following are excluded from the computation of this maximum:

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

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

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

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

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

Compensation	in thousands of euros
Fixed Compensation	0
Variable Compensation	0
Per diems	134
Bylaws-mandated payments	1,179
Options on shares and/or other financial instruments	0
Other	0
Total	1,313
Other Benefits	in thousands of euros
Advances	0
Loans extended	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations undertaken	0
Life insurance premiums	0
Guarantees established by the company in favor of Directors	0

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

Compensation	in thousands of euros
Fixed Compensation	0
Variable Compensation	0
Per diems	0
Bylaws-mandated payments	239
Options on shares and/or other financial instruments	0
Other	0
Total	239
Other Benefits	in thousands of euros
Advances	0
Loans extended	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations undertaken	0
Life insurance premiums	0
Guarantees established by the company in favor of Directors	0

c) Total compensation by type of director:

Breakdown of Directors	By company	By group
Executive	238	159
External Representing a Controlling Shareholder	0	0
External Independent	823	80
Other External	252	0
Total	1,313	239

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

Total Director compensation (in thousands of euros)	1,552
Total Director compensation/earnings attributed to parent company equity holders (stated as a %)	3.0

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

Name or company name	Title	
MR. JOSÉ ANTONIO CANALES GARCÍA	MANAGING DIRECTOR VISCOFAN GROUP	
MS. ELENA CIORDIA CORCUERA	HEAD OF LEGAL VISCOFAN GROUP	
MR. GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP	
MR. CÉSAR ARRAIZA ARMENDARIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP	
MR. ARMANDO ARES MATEOS	HEAD OF INVESTOR RELATIONS AND COMMUNICATIONS VISCOFAN GROUP	
MR. PEDRO ERASO ZABALZA	HEAD OF CELLULOSE AND FIBROUS EXTRUSION VISCOFAN GROUP	
MR. JOSÉ VICENTE SENDÍN AZANZA	HEAD OF STRATEGIC PROJECTS VISCOFAN GROUP	
MR. JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH AND DEVELOPMENT VISCOFAN GROUP	
MR. ANDRÉS DÍAZ ECHEVARRIA	HEAD OF OPERATIONS VISCOFAN GROUP	
MR. JOSÉ ANTONIO MORIONES GUINDA	TECHNICAL ADVISER PRODUCTION DEPARTMENT VISCOFAN S.A.	
MR. JUAN JOSÉ ROTA ARRIETA	HEAD OF HUMAN RESOURCES VISCOFAN GROUP	
MR. MANUEL NADAL MACHIN	HEAD OF INFORMATION AND SYSTEMS VISCOFAN S.A.	
MR. RICARDO ROYO RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.	
MR. MIROSLAV KAMIS	MANAGING DIRECTOR GAMEX CB SRO., VISCOFAN CZ, S.R.O.	
MR. JUAN CARLOS GARCIA DE LA RASILLA PINEDA	MANAGING DIRECTOR KOTEKS VISCOFAN D.O.O.	
MR. WILFRIED SCHOEBEL	HEAD OF PRODUCTION NATURIN VISCOFAN GMBH.	
MR. BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH.	
MR. ALFRED BRUINEKOOL	HEAD OF SALES NATURIN VISCOFAN GMBH. & MANAGING DIRECTOR NATURIN UK, LTD	
MR. YUNNY SOTO	MANAGING DIRECTOR VISCOFAN CENTROAMERICA COMERCIAL S.A.	
MR. ÓSCAR PONZ TORRECILLAS	MANAGING DIRECTOR VISCOFAN DE MEXICO S.R.L. DE C.V.	
MR. LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S. COM. E IND. LTDA.	
MR. WALDEMAR SZYMANSKI	MANAGING DIRECTOR VISCOFAN POLAND SP. Z.O.O.	
MR. JOSÉ MARÍA FERNÁNDEZ MARTÍN	MANAGING DIRECTOR VISCOFAN USA INC.	
MR. ALEJANDRO MARTÍNEZ CAMPO	MANAGING DIRECTOR INDUSTRIAS ALIMENTARIAS DE NAVARRA S.A.U.	
Total executive management compensation (in thousands of euros)		3,177

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

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

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

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

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

Pursuant to Article 27 of the by-laws:

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

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

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

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

‘Proposing to the Board of Directors:

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

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

In fiscal year 2009, the distribution of compensation for the Board and the Committee has been governed by the principle of equal distribution among its members .

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

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

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

YES

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

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

YES

Matters covered by the report on compensation policy

The Report submitted to the General Shareholders' Meeting of 3 June 2009 explains the functions of the various corporate bodies and the internal rules governing the remuneration policy.

On the one hand, the Report refers to the Appointments and Remuneration Committee, which drafts proposals for the Board of Directors regarding the following aspects:

- a) Policy for remunerating Board members and senior management;
- b) Distribution of Board members' remuneration;
- c) Individual remuneration of executive Board members;

And to the Board, which has the exclusive power to make decisions regarding the remuneration of Board members, pursuant to the Board Rules.

On the other hand, it refers to the Company's articles of association, approved by the General Shareholders' Meeting.

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

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

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

The Report also explains the various items of remuneration, how they are regulated, the competent body to make decisions on each of them, and how they apply to each body, distinguishing between the Board and the various committees, and the internal distribution of remuneration items among the members of each body. In short:

1. Payments to the Board and Executive Committee: as stipulated in the articles of association.
2. Executive Board members: receive no additional remuneration.
3. Members of the Audit / Appointments and Remuneration Committees: receive no additional remuneration.
4. Chairpersons and Vice-Chairpersons of the Board and committees: receive no additional remuneration.
5. Attendance fees: to be determined by the Board.
6. Other items: there is no additional direct or indirect remuneration.

Finally, the Report provides a breakdown of the total remuneration received by each of the Board members in 2008.

Role of the Compensation Committee

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

'f) Proposing to the Board of Directors:

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

Has external advice been provided? NO

Name of external advisors

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

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

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

NO

Description of amendments

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

Pursuant to Article 26 of the By-laws:

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

The Board shall be elected by the shareholders at the General Shareholders Meeting, in compliance with the provisions set forth in Article 137 of the Joint Stock Companies Law.’

And Article 27 sets forth that:

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

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

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

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

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

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

And Article 8 sets forth that:

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

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

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

- a) Ensure the appropriateness and integrity of the selection of Directors and executive officers.
- b) Propose to the Board of Directors the election or reelection of independent Directors.

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

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

Each year the Board of Directors shall appraise:

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

The Rules of the Board of Directors in the wording adopted by the Board itself in its meeting of January 8, 2008 include:

Article 27,- Separation of Directors

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

- a) When they become subject to any conflict of interest or the circumstances set forth in the law disqualifying their service;
- b) When their continuation on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply;
- c) Proprietary directors shall tender their resignation when the shareholder they represent substantially sells its interest.

Article 28, - Duties of Directors 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.

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

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

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

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

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

YES

Measures to mitigate risks

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

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

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

'Each year the Board of Directors shall evaluate:

b) the Chairman's and Chief Executive Officer's performance based on the report submitted to it by the Appointments and Compensation Committee.'

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

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

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

a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.

b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.

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

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

NO

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

NO

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

Description of the resolution:

ALL

Quórum	%
The Board of Directors has a quorum with the presence or representation of one half plus one of the Directors.	62.50
Percentage required for majority	%
Resolutions are adopted by simple majority vote of the Directors attending the meeting and the Chairman shall have the tie-breaking vote.	51.00

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

NO

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

YES

Matters on which a tie-breaking vote may be cast

Pursuant to Article 28 of the by-laws:

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

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

NO

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

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

NO

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

The Company has one female Director, appointed member of the executive committee during 2009, due to her valuable contributions and experience in several areas of general and special interest to the Company: economic-legal training, experience in audit, knowledge of industry and the sector.

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

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

According to Board Rules, the Appointments and Compensation Committee is also responsible for informing the Board on matters of gender diversity that may arise.

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

NO

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

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

Art. 23: All shareholders with the right to attend may be represented at the General Meeting by another person.

Such proxy authority shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising the voting rights.

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

Art. 24: Resolutions shall be adopted by majority vote and recorded in the minute book of the Company.

Shareholders may delegate voting on proposals for items on the agenda or exercise their vote via postal or electronic correspondence or any other remote means of communication that duly ensure the identity of the individual exercising the voting rights.

Each share entitles to one vote.

Shareholders voting remotely must be considered as present for the purposes of the constitution of Meeting.

Pursuant to Article 16 of the By-laws of the Shareholders' Meeting:

All shareholders with the right to attend may be represented at the General Shareholders' Meeting by another person.

Such proxy authority shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, on a separate basis for each Meeting.

In addition, Article 22 of the same By-laws establishes the main rules for remote means of voting.

Furthermore, at its meeting on May 9, 2005, the Company's Board of Directors approved the Rules on Remote Voting and Proxy; these include the detailed procedures for delegating votes to the Board of Directors, all in accordance with the By-laws of the Company and the Shareholders' Meeting Rules.

The procedure contemplates the possibility of exercising the delegation of authority:

a) By means of electronic communication through the Company's website. The guarantees of authenticity and identification of the shareholder exercising the vote that, under Article 22 of the Regulations of the General Meeting, the Board of Directors considers appropriate for ensuring the authenticity and identification of the shareholder exercising their vote are the advanced recognised electronic signature in accordance with Spain's Electronic Signature Act 59/2003 of December 19, 2003 (Ley de Firma Electrónica), provided it is based on a valid recognised electronic certificate issued by the Spanish Certification Authority (Autoridad Pública de Certificación Española, hereinafter "CERES") reporting to the Spanish Currency and Stamp Mint (Fábrica Nacional de Moneda and Timbre).

b) By post, completing and signing the section relating to delegating the attendance card issued in paper form by the corresponding member institution in la Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, Sociedad Anónima (Iberclear). The proxy shall accept the proxy authority, to such end signing the attendance card and proxy form sent to it by the shareholder. The proxy may only exercise it by attending the Shareholders' Meeting in person.

In order for it to be valid and comply with the provisions of the General Shareholders' Meeting Rules, the Company must receive both the remote delegation of authority and remote votes — whether electronic or by post — 24 hours before the day and time planned for the Meeting to be held on first call. Otherwise, the delegation of authority shall not be considered granted, unless it is received afterwards but before the General Meeting is held and it does not raise significant problems for the computations and verifications that are necessary in preparing and holding the Meeting.

B.1.29. Indicate the number of meetings that the Board of Directors has held during the fiscal year. In addition, specify the number of meetings, if any, at which the Chairman was not in attendance:

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

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

Number of Executive or Delegate Committee Meetings	11
Number of Audit Committee Meetings	8
Number of Appointments and Compensation Committee Meetings	3
Number of Appointments Committee Meetings	0
Number of Compensation Committee Meetings	0

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

Number of Directors' failures to attend during the fiscal year	1
Failures to attend as a percentage of total votes during the fiscal year	1.060

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

NO

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

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

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

To ensure the accounting principles are applied appropriately, the Board maintains permanent contact with the statutory auditors via the Audit Committee. In coordination with the Group's Finance Department, which makes it possible to plan appropriate actions on an ongoing basis to facilitate the work of the external auditors, and anticipate and immediately resolve any questions they may raise.

Furthermore, a pre-closing is conducted each year on October 31 to anticipate and correct any incidents that may have arisen in the year as appropriate.

In addition, the internal annual audit plan includes the revision and standardisation of the accounting period closing processes of the Group companies, as a preventive action to ensure that the financial information generated facilitates early internal identification of any aspects that may need to be adjusted prior to or during the work of the external auditors.

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

NO

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

Pursuant to Article 11 of the Board Rules:

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

Does the Appointments Committee report the election?	YES
Does the Appointments Committee report the separation?	YES
Does the full Board approve the election?	YES
Does the full Board approve the separation?	YES

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

YES

Remarks

Part of the work of the Secretary to the Board of Directors is to ensure compliance with internal regulations applicable to the Company and each of its bodies, which include the good governance recommendations, specially on board and committee meetings, although this function has not been specifically detailed in the related rules that govern the work of the Secretary.

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

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

The fiscal year ended 31 December 2009 is the third year and, therefore, the last in which, according to the legislation in force, the current external auditors must be kept. Consequently, it has not been possible to propose any change of external auditor.

With respect to the analysts and investment banks, the mechanisms set forth in Article 34 of the Board Rules, in addition to compliance with applicable regulations, ensure the preservation of independence and that the information is available to everyone at the same time and under the same conditions, to ensure equal ease of access to it.

Article 34,-Communications with shareholders and with the Securities Markets.

The Board shall ensure that accurate, reliable information is offered to the Company's shareholders and to the market with respect to any piece of information on the Company's activities, its earnings, shareholders with significant stakes, related-party transactions, shareholder agreements, treasury shares and any other information that must be disclosed pursuant to the law or the Company's By-laws, as well as any information deemed by the Board to be in the interest of the public.

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

The Board shall also immediately provide information to public on:

- 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.

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

NO

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

NO

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

YES

	Company	Group	Total
Amount for work other than audit work (thousands of euros)	17	106	123
Amount for work other than audit work/Total amount invoices by the audit firm (as a %)	17.110	18.930	18.660

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

NO

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

	Company	Group
Number of consecutive years	3	3
	Company	Group
Number of years audited by the current audit firm/Number of years the Company has been audited (as a %)	12.0	18.8

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

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

YES

Description of procedure

Pursuant to Article 18 of Viscofan's Board Rules:

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

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

YES

Description of procedure

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

The Board members shall receive the information required to carry out their work in due time and depth 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.

The usual practice will be that, before each meeting of the Board of Directors or the respective committees, the Board members will receive the most relevant information about the agenda items to be discussed, as far in advance as necessary for correct analysis and studying of that information.

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

YES

Description of rules

Board Rules:

CHAPTER VIII. Separation of Directors.

Article 27,- Separation of Directors.

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

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

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

NO

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

NO

Decision made	Substantiated explanation
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B.2. Committees of the Board of Directors

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

EXECUTIVE OR DELEGATE COMMITTEE

Name	Title	Category
MR. JAIME ECHEVARRÍA ABONA	CHAIRMAN	EXECUTIVE
MS. AGATHA ECHEVARRÍA CANALES	DIRECTOR	OTHER EXTERNAL
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	DIRECTOR	INDEPENDENT
MR. NÉSTOR BASTERRA LARROUDÉ	DIRECTOR	INDEPENDENT

AUDIT COMMITTEE

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

APPOINTMENTS AND COMPENSATION COMMITTEE

Name	Title	Category
MR. JAIME ECHEVARRÍA ABONA	CHAIRMAN	EXECUTIVE
MR. JOSÉ CRUZ PEREZ LAPAZARAN	DIRECTOR	INDEPENDENT

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

Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.	YES
Periodically review the internal control and risk management systems, in order for them to remain risks to be properly identified, managed and made known.	YES
Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit area; propose the budget for such area; receive periodic information regarding its activities; and verify that senior 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.	NO
Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.	YES
Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.	YES
Ensure the independence of the external auditor.	YES
In the case of groups of companies, favor the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.	YES

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

APPOINTMENTS AND COMPENSATION COMMITTEE

Short description

Governed by the Board Rules:

Article 14,- Appointments and Compensation Committee.

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

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

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

i.- the compensation policy for Directors and executives, as well as the distribution of Directors' compensation,

ii.- executive Directors' individual compensation as all as other terms of their contracts.

iii.- the basic terms of executives' contracts.

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

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

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Short description

Company By-laws:

Article 30:

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

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

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

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

Board Rules:

Article 12,- Executive Committee.

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

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

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

Committee name

AUDIT COMMITTEE

Short description

Company By-laws:

Article 30:

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

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

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

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

The Audit Committee shall have a quorum with the presence or representation of the majority of its members.

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

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

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

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

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

Board Rules:

Article 13,- Audit Committee.

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

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

The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable.

All of the aforementioned shall be bound to cooperate and facilitate access to the information they have.

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

- a) Report the shareholders at the General Shareholders Meeting on matters brought forth by the shareholders with respect to matters within its competence.
- b) Supervise, when appropriate, the internal audit services.
- c) Become familiar with the Company's financial reporting process and its internal control systems.
- d) With respect to the independent auditors:
 - i.- Submit to the Board proposals for the selection, appointment, reappointment and replacement of the independent auditor.
 - ii.- Receive regularly from the external auditor information on the audit plan and the results of its performance, and verify that Management takes into accounts its recommendations,
 - iii.- Ensure the independence of the external auditor and to such end:
 - 1.- That the Company reports to the CNMV [The Spanish Securities and Exchange Commission] as a material fact the change of auditor and includes with the report a declaration of any disagreements with the outgoing auditor and, if any the content thereof;
 - 2.- That it is ensured that the Company and the auditor comply with prevailing standards on the rendering of services other than audit services, the auditor's business concentration limits and, in general, all other standards established to ensure the independence of the auditors;
 - 3.- That in the event of the resignation of the independent it reviews the circumstances triggering the resignation.

- e) Report on the Annual Accounts, as well as on the half-yearly and quarterly financial statements, which must be filed with the regulatory or market oversight agencies, mentioning the internal control systems, the monitoring of follow-up and compliance through internal auditing, when appropriate, as well as, when applicable, the accounting criteria applied. It shall also inform the Board of any change in accounting criteria and balance sheet and off-balance sheet risks.
- f) Prepare an annual report on the Committee's activities.

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

Committee name

APPOINTMENTS AND COMPENSATION COMMITTEE

Short description

Board Rules:

Article 14,- Appointments and Compensation Committee.

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

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

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

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

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

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Short description

Company By-laws:

Article 30:

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

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

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

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

Board Rules:

Article 12,- Executive Committee.

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

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

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

Committee name

AUDIT COMMITTEE

Short description

Company By-laws:

Article 30:

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

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

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

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

The Audit Committee shall have a quorum with the presence or representation of the majority of its members.

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

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

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

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

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

Board Rules:**Article 13,- Audit Committee.**

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

The composition of the Audit Committee and its functioning shall be as set forth in the Company's By-laws.

The members of the Audit Committee shall be appointed by the Board of Directors pursuant to legal requirements based on a report by the Appointments and Compensation Committee, and they shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company or by decision of the Board of Directors.

The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable.

All of the aforementioned shall be bound to cooperate and facilitate access to the information they have.

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

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

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

Committee name

APPOINTMENTS AND COMPENSATION COMMITTEE

Short description

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

At the meeting of Viscofan S.A.'s Board of Directors held on January 08, 2008, the Directors adapted the Board's operating Rules drafted at the Board Meeting held on March 30, 1999 and subsequently amended at the Board Meeting held on February 23, 2004, in order to comply

with the Recommendations included in the Report of the Special Working Group on the Good Governance of Listed Companies, known as the 'Conthe Unified Code.'

The amendments introduced consist primarily of increase the regulation for the Audit and Appointments Committees, defining its functions and faculties and adding information regarding Directors' compensations.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Short description

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

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

The amendments introduced related to this Executive committee consist primarily in the articulation of an appraisal procedure for that committee.

Committee name

AUDIT COMMITTEE

Short description

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

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

The amendments introduced consist primarily of increase regulation of the Audit Committee.

Article 13,- Audit Committee.

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

The composition of the Audit Committee and its functioning shall be as set forth in the Company's By-laws.

The members of the Audit Committee shall be appointed by the Board of Directors pursuant to legal requirements based on a report by the Appointments and Compensation Committee, and they shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company or by decision of the Board of Directors.

The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable.

All of the aforementioned shall be bound to cooperate and facilitate access to the information they have.

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

- a) Inform the shareholders at the General Shareholders Meeting regarding matters brought forth by the shareholders with respect to matters within its competence.
- b) Supervise, when appropriate, the internal audit services.
- c) Become familiar with the Company's financial reporting process and its internal control systems.
- d) With respect to the independent auditors:

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

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

NO

If not, explain the composition of your Executive Committee

The composition of the Executive Committee has traditionally sought to reflect the composition of the Board of Directors such that all types of Directors existing on the Board are represented, while maintaining a reduced size that allows it to keep its identity against the Board itself. In its meeting of February 27, 2009, in the aim of improving the balance between these two objectives, the Board of Directors increased the number of Directors on this Committee to four

C. RELATED-PARTY TRANSACTIONS

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

YES

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

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

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

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

NO

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

Board Rules in the Article 22, related to the duty of loyalty, sets forth the following:

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

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

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

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

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

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

NO

Identify the subsidiaries listed in Spain:

D. RISK CONTROL SYSTEMS

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

The Company, through the Audit Committee and with the support of external advisers, has been improving and strengthening the identification, classification, management and updating of external risks and has established a protocol for their ongoing review and monitoring with the aim of:

Incorporating any new risks that the company may identify in view of external causes, or general or specific circumstances inherent to the company or sector.

Incorporate the necessary measures to reduce those risks by establishing the most appropriate procedures at any given time.

In accordance with the proposals of the Audit Committee, the company shall adapt its risk policy to cover the risks identified, so as to ensure a reduction of the maximum impact should they materialise.

In 2009, work in this area was focused on two fronts:

- (i) The Audit Committee entrusted the internal audit team with revising and improving the procedures to minimise the main risks identified, which are described below, and
- (iii) In the course of its operations, the Company incorporated or improved the measures previously identified and implemented.

FINANCIAL RISKS:

A) INTEGRITY OF THE PREPARATION OF THE FINANCIAL INFORMATION

The Group's financial information is generated locally by each subsidiary's financial team. Following the acquisitions undertaken, it was necessary to guarantee the integrity of the financial information to be reported by the new subsidiaries to the parent company, where the information presented to the financial markets is consolidated.

Measures taken:

- The Group is establishing training policies, as well as policies to standardise, improve, monitor and control the information, and has reliable IT tools that facilitate the loading of data and its transmission to the parent company.
- The company has introduced a new consolidation tool that facilitates and enhances the consolidated financial information, and has implemented IT system integration projects in several subsidiaries with the objective of achieving greater standardisation of information.

B) PROFITABILITY AND SUCCESS OF THE INVESTMENTS UNDERTAKEN

The choice of projects in which the company's financial resources are invested should be based on criteria that generate an increase in the value of the company. In addition, the investments undertaken must be appropriately monitored.

Measures taken:

- The investment authorisation and monitoring procedure has been improved with the creation of an Internal Interdepartmental Committee to oversee fulfilment of the plans approved for each subsidiary and correct allocation of the resources available.

C) CUSTOMER ARREARS

The risk of outstanding customer debts is rising within the Viscofan Group due to the geographic relocation of customers, making it more difficult to pursue payment in the event of arrears.

Although an unfavourable economic climate exacerbates this situation, it is eased by the unlikelihood of adverse financial circumstances occurring simultaneously in all the geographic regions in which the Viscofan Group markets its products.

Measures taken:

- In view of the recession and the resultant increase in this risk, an Internal Interdepartmental Risk Committee has been set up to monitor customer arrears and the internal customer credit management procedures have been improved to permit the suspension of supply in the event of a risk of non-payment.
- The corporate process for accepting new customers has also been improved, including risk controls and guarantees prior to commencement of the commercial relationship.

OPERATIONAL RISKS:

D) SHORTAGE OF RAW MATERIALS

Access to raw materials such as cellulose, manila hemp and hides may be temporarily affected as they are also used by other larger industrial sectors which process them differently to our sector. A shortage of these raw materials could lead to an excessive increase in prices or a limitation of supply, which would affect the Group's production rate.

Moreover, the growth of the market makes greater availability of raw materials necessary.

In particular, the vegetable food division depends on seasonal factors related to asparagus and tomato harvests.

Measures taken:

- Rolling out to all the Group's production plants of a corporate procurement procedure that enables diversification and approval of suppliers so that there are several alternatives at different geographic points around the world to alleviate temporary shortages in a given region.

E) RISKS OF PROPERTY DAMAGE AND CONTINUITY OF PRODUCTION

The economic protection of the Group's assets, as well as the capacity to continue production in the event of damage or production stoppages due to accidents, negligence or unforeseen circumstances.

Measures taken:

- In order to increase the security of its production centres, the Group has engaged the services of a global risk engineering firm to identify, evaluate, homogenise and improve the level of protection against exposure to this type of risk.
- Improvements and additions have also been made to the existing protocol for the contracting of external companies that perform work at the production centres which may involve this type of risk.

STRATEGIC RISKS:

F) COMPETITIVE ENVIRONMENT OF THE SECTOR

Current and potential players in the competitive environment and their competitive strategies can affect the success of the Group.

In addition, certain conditions of the competitive environment can be conducive to the appearance of substitute products. Periods of economic crisis or a context of rising prices can increase the attractiveness of substitute products, both within and outside of the sector.

Measures taken:

- Due to the company's multinational commercial presence and the great diversity of markets in which it operates, it is studying various options to enable it to improve its market research and, therefore, increase its knowledge of the competitive environment of the sector.
- The company has set up a Costs Working Group, whose main mission is to standardise costs-related information across all Group companies, to make it possible to integrate and analyse that information, creating a benchmarking system within the Group to propose actions geared towards the rationalisation and reduction of costs where possible.

G) MEDIA RISK IN THE EVENT OF EPIDEMICS AND OTHER HEALTH DISASTERS

The media effect of global epidemics is difficult to control and constitutes a risk that cannot be insured by the market. Bearing in mind that part of the products marketed by the Group are of animal origin, mainly bovine, this risk exists and has materialised on several occasions over the years.

In the case of local epidemics, the risk is smaller, thanks to the Group's global presence and the versatility and flexibility of its production centres.

This risk is increasing in the case of IAN, S.A.U., whose products go straight to the end consumers without any further processing.

Measures taken:

- The existing response protocols for product recalls and communication in the event of a food crisis have been enhanced, guaranteeing the safety of consumers and describing in detail the steps to be taken by the different agents involved.

H) EXCHANGE RATE / INTEREST RATE

The Group has unmatched currency positions, therefore, significant exchange rate variations in relation to the Group's currency, the euro, can affect not only the Group results, but also the recoverability of assets and bond ratings.

In addition, the Group has an external debt, the cost of which is indexed to changes in the interest rates of international markets.

Measures taken:

- During the fiscal year, Value At Risk methodologies were applied to measure the Group's exposure to both exchange rate and interest rate risks. The level of protection was set according to the level of risk assumed by the Group.

I) ENERGY MARKET

Since the expansion activities carried out in 2008 and 2009, there has been an increase in the Group's dependence on the supply price of gas and the sale price per kilowatt in the electricity market. Moreover, the weight of energy in the extrusion process is quite significant.

Measures taken:

- The Group went to the futures market to secure its operating margins in the sale of the energy produced at the Cáseda cogeneration plant.
- Furthermore, a large part of the year's investments were in energy-saving measures, such as the expansion of the cogeneration plant.

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

YES

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

Risk that materialised during the fiscal year

Customer arrears

Circumstances that gave rise to it

In the context of the global financial crisis, some customers have delayed their payments or have even neglected to pay part of the sums owed.

Operation of control systems

The creation of the Internal Risk Committee together with the strengthening of the monitoring procedures implemented at the corporate level have made it possible to reduce this risk and, in the majority of cases, apply a variety of solutions to avoid customer arrears.

When, despite the measures put in place, this is not possible, the insurance cover taken out has made it possible to reduce the financial impact of this situation as much as possible.

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

YES

If so, describe its duties:

Name of the committee or body

AUDIT COMMITTEE

Description of functions

Ultimate responsibility for the risk control and management policy lies with the Board of Directors, as established in Article 5 of the Board Rules. The Audit Committee entrusted the implementation of a risk evolution and control system to a team of experts. This contributed to the preparation of a map and the establishment of measures to reduce said risks, including the introduction of procedures and protocols, both preventive and for remediation should the risks identified materialise. The aforementioned measures were subsequently monitored and improved by the internal audit team.

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

The company identified and included this risk as one of the regulatory risks that can affect it:

A) COMPLIANCE WITH EXISTING REGULATIONS.

Compliance with environmental and food health and safety measures is important in the sector in which the Group operates, given the responsibilities implicit in those regulations.

At times, the diversity of international regulations is complicated by different reactions to certain events that translate into temporary restrictions of varying severity and scope in some countries (for example, emergency regulations in the event of listeriosis episodes, etc.) that have an impact on the import of our products or, at least, how our products are processed.

The measures, procedures and protocols that the company has implemented to avoid or minimise the impact of this risk are:

ISO quality - The Group has obtained ISO certification at its most important production centres.

Legal management - The company has a multidisciplinary internal legal team that has the support of local external advisers with in-depth knowledge of the legislation applicable in both the Group's operating centres and the locations of the various customers, suppliers, etc.

Third party liability programme - Comprehensive third party liability insurance is in place for all Group companies, to cover, among other things, possible risks that may arise due to an unwitting breach of local legislation.

E - GENERAL SHAREHOLDERS' MEETING

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

NO

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

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

NO

Describe the differences with the rules provided by the Companies Law.

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

With respect to shareholders' rights to attendance, representation, vote, proxy voting, information, challenge, procedures, approval of Minutes and other matters related to Shareholders Meetings, the provisions set forth in the Joint Stock Companies Law, Viscofan SA's Rules for General Shareholders Meetings and other applicable regulations shall apply.

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

CHAPTER IV

Article 11.- Right to access to information.

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

Article 12.- Shareholders Meeting documentation.

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

Article 13.- Request for information.

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

CHAPTER V

Article 14.- Right to attend.

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

Article 15.- Shareholder accreditation.

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

Article 16.- Proxy Voting.

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

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

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

As has been the practice for Notices of General Shareholders Meetings in recent years, in order to encourage shareholders participation, the Board resolved to distribute an attendance fee of 0.005 euros per share to all shares present or represented by proxy at the General Shareholders Meeting whose holders have duly evidenced their attendance or representation thereat at the General Shareholders Meeting held on June 3, 2009.

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

YES

Description of measures

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

In addition to the existing regulations to guarantee the rights of shareholders during the General Meeting, Article 23 of the Rules for General Shareholders' Meetings specifically establishes detailed measures to ensure independence and proper functioning during the General Meeting and ensure that any shareholders that so wish are given the opportunity to take part in the discussions and receive any information requested.

B,-) Interventions and information

1. Shareholder interventions shall take place in the order in which they are called upon by the Chair. Shareholders shall initially have a maximum of five minutes for each intervention, notwithstanding the Chair's power to extend such time. Nonetheless, where the number of interventions requested or other circumstances so dictated, the Chair may set a maximum duration for interventions of less than five minutes, in all cases treating all shareholders requesting interventions equally and respecting the principle of non-discrimination.

2. Directors shall be bound to provide the information requested, except under the circumstances set forth in Article 13 above or when the information requested is not available at the Shareholders Meeting. In such case, such information shall be provided in writing within seven days following the adjournment of the Shareholders Meeting, to which end the shareholder shall indicate the domicile or address to which to send the information.

3. The information or clarification requested shall be provided by the Chair or, as appropriate and at the Chair's request, by the chairman of the Audit Committee, the Secretary, a Director or, if appropriate, any employee or expert in the matter who is present.

4. In exercising his/her powers of running the Shareholders Meeting and notwithstanding other actions the Chair may:

- (i) ask those wishing to take the floor to clarify issues that were not understood or were not sufficiently explained during the intervention;
 - (ii) call to order shareholders who take the floor so that they limit their intervention to matters that may properly come before the Shareholders Meeting and refrain from making improper statements or from exercising their rights in any way that may be deemed abusive;
 - (iii) announce to shareholders taking the floor that their time limit is about to run out so that they can adjust their interventional accordingly.
- When the time allotted for their intervention has run out or if they persist in the behaviors described in sub-paragraph (ii) above, the floor may be taken from them.

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

No changes have been made

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

Attendance information

Date of the General Shareholders Meeting	% of physical presence	% represented	% voting remotely		Total
			Electronic voting	Other	
06/03/2009	1.140	64.820	0.000	13.580	79.540

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

On second call, the shareholders at Viscofan, S.A.'s General Shareholders Meeting held on June 03, 2009, adopted the following resolutions:

1.- The Balance Sheet, Income Statement, Notes, Management Report and the corporate management performed during the fiscal year ended December 31, 2008, of the company Viscofan, S.A. as well as the Balance Sheet, Income Statement, Notes, Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Shareholders Equity, the consolidated Management Report and corporate management performed during the fiscal year ended December 31, 2008, for the companies of which Viscofan is the parent company were approved.

Viscofan's individual balance sheet and the declaration of the dividend distributed in the month of January 2009, in the amount of 0.2050 euros per share and the one-off dividend charged against fiscal year 2008 earnings were approved.

The partial return of the issue premium in the amount of 0.29 was also approved; for a total amount of 13,553,114.91 Euros, it shall be paid out to shareholders beginning on June 25, 2009.

Taking into account the interim dividend in the amount of 0.2050 euros per share and the General Shareholders Meeting attendance fee in the amount of 0.005 euros, total compensation per share equals 0.5 euros.

The resolution was adopted by majority vote 36,955,125 shares voted in favor, 51,212 shares abstained and 36,229 shares voted against.

2.- For information purposes, the shareholders are presented with the following explanatory reports by the Board of Directors:

- a) Explanatory report prepared pursuant to Art. 116-bis of the Spanish Securities Market Act (Ley del Mercado de Valores).
- b) Annual Corporate Governance Report.

This point was not voted on as it is merely informative in nature.

3.- It was resolved to elect Mr. José Domingo de Ampuero y Osma as the Company's Directors for a six year period, replacing the deceased Mr. José María Cuevas Salvador.

Votes in favour 31,027,301 shares. Abstentions 35,112 shares. Votes against 5,980,453 shares.

4.- It was resolved to reduce the Company capital, in the aim of cancelling treasury shares, in the amount of €39,359.10 with the cancellation of 131,197 treasury shares of the Company and the resulting amendment to Article five of the By-laws.

The share capital resulting from the reduction is €13,981,104.60 represented by 46,603,682 shares of €0.30 (30 eurocents) nominal value each.

Votes in favour 37,009,654 shares. Abstentions 33,212 shares. There were no votes against.

5.- It was resolved to renew the authorisation for the Board of Directors to buy and sell Company's shares on the market, at the listed price on the transaction date, up to the maximum number of shares allowed by the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas, hereinafter "LSA") and concordant provisions at a minimum price of face value and a maximum of 100 times the face value and for a maximum of 18 months.

Votes in favour 37,009,804 shares. Abstentions 33,062 shares. There were no votes against.

6.- The report on the remuneration policy for the Directors, in compliance with Recommendation 40 of the Unified Good Governance Code, was adopted by consultative vote.

Votes in favour 36,340,141 shares. Abstentions 43,467 shares. Votes against 659,258 shares.

7.- Lastly, it was resolved to delegate to the Board of Directors the appropriate interpretation, correction, application, supplementation, development and implementation of the resolutions adopted and to authorise Mr. Jaime Echevarría Abona and Mr. José Antonio Canales García jointly and severally and indistinctly to have recorded in public instruments, from among the resolutions adopted, those that are so required and to file the accounts or registration applications required by law.

Votes in favour thirty 37,009,804 shares. Abstentions 33,062 shares. There were no votes against.

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

YES

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

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

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

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

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

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

Moreover, when it publishes notice of the General Shareholders' Meeting, the company provides the relevant forms and the rules for appointing a proxy and voting remotely, either electronically or by post, for any shareholders wishing to exercise this option.

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

NO

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

This information is available to the general public and to shareholders on the Company's web page (www.viscofan.com), in the section Shareholders and Investors, under the Corporate Governance tab, as well as being provided as part of the documentation for each General Shareholders' Meeting under the Shareholders' Meetings tab.

F - DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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

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

1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

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

Complies

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:

- a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: C.4 and C.7

Not Applicable

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:

- a) The transformation of listed companies into holding companies through "subsidiarization," i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;
- b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;
- c) Transactions whose effect is tantamount to the liquidation of the company.

Complies

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

Complies

5. Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

- a) To the appointment or ratification of directors, which shall be voted on individually;
- b) In the event of amendments of the By-Laws, to each article or group of articles that are substantially independent of one another.

See sections: E.8

Complies

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

See sections: E.4

Complies

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.

It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it carries on its business, and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies

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

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

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

b) The following decisions:

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

See section: B.1.14

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

See section: B.1.14

- iii) The financial information that the Company must periodically make public due to its status as listed company.
- iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Shareholders' Meeting.
- v) The creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.
- c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").

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

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

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

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

See sections: C.1 and C.6

Complies

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

See sections: B.1.1

Complies

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

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

Complies

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

See sections: B.1.3

Complies

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

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

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

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

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

Complies

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

See sections: B.1.3

Complies

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

See sections: B.1.3 and B.1.4

Complies

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

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

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

Complies in part

The current composition of the Board includes one female Board member who, in 2009, was also elected to the Executive Committee. The proposal for her appointment was based on her training and professional experience in several areas that give the company a broad perspective of various disciplines that affect its development and daily activities, as well as her links with and in-depth knowledge of the business sector.

Both the Appointments and Remuneration Committee of which she is currently a member and the Board are actively seeking new opportunities to propose new female Board members to the General Shareholders' Meeting based on their professional profiles and experience, bearing in mind that the interests of the company must prevail at all times.

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

See section: B.1.42

Complies

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

See section: B.1.21

Explain

The current makeup of the Board of Directors, in which 75% are independent Directors, safeguards the coordination and consideration of its priorities, even though none of the independent Directors have been specifically authorised to seek the convening of the Board or to include new items on the agenda.

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

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

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

See section: B.1.34

Complies

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

See section: B.1.29

Complies

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

See sections: B.1.28 and B.1.30

Complies

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

Complies

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

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

See section: B.1.19

Complies

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

See section: B.1.42

Complies

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

See section: B.1.41

Complies

25. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules.

Directors are also offered refresher training programs when circumstances so advise.

Complies

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

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

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

Complies

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

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

See section: B.1.2

Complies

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

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

Complies

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

See section: B.1.2

Complies

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

See paragraphs: A.2, A.3 and B.1.2

Complies

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

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

See paragraphs: B.1.2, B.1.5 and B.1.26

Complies

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

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

See paragraphs: B.1.43 and B.1.44

Complies

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

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

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

Complies

34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board.

Without prejudice to such withdrawal being communicated as a significant event, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

See paragraph: B.1.5

Not Applicable

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

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

See paragraph: B.1.15

Complies

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

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

See paragraphs: A.3 and B.1.3

Complies

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

Complies

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

Not Applicable

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

Not Applicable

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

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

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

See paragraph: B.1.16

Complies

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

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

- b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:
 - i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;
 - ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;
 - iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;
 - iv) Any change during the year in the terms for the exercise of previously-awarded options.

c) Information on the relationship, in such past fiscal year, between the compensation received by executive directors and the profits or other measures of performance of the company.

Explains

The report does not specifically detail the individual remuneration by director, which consists exclusively of 1.5% of liquid pre-tax profits for the board, and the same sum (1.5% of liquid pre-tax profits) for the Executive Committee.

Compliance with recommendation 40, combined with the online publication of the remunerations policy provide full information on the remuneration awarded the board and its different committees.

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

See paragraphs: B.2.1 and B.2.6

Complies in part

The composition of the Executive Committee has traditionally sought to reflect the composition of the Board of Directors such that all types of Directors existing on the Board are represented, while maintaining a reduced size that allows it to keep its identity against the Board itself.

In its meeting of February 27, 2009, in the aim of improving the balance between these two objectives, the Board of Directors increased the number of Directors on this Committee to four.

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

Complies

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

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

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

See paragraphs: B.2.1 and B.2.3

Complies in part

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

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

Explain

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

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

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

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

Complies

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

Complies

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

Complies

49. Risk control and management policy specifies at least:

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

See paragraphs: D

Complies

50. The Audit Committee's role is:

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

- a) To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.
- b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.
- c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.
- d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.

2. With respect to the external auditor:

- a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.
- b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.
- c) To monitor the independence of the external auditor, to which end:
 - i) The company reports a change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.

- ii) The Committee ensures that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;
- iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.
- d) In the case of groups, the Committee favors the auditor of the group assuming responsibility for the audits of the companies that form part thereof.

See paragraphs: B.1.35, B.2.2, B.2.3 and D.3

Complies in part

The ability of the Audit Committee to address any potentially significant irregularities that may occur is implicitly established in its general functions and guarantees the availability of this channel for anyone who decides to use it. However, a procedure that guarantees the exercising of this option has not yet been formally recorded in the internal rules.

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

Complies

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

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

See paragraphs: B.2.2 and B.2.3

Complies in part

The following matters:

- 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.

Are specifically regulated as exclusive powers of the Board of Directors and it is not specifically stipulated that the Audit Committee must report to it on them.

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

See paragraph: B.1.38

Complies

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

See paragraph: B.2.1

Complies

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

a) To assess the qualifications, background knowledge and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.

c) To report on senior manager appointments and removals that the chief executive proposes to the Board.

d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See paragraph: B.2.3

Partially Complies

Although included within the general function of ensuring that the election of Board members and senior executives is carried out correctly, in accordance with Article 14 of the Board Rules, the Appointments and Remuneration Committee has not been specifically assigned the duty of organising the succession of the Chairman and the Chief Executive and, where appropriate, making proposals to the Board for such successions to take place in an orderly and well-planned manner.

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

Complies

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

a) To propose to the Board of Directors:

i) The compensation policy for directors and senior managers;

ii) The individual compensation of executive directors and other terms of their contracts.

iii) The basic terms and conditions of the contracts with senior managers.

b) To ensure compliance with the compensation policy set by the company

See paragraphs: B.1.14 and B.2.3

Complies

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

Complies

G. OTHER INFORMATION OF INTEREST

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

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

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

Binding definition of independent director:

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

NO

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of 03/26/2010

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

NO

Consolidated Financial Statements

Consolidated Management Report

Financial Statements Viscofan S.A.

Management Report Viscofan S.A.

Annual Corporate Governance Report