

## **REMUNERATION POLICY RELATING TO THE DIRECTORS OF VISCOFAN, S.A. – REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE ON THE PROPOSAL FOR APPROVAL OF THE DIRECTORS' REMUNERATION POLICY (ARTICLE 529R OF THE CORPORATE ENTERPRISES ACT)**

### **1. INTRODUCTION**

This report contains the reasoned proposal of the Appointments and Remuneration Committee in relation to the Directors Remuneration Policy (hereinafter "Remuneration Policy") of Viscofan, S.A. (hereinafter 'Viscofan', 'The Group' or 'The Company') during the three-year period 2018-2020 which will be submitted to the General Shareholders' Meeting as a separate item on the agenda. This is made available to shareholders on the Viscofan website, in accordance with article 529r, section 1, of Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Corporate Enterprises Act for the Improvement of Corporate Governance.

The aforementioned article requires listed companies to have a remuneration policy approved by the General Shareholders' Meeting at least every three years and that any remuneration received by Directors during the three years following the year in which the remuneration policy was approved is in line with this remuneration policy.

The consultative approval of the Annual Report on Directors' Remuneration for 2014 under item seven on the agenda of the General Shareholders' Meeting held on 7 May 2015 made it possible to consider Viscofan's remuneration policy contained in that report as a remuneration policy for the following three financial years, in accordance with the provisions of Transitory Provision, paragraph 2.a) of Law 31/2014, on the reform of the Corporate Enterprises Act for the improvement of corporate governance.

Taking into account the above, the Appointments and Remuneration Committee submits a new remuneration policy for its approval that will be applicable from the date of approval by the Viscofan General Shareholders' Meeting and will remain valid for the next three years.

### **2. FUNDAMENTALS OF THE DIRECTORS' REMUNERATION POLICY**

The general principles underlying the remuneration policy are as follows:

- Alignment with the interests of shareholders: The design of the remuneration policy is reviewed periodically to ensure alignment between the achievement of results and the creation of shareholder value.
- Objectiveness: Remuneration is assigned in accordance with objective criteria in an equitable manner for all Directors, taking into consideration the duties and responsibilities attributed to each Director.
- Proportionality: The remuneration levels are appropriate to the importance of the

Company, its economic situation at all times and the market standards in comparable companies.

- Suitability: The remuneration policy is adapted to the composition of the Board, the amounts are sufficient to reward their qualification, dedication and responsibility, guaranteeing due loyalty and connection with the Company, but without compromising the independence of its members.
- Transparency: Detail per concept, assignment criteria and individual breakdown will be published in the annual remuneration report and submitted to the advisory vote of the General Shareholders' Meeting.

### **3. SUMMARY OF CHANGES TO THE 2018-2020 REMUNERATION POLICY COMPARED TO 2015-2017**

During 2016 and 2017, Viscofan carried out an in-depth reflection on the remuneration policy and its degree of alignment with respect to the recommendations of corporate governance, the market practices of comparable companies and the interests of shareholders. Based on the conclusions reached, the remuneration policy presented for approval introduces the following modifications with respect to the previous policy:

- Remuneration policy for executive Directors:
  - The total remuneration of the Chief Executive Officer was reviewed to ensure a positioning in the 25th percentile of the reference market (IBEX 35). In turn, the current relationship between the remuneration of the Managing Director with respect to that of the Chairman is maintained.

Taking into account the above, this revision implies the following modifications for both executive Directors:

- The "at risk" variable remuneration is increased, both in the short and long term. Specifically, in a standard target fulfilment scenario, the variable remuneration would represent approximately 60% of the total remuneration with a balanced distribution between annual and multi-year remuneration.
- The annual fixed remuneration is adjusted to achieve the desired positioning.
- The possibility of implementing a Long-Term Incentive Plan in shares is introduced.
- A clawback clause is introduced through which the Company can recover the variable remuneration of the executive Directors if there are a series of circumstances during the twelve months following the date of payment of the variable remuneration.
- The compensation for termination of the contractual relationship of the current executive Directors is reduced from two annual payments of fixed and variable annual gross to two annual payments of the fixed gross remuneration. This amount also compensates the commitment of post-contractual non-competition. In the case of new appointments of Directors with executive functions, these same conditions would

apply.

The obligation is introduced that the executive Directors keep a number of shares equivalent to two years of their gross fixed remuneration during their time in office.

- Remuneration policy for Directors in their capacity as such:
  - The specific remuneration of the Chairman is reduced by his membership on the Board of Directors.
  - The remuneration of the Managing Director, due to his membership of the Board of Directors, is equal to that of the other members of the Board.
  - As a result of the Executive Committee ceasing to exist, the specific remuneration for belonging to said Committee is eliminated.
  - The specific remuneration for the position of Vice Chairman is eliminated.

#### **4. VALIDITY**

This remuneration policy will be submitted for approval to the Viscofan General Shareholders' Meeting on 24 and 25 May 2018 on first and second call; and, if approved, shall be applicable from the date of approval of the Viscofan General Shareholders' Meeting and shall remain in force for the following three years, except for such modifications, adaptations, updates or substitutions as may be agreed at any time, which shall be submitted for approval to the Viscofan General Shareholders' Meeting.