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Activity Report of the Audit Committee Year 2018

The Audit Committee has prepared this report, which includes the reports on the operation of the Audit Committee, on related-party transactions and on the independence of the external auditor, which will be published on the website sufficiently in advance of the Ordinary General Shareholders' Meeting, as set forth in recommendation six of the Good Governance Code of Listed Companies.

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I. Operating Report of the Audit Committee

In accordance with the provisions of Article 33 of the Bylaws, the Board of Directors of Viscofan S.A. has set up an Audit Committee to better perform its functions, such as the supervision of accounting and financial information, internal and external audit services and Corporate Governance.

Its regulation, in addition to that established in the Company's Bylaws and current legislation, is set forth in Article 15 of the Board of Directors Regulations (available on the Company's website www.viscofan.com). Nonetheless, the Audit Committee has approved its own operational regulations for the current year.

1. Composition

At the close of 2018, the Audit Committee was made up of the following Directors:

Name	Position	Attribute
Mr. Ignacio Marco-Gardoqui Ibáñez	Chairman	Independent director
Mr. José María Aldecoa Sagastasoloa	Director	Independent director
Mr. Santiago Domecq Bohórquez	Director	Dominical director
Ms. Agatha Echevarria Canales	Director	Other external director
Ms. Laura Gonzalez Molero	Director	Independent director
Mr. Juan María Zuza Aranaz	Secretary	Secretary non-director

Information regarding the members of the Audit Committee can be found on the Company's website, <http://www.viscofan.com/corporate-responsibility/corporate-governance/board-of-directors/board-committees>.

2. Committee Activity

The Audit Committee exercises full operating autonomy, under the direction of its Chairman, who is responsible for calling the meetings, deciding on the matters included on the agenda and requiring the attendance of those Directors, employees or members of the Company's senior management or third parties necessary in order to better perform its functions.

The Audit Committee met eleven times in 2018, with the aim of following up on the issues summarised in the following sections. Eight of the meetings were attended by all the members of the Committee, and three of them were not attended by one of the members who delegated the Chairman with voting instructions on the items to be dealt with on the agenda.

In ten of the eleven meetings, the intervention of several members of the management team was required, such as the head of the Internal Audit, the Chief Financial Officer, the Compliance Committee, the Ethics Committee and other members of senior management whose presence was deemed necessary by the Audit Committee to present aspects related to their areas, limiting their presence to their respective interventions.

Likewise, the presence of the external auditor, PwC, S.L. was also required in four of the meetings held for the purpose of reporting the schedule of actions, the most relevant aspects detected during the preliminary phase of the pre-closure review carried out as usual on 31 October and the final annual closure of 2018, which allowed PwC, S.L. and the Committee to identify and anticipate the external audit work as well as the issues that, due to their uniqueness or accounting impact, require a special mention or record in the Company's Annual Accounts.

Performance Evaluation

The evaluation of the quality and performance of the Audit Committee was headed and carried out by the Appointments and Remuneration Committee, which is coordinated by the Secretary of the Board and is part of the evaluation of the Board of Directors and the Committees arising from it, with highly satisfactory results.

Financial/accounting information

As in previous years, the Audit Committee has reviewed and analysed the financial statements of Viscofan S.A. and its Group prior to their presentation to the Board and communication to the CNMV and the securities markets, contained in the annual, half-yearly and quarterly reports, to confirm that this information is reliable, understandable and relevant and that accounting criteria consistent with the previous annual closing have been followed, for which it has had the necessary support from the Group's senior management, especially from the areas in charge of the Consolidation and Financial functions, as well as from the Group's internal and external auditors.

In this respect, the Audit Committee has supervised the correct application of the accounting principles and practices and the measurement bases used in the preparation and presentation of the mandatory financial information and has also reviewed the appropriate delimitation of the scope of consolidation. In addition, the Committee has monitored the development of the main figures of the Group's balance sheet and income statement and has obtained the additional information it considered appropriate prior to its presentation to the Board of Directors.

As a result of this supervision and following on the work of the external auditor, the Audit Committee proposed that the Board of Directors prepare the Group's individual and consolidated financial statements in the same terms as those in which they will be submitted to a vote at the General

Shareholders' Meeting, and which are accompanied by the corresponding report issued by the statutory auditor, PwC, S.L. that contains its favourable and unqualified opinion.

Internal control systems

The Audit Committee has reviewed the internal control systems set up by the Group, the results of the internal audit activity and the risk management systems, including fiscal systems. In specific terms and as regards internal control systems, the Audit Committee has supervised the following:

- ✓ the various quarterly reports on internal control of financial information prepared internally by both Internal Audit and Corporate Finance.
- ✓ updating of the Group's Risk Map with the information received on the activity carried out by the Global Risk Committee.
- ✓ the activity carried out by the Ethics Committee and the communications received through the Complaints Channel, which after analysis were deemed not to meet the requirements to be considered complaints.
- ✓ the preparation by the Compliance Committee of new policies within the Group's compliance system for submission to the Board of Directors, such as the information technology security policy and supervision of the implementation of personal data protection systems. In addition, the Audit Committee has continued supervising the Group's crime prevention system and has stimulated the implementation of additional control and supervision measures, such as the policy on pre-approval of external audit services to be provided by the external auditor.
- ✓ the control activities carried out by both the Investment Committee and the Credit Risk Committee.
- ✓ Along these same lines, the external auditor has been asked for a brief review of the financial information internal control system implemented in the Group, which concluded that the description in Section F of the Annual Corporate Governance Report on the internal control and risk management systems linked to financial information is correct and that no inconsistencies or incidents that may affect it were detected.

Relations with the external auditor

The Audit Committee has established the appropriate relations with the external auditor, PwC, S.L. which informed of the performance of their activity to reasonably ensure that the accounts prepared by the Board are presented without qualifications in the audit report.

Thus, as regards the performance of accounts audit work and the role played by the Audit Committee in this process:

- ✓ It has supervised compliance with the external audit contract, gathered information on the audit plan and ensured that the opinion of the annual financial statements and the contents of the audit report are drafted in a clear and precise manner.
- ✓ It has ensured that internal procedures are in place to ensure that situations do not arise that could give rise to conflicts with the independence and objectivity required from the external auditor, including that their remuneration does not compromise their quality or independence, and that the policy on the provision of non-audit services are complied with. It has also ensured that the external auditor had access to all the information needed to conduct its work and that it received the greatest possible collaboration from each of the Group's subsidiaries.
- ✓ It has been informed of the results of the work carried out during the preliminary phase, which consists of a review of the pre-closure carried out on 31 October. It has thus been possible to

identify and plan the tasks that, given their uniqueness or accounting impact, require a special mention by the external auditor, as has been the case as follows:

- i) Acquisition of Transform Pack Inc.: In February 2018, 100% of the shares of Transform Pack Inc. were purchased. The fair value of the consideration at the acquisition date amounted to 2,232 thousand euros, 1,793 thousand euros of which were paid for in cash in 2018, leaving 439 thousand euros as a deferred amount that could be reduced by achieving certain sales goals included in the contract. The goodwill generated and measured at cost amounts to 864 thousand euros, being the excess of the aggregate of the consideration transferred over the fair value of assets acquired and liabilities assumed.
- ii) Acquisition of Globus Group Australia and New Zealand: In November 2018, 100% of the shares of Globus Group Australia and New Zealand were purchased. The fair value of the consideration at the acquisition date amounted to 6,296 thousand euros, 5,536 thousand euros of which were paid for in cash in 2018, leaving 760 thousand euros as a deferred amount that could be reduced by achieving certain sales goals included in the contract. The profit arising from the transaction totalled 5,486 thousand euros, and is recognised on the consolidated income statement under "Negative difference on business combinations."

Finally, the Audit Committee has verified the statements made by the external auditor regarding its independence in relation to the entity or entities related to it, receiving the declaration of its independence and issuing the corresponding report on the independence of the statutory auditor that is attached to this document in Section III.

Internal Audit

The Internal Audit Department reports functionally to the Audit Committee, resulting from which the Committee has analysed and approved the 2018 work plan drawn up by this Department, has regularly monitored its execution and was directly informed of any incidents in its development. During 2018, the Internal Audit Department has carried out audits on both the Group's global processes and on certain processes of some of its subsidiaries, such as financial closure, procurement management, warehouse management, sales management, representation office expenses, etc., and completed the established annual plan.

Along these same lines and in accordance with the context of monitoring the effectiveness of the Internal Audit Department, the Audit Committee was informed of the reports issued by the Group's Internal Audit Department at the end of its activities and of the follow-up to the recommendations included in these reports, and concluded that none of them reveal situations that indicate significant control weaknesses.

Finally, the Committee has ensured that the Internal Audit Department has organisational independence and the capacity to perform its duties to the best of its ability.

Fiscal policy and strategy

The Audit Committee has supervised monitoring of fiscal principles and good practices included in the Group's fiscal strategy, including the recommendations of the Code of Good Tax Practices, prior to their consideration by the Board of Directors.

Other functions

The Audit Committee has reviewed the Annual Corporate Governance Report, taking into consideration the recommendations included in the Good Governance Code of Listed Companies issued by the CNMV, as a step prior to its approval by the Board of Directors.

Finally, in relation to Directive 2014/95/EU and its implementing legislation in Spain and Law 11/2018 on non-financial reporting, the Audit Committee has stimulated and monitored compliance with the Corporate Social Responsibility Policy and monitored the process of reporting non-financial and diversity information.

II. Report on related-party transactions

The Audit Committee has prepared this report on related-party transactions for publication on the Company's website, in accordance with recommendation six of the Good Governance Code of Listed Companies.

Among the functions of the Audit Committee set out in the Board of Directors Regulations of the Viscofan Group is the submission of a report to the Board of Directors prior to making the corresponding decisions, on Company transactions with directors, relevant shareholders or those represented in the Board or persons related to such ("related-party transactions"), which is one of the areas limited exclusively to the knowledge of the Board as set forth in Article 5 of its Regulation and according to which the Board shall approve related-party transactions following a favourable report by the Audit Committee.

The Board's authorisation shall not be required for related-party transactions that simultaneously meet the following three conditions:

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

Persons considered to be related parties are regulated in Article 28 of the Board Regulations, as well as their due diligence (Article 23), loyalty (Article 24), secrecy (Article 25), the duty to avoid conflicts of interest (Article 26) and the duty to abstain (Article 27).

During 2018, Viscofan S.A. carried out transactions with an entity associated with Corporación Financiera Alba, S.A., a significant Viscofan shareholder since May 2014. Part of the financial debt includes a loan of 5 million euros granted in 2018 by a financial entity associated with Corporación Financiera Alba, S.A. and holder of 13% of the Company's shares at 31 December 2018 (11.32% at 31 December 2017). At 31 December 2017, this included a loan of 2.5 million euros granted in 2013 by said financial entity, which was renegotiated and completely repaid in 2018, the payment of which totalled 2,538 thousand euros, including financial expenses. Viscofan S.A. has also underwritten exchange rate insurance with the financial entity associated with Corporación Financiera Alba, S.A., worth 24 thousand euros at 31 December 2018 (0 thousand euros in 2017). No additional services were received by companies related to this shareholder in 2018 or 2017. All transactions took place in normal market conditions.

There have been no other transactions that, due to their characteristics or participants, could be classified as related.

III. Report on external auditor independence

The Audit Committee issues this report in compliance with its function of expressing its opinion on the independence of the statutory auditor, included in Article 15 of the Board of Directors Regulations.

As the external auditors of Viscofan, S.A., PwC, S.L. and its subsidiaries have audited the accounts for 2018. This is the second year that they have provided this service.

During 2018, the Audit Committee supervised and monitored the contracting of non-audit services in all the Group companies as specified in the pre-approval policy on external audit services. The monitoring report concludes that PwC, S.L.: 1) has not performed non-audit services, 2) that the expenses for non-audit services correspond to services provided in recently acquired companies and 3) that PwC, S.L. invoices for audit services and other audit-related services to the Company and its affiliated companies have been:

	2018	2017
VISCOFAN, S.A.	88,546 €	87,400 €
Audit services	85,000 €	83,900 €
Other audit-related services	3,546 €	3,500 €
AFFILIATED COMPANIES	501,000 €	480,732 €
Audit services	501,000 €	480,732 €
Other audit-related services	0 €	0 €
TOTAL	589,546 €	568,132 €
Audit services	586,000 €	564,632 €
Other audit-related services	3,546 €	3,500 €

Non-audit service charges for 2018 represent:

	Company	Group	Total
Non-audit related services	0	6,358 €	6,358 €
% of Total	0%	1 %	1 %

The Audit Committee has received a declaration of independence from PwC, S.L. They declare that they have complied with the requirements to guarantee their independence as external auditors with regard to the commission and performance of the audit, the audit services and other audit-related services, as well as the existence of the procedures aimed at identifying and evaluating threats that may arise from circumstances related to audited entities and that may pose a significant threat to their independence.

Therefore, the Audit Committee considers that the requirements to guarantee the independence of the PwC, S.L. external auditors have been met and will inform the Board of Directors accordingly.

This report was unanimously approved by the Audit Committee at its meeting held on 28 February 2019.