

**VISCOFAN S.A. APPOINTMENTS AND  
REMUNERATION COMMITTEE  
  
ANNUAL REPORT OF ACTIVITIES  
  
FOR 2019**

*(This is a free translation of the original Spanish document. In the event of any discrepancy between this translation and the original Spanish document, the original Spanish version shall prevail.)*

## **A. INTRODUCTION**

The Appointments and Remunerations Committee (the "Committee" or "ARC") of Viscofan S.A. ("Viscofan" or the "Company") was created by agreement of the Board of Directors as a specialised body with informational, advisory and proposal powers, facilitating the development of the general oversight and control function that corresponds to the Board of Directors. The existence of a Committee specialised in the matter is currently required by Article 529 quidecies of the Capital Companies Act and recommended by the supervisory bodies and best corporate governance practices.

On 19 September 2019, the Viscofan Board of Directors endorsed the approval by the Appointments and Remuneration Committee of one of its Regulations. This Regulation completes the provisions of the Board of Directors Regulations regarding its organisation and operation. Consequently, the criterion of the Spanish National Securities Market Commission's Technical Guide 1/2019 of 20 February, on Nomination and Remuneration Committees, regarding the suitability of this committee having its own regulation has been embraced.

The Appointments and Remuneration Committee prepares this Annual Activity Report for 2019 for approval by the Board of Directors in accordance with the provisions of Article 25 of the Appointments and Remuneration Committee's Regulations, to make it available to the General Meeting.

## **B. OPERATION AND RESPONSIBILITIES OF THE COMMITTEE**

The operating rules of the Appointments and Remuneration Committee are set out in Chapter III of the prevailing Appointments and Remuneration Committee Regulations.

Chapter II of the Committee Regulations, (Articles 5 to 10) includes the Committee's scope and functions, and it should be noted that, at the same meeting held on 19 September 2019 in which the new Regulations of the Appointments and Remuneration Committee were approved, the Viscofan Board of Directors agreed to amend the Board of Directors Regulations in order to assign the Appointments and Remuneration Committee functions related to overseeing corporate governance and corporate social responsibility, which had previously been assigned to the Audit Committee up to that date, as reported to the market through relevant information sent to the CNMV by the Company on said date.

## **C. COMPOSITION OF THE COMMITTEE AND ATTENDANCE AT ITS MEETINGS IN 2019**

The Board of Directors has currently set the number of members of the Appointments and Remuneration Committee at four (4):

| Name                                | Position             | Type                          |
|-------------------------------------|----------------------|-------------------------------|
| Jaime Real de Asúa Arteche          | Chairman             | External Independent Director |
| José María Aldecoa Sagastasoloa     | Director             | External Independent Director |
| Nestor Basterra Larroudé            | Director             | Other External Directors      |
| Juan March de la Lastra             | Director             | External Nominee Director     |
| José Antonio Cortajarena Manchado 1 | Non-member Secretary | N/A                           |

Notwithstanding the functions that are legally the responsibility of the Committee Secretary in relation to the advice and support to the members in exercising and better performing their correspond functions, the Committee regularly seeks the collaboration of the members of the management team in the terms provided for in Article 27 of the Appointments and Remuneration Committee Regulations. Likewise, for the best performance of its functions, the Committee may seek the advice of external professionals. This power has been used under the terms set forth in this Report.

All the Committee members have the status of External Directors appointed as members in response to their experience, training and professionalism, and those qualified as "Independent" fulfil the independence requirements set out in legal regulations.

The CVs of the Committee members can be found on the Viscofan corporate website.

#### **D. ACTIVITIES DURING 2019**

The ARC held eight (8) sessions during 2019.

In relation to the work plan drawn up by the ARC in the 2019 tax year, it is worth highlighting:

##### **AGREEMENTS WITHOUT HOLDING A MEETING**

In the 2019 tax year, the ARC has not adopted any agreements without holding a meeting.

##### **ATTENDANCE OF THE MEMBERS**

All the directors who are members of the ARC attended all the sessions, with the sole exception of one director who excused his absence on one occasion and delegated his representation to the Chairman.

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<sup>1</sup> Effective as of the first of September 2019, José Antonio Cortajarena Manchado has replaced Juan María Zuza Lanz as Secretary of the Board of Directors and its respective Committees, including the Appointments and Remuneration Committee.

## **DEVELOPMENT OF THE MEETINGS**

The Committee members have had, in due time and form, the documentation and presentations necessary for them to form an opinion.

## **INFORMATION TO THE BOARD**

The Committee Chairman, in accordance with Article 26 (1) of the prevailing Appointments and Remuneration Committee Regulations, has informed the Board of Directors at each of its meetings held subsequent to the Committee meetings.

## **MINUTES**

The corresponding minutes were drafted from all the meetings, which were approved by the Committee members and signed by the Secretary with the Chairman's approval. These minutes were made available to all directors once they were approved.

## **ATTENDANCE OF THE CHAIRMAN, MANAGING DIRECTOR AND DIRECTORS OF THE COMPANY**

The Chairman of the Company, the Managing Director and Directors of the Company attended the Committee on the different occasions when this was so required to address various items on the agenda.

## **SUPPORT OF EXTERNAL SERVICES**

The Committee has also sought, when deemed necessary, through its Chairman, external advice from independent firms. Specifically, during 2019 advice was requested from the following consultancies and, at the Chairman's request, they participated in different Committee meeting in order to present the content and conclusions of the professional commissions entrusted:

- Russell Reynolds. In the process of selecting an independent director, including the update of the matrix of powers of the Board of Directors.
- Korn Ferry. In the procedure evaluating the Board and its Committees.

## **TASKS UNDERTAKEN**

As indicated, the ARC has informational and advisory powers with the Board of Directors as a Committee specialised in specific areas of activity that mainly deal with the composition and remuneration systems of the Management Bodies, Senior Management and Directors of the Company and, notwithstanding said basic functions, also with the organisational model and some of the activities related to the General Meeting and the organisation and operation of the Committee itself.

The main issues that have been dealt with and analysed by the Committee during the 2019 tax year and that have shaped its main areas of supervision, can be grouped into the following areas:

- Internal organisation: in three sessions
- Annual Corporate Governance Report: in three sessions
- Remuneration of the Board and Committees, Chairman and the Managing Director and Senior Management: in four sessions
- Composition of the Board, selection and re-election of directors: four sessions
- Assessment of the Board and Committees: in four sessions
- Succession plan for executive directors and Senior Management: in one session.
- Corporate Social Responsibility Strategy: in one session.
- Management and promotion of talent: in one session.
- Work/life balance: in one session.

## **E. CONCLUSION**

Throughout 2019, the Appointments and Remuneration Committee considers that it has satisfactorily exercised the responsibilities assigned to it by the Articles of Association, the Board of Directors Regulations and its own Regulations.

Besides the Company's Chairman and Managing Director, the Committee has also had direct contact with and the collaboration of other senior management of the company.

It is noted that the Appointments and Remuneration Committee considers that the Company rigorously complies and has complied with the rules and recommendations of good governance, which have been scrupulously followed. Specifically, in compliance with the Capital Companies Act, the Company approved the 2018 Annual Report on Directors' Remuneration detailing the remuneration policy and individual remuneration of each director and submitting said report to an advisory vote of the 2019 General Meeting of Shareholders, as the seventeenth point on the agenda, obtaining 98.22% of votes in favour.

In its function of contributing to the Company maintaining a high degree of following the best corporate governance practices, the Appointments and Remuneration Committee has devoted several sessions to analyse both the composition, structure and profiles of the current and required future directors, as well as the process of identifying candidates for directors, in accordance with said matrix of powers. Likewise, the effort made has been very significant, also with the support and assistance of external consultants in the process of evaluating the Board of Directors and its Committees, as well as reviewing and updating the succession plans of both executive directors and the senior management of the Company and the Group.

This Report of the Appointments and Remuneration Committee is, in short, a contribution to the Company's Corporate Governance strategy that participates in the mission of creating value for shareholders and promoting corporate interest.