

**ANNUAL REPORT ON DIRECTOR REMUNERATION IN
PUBLICLY LISTED COMPANIES**

ISSUER IDENTIFICATION

END OF YEAR REFERENCE DATE

31/12/2020

Company Tax ID No. (C.I.F.): A/31065501

Registered Name:
VISCOFAN S.A.

Registered Address:
Polígono Industrial Berroa 15-4ª planta
31192 Tajonar – Navarra
Spain

(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.)

ANNUAL REPORT ON DIRECTOR REMUNERATION IN PUBLICLY LISTED COMPANIES

A CORPORATE REMUNERATION POLICY FOR THE CURRENT YEAR

A.1 Explain the valid director remuneration policy applicable to the current year. Whenever relevant, certain information may be included by reference to the remuneration policy approved by the general meeting, so long as the inclusion is clear, specific and concrete.

Descriptions should be given for specific determinations for the year in progress regarding the remuneration of directors in their status as such and as a result of their executive functions carried out for the board pursuant to contracts signed with executive directors and the remuneration policy approved by the general meeting.

In any event, the following aspects should be reported:

- Description of the procedures and company bodies involved in determining and approving the remuneration policy and its terms and conditions.
- Indicate and, where applicable, explain whether comparable companies were considered when establishing the company's remuneration policy.
- Information on whether any external advisors took part in this process and, if so, their identity.

The Board of Directors of Viscofan S.A. has proposed before the upcoming General Shareholders' Meeting the approval of a new Directors' Remuneration Policy for the period 2021-2023 ("Remuneration Policy"), continuing on from that approved by the General Shareholders' Meeting in 2018, however, it does introduce some new adjustments to reinforce the alignment with the strategic priorities, investor opinion and the market practices of the sector, all of which are described below (section A.2).

The new Remuneration Policy has been prepared by the Appointments, Remuneration and Sustainability Committee (the "**Committee**"), after a process of reflection which analysed the opinion and took into account the information received from shareholders, institutional investors and *proxy advisers*. The Committee has also taken into consideration the provisions of the Code of Good Corporate Governance in relation to director remuneration. The process was carried out with advice from the consultancy firm *Willis Towers Watson*.

Comparable companies were taken into account during the process. The remuneration of the non-executive directors has essentially been compared with IBEX-35 companies of a similar size. The remuneration of the executive directors is comparable to a group of companies from the *Packaged Foods & Meats* sector and a selection of IBEX-35 companies of a comparable size.

The Remuneration Policy, in the same vein as the previous policy, establishes a remuneration system for directors based on (i) their capacity as such and (ii) specific executive or senior management functions:

1. Remuneration for directors in their capacity as such:

- a. Limit - The annual remuneration to directors in their capacity as such, for all the items, will not exceed the limit of 1.5% on the annual consolidated profit before taxes (article 29 in the company bylaws). The previous remuneration is, in any case, the maximum amount, corresponding to the Board of Directors itself, the proposed distribution of its amount between the directors. The payment is usually settled after the General Shareholders' Meeting approves the financial statements from the previous year.
 - b. Concepts - The Policy addresses two separate concepts:
 - i. a fixed remuneration for sitting on the Board of Directors and the Committees, according to positions or roles held on those bodies.
 - ii. attendance allowances for Board of Directors meetings.
2. Remuneration for the executive directors for executive or senior management functions.- This comprises the following concepts:
- An annual fixed remuneration (which may also be referred to as "Salary" or "Pay") determined on the basis of the executive functions associated with the office and remuneration in comparable companies in the market. -
 - An annual variable remuneration (also referred to as "Annual Bonus"). -
 - a. Limit. The annual variable remuneration has a limit of 70% of the Salary for the "Annual Variable Remuneration Objective" (*Target*, i.e., when achieving 100% of the targets/objectives), and may reach a maximum 150% of the Annual Variable Remuneration Objective (in other words, up to a maximum of 105% of the salary of the executive director) when exceeding the pre-established targets.
 - b. Metrics. It is linked to the accomplishment of a combination of objectives,
 - (i) Firstly, a series of common corporate objectives for the economic-financial executive directors and other objectives of a non-financial and sustainability nature, all of which are specified, predetermined and quantifiable, with a minimum threshold and a target level which corresponds to the fulfilment of the objectives at 100%, and exceeding targets, within the indicated limits. Corporate objectives have a weight of at least 50% in the incentive as a whole;
 - (ii) secondly, quantifiable objectives specific to each executive Director that will have a maximum weight of 30%;
 - (iii) lastly, the individual performance of each executive director; the weight of the performance assessment will be a maximum of 20%.
 - A long-term incentive plan (also known as the " 3-year Bonus"), with the aim of rewarding the fulfilment of the Viscofan Group's long-term strategic objectives, sustainability of the results and the creation of sustainable value for shareholders.
 - a. Limit. The limit of the "Annualised Objective Incentive" (annualised *target*) is a 70% of the Salary of the executive director and can reach a maximum of 150% of the Annualised Objective Incentive (105% of the Salary). -
 - b. Metrics. It is linked to the accomplishment of a combination of objectives:
 - (i). Creation of value for shareholders (for example, increase in the share price or shareholder return) and economic-financial objectives and operations from the strategic plan
 - (ii) non-financial and sustainability objectives. The weight of non-financial targets shall not exceed 20%.
- The long term incentive plan approved by the General Shareholders' Meeting in 2020 is still in force for the measurement period 2019-2021.

- Other benefits: life and accident insurance, healthcare assistance policy and company vehicle.

The Board of Directors, at the request of the Committee, may also submit before the General Shareholders' Meeting the concession of special incentives to executive directors in light of extraordinary operations.

The Company also has civil liability insurance for directors and executives.

- Relative importance of variable remuneration concepts vis-à-vis fixed concepts (remuneration mix) and the criteria and objectives used to determine and guarantee a suitable balance between fixed and variable remuneration items. In particular, explain the actions taken by the company in connection with the remuneration system to reduce excessive risk exposure and match it to the long-term targets, values and interests of the company, which should include, whenever pertinent, measures taken in relation to those categories of staff whose professional activities have a material impact on the risk profile of the entity; clawback formulae or clauses to reclaim variable components of performance-based remuneration when such components have been paid on the basis of data that is subsequently proven to be wholly inaccurate; and measures designed to prevent conflicts of interest.

Furthermore, state whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or the handover of accrued and vested financial instruments, or if any clause has been approved reducing the deferred remuneration not yet consolidated or that obliges the director to return remuneration received, when such remuneration has been based on certain figures that have clearly proven to be inaccurate.

The Remuneration Policy, continuing on from the previous policy, provides a reasonable balance between the different components of fixed (annual) and variable (annual and long-term) remuneration, which reflects a suitable assumption of risks combined with the achievement of defined short- and long-term objectives, linked to the creation of sustainable value.

- The fixed component, which is accrued in any case, so long as it is not an item entailing an exposure to risk.
- The annual variable remuneration or Annual Bonus, linked to the fulfilment of annual business targets of a financial, operational, share performance, non-financial and sustainability nature, and are proposed by the Committee and approved by the Board of Directors. The annual variable remuneration objectives, as they are primarily based on the annual budget and the guidelines given to the market, are aligned with the strategic vision and long-term objectives in the Viscofan Group's strategic plans and as they are recurring avoid assuming excessive risks. This is reinforced by the fact that their evaluation is carried out once the financial statements have been audited and presented.
- The long-term variable remuneration, which essentially considers the creation of value for the shareholder (for example, total shareholder return) and its sustainability with a minimum measurement period of three years without prejudice to the time of payment or settlement.

In a scenario of meeting targets as standard (i.e. when *targets* are met 100%), the fixed remuneration represents approximately 42% of the total remuneration, whereas the annual variable

remuneration is 29% and the long term variable is another 29%, therefore there is a balanced distribution between annual and multi-year remuneration. The end structure of the "remuneration mix" for executive directors ultimately depends on targets being met and on the Board of Directors' assessment, based on the committee's proposal, of the director's performance.

The Remuneration Policy includes an ex-post control of variable remuneration ("*Clawback*") should the following circumstances arise within the 24 months following the date of payment a remuneration:

- Significant fall in consolidated net profit (more than 50%).
- Serious non-compliance by the beneficiary of the internal rules, including, in particular, risk-related rules.
- Material reformulation of the Group's financial statements, when considered by the external auditors, except when it is appropriate according to a modification of the accounting regulations.

The new Remuneration Policy submitted before the General Shareholders' Meeting reinforces the *clawback* clause.

- Its application has also been extended to the annual variable remuneration (the previous policy only contemplated the long-term variable remuneration);
- The period of application has been extended from 12 to 24 months following the receipt of the variable remuneration.

These new additions reinforce the prudential risk measures associated to the remuneration as they occur and are in greater alignment with the best corporate governance practices.

Furthermore, there are risk mitigation measures:

- the Committee may propose to the Board of Directors that adjustments be made to the elements, criteria, thresholds and limits of the variable annual or pluriannual remuneration in exceptional circumstances due to extraordinary internal or external factors or events. The detail and justification of these adjustments will be included in the corresponding Annual Report on Directors' Remuneration.
- To reinforce the commitment of executive directors to long-term company interests and alignment with shareholder interests, the Remuneration Policy includes a share ownership commitment in which executive directors must hold a number of shares equivalent to two years of gross fixed remuneration while they are in office. To achieve this objective, a period of four years is established, calculated from the start of the effectiveness of the Policy or from the appointment in the case of new Directors. Should this limit not be reached, the net shares which are received by the executive directors deriving from any element of variable remuneration will be subject to a retention period of at least three years. Notwithstanding the indicated measures, the executive directors existing are, as at this date, the owners of the shares whose value exceeds the indicated threshold.

Regarding measures to preclude conflicts of interest, in accordance with the Regulations of the Board of Directors, in application of the legal precepts in force regarding the matter, the directors must inform, or have the duty to do, so as soon as they become aware of any conflicts of interest, and must also immediately resign should this conflict persist or should their presence on the Board contravene the Company's interests. Directors must also refrain from discussing and voting on matters in which they have either a direct or indirect interest, even through related parties, except in the resolutions or decisions affecting their capacity as members of the Board, such as their appointment for or removal from positions within the Board. Internal company regulations on measures for preventing conflicts of interest are applicable to all Viscofan Group employees.

- Amount and nature of fixed components that directors are expected to receive in the year for their status as such.

Director remuneration for their capacity as such in 2021 subject to the approval of the Remuneration Policy is as follows:

- The Chairman of the Board will receive a fixed remuneration for that office of €160,000.
- Board members shall receive a fixed remuneration for membership thereof of €80,000 each.
- An additional fixed remuneration will be paid per office and membership on Committees of the Board of Directors:
 - o Audit Committee: Chairman €45,000 and members €30,000.
 - o Appointments and Remuneration Committee: Chairman €37,500 and members €25,000.
- Lead Director for holding said office: 25.000 €.
- Allowances for attendance at Board of Directors meetings, to pay for personal and effective attendance at the meetings of the Board of Directors remain at €3,000 per meeting and director. The Chairman and Managing Director will receive no allowance whatsoever in this regard. New elements included in the Remuneration Policy:
 - o In the case that the deputy chairman chairs the meeting of the Board of Directors in the substitution of the Chairman, he/she will receive two times the attendance fee (€6,000 instead of €3,000).
 - o €1,000 per meeting and director in the event of attendance via remote means of the sessions of the Board of Directors (not applicable in the event of mobility restrictions preventing attendance in person).

Attending Committee meetings does not accrue a specific attendance fee.

- Amount and nature of fixed components that executive directors will receive in the year for discharging senior management duties.

The Remuneration Policy submitted before the General Shareholders' Meeting establishes the following for the executive directors performing executive or senior management duties:

- Executive Chairman: 656.000€. (€606,000 in 2020).
- Managing Director: €506,000 (€466,000 in 2020)

The fixed remuneration for executive directors has been updated in the new Remuneration Policy for the period 2021-2023 in line with the results obtained by the Company during recent years and the external competitiveness of the remuneration package. Unlike the previous policy, this annual fixed remuneration will remain unchanged during the expected three year validity period.

In accordance with the Remuneration Policy, it is proposed to update the Salary of the executive directors in line with the results obtained by the Company during recent years and the fixed remuneration paid by like-for-like companies in the market. This analysis will be carried out by an external assessor specialising in remunerations: *Willis Towers Watson*.

This amount will remain unchanged during the validity period of the Remuneration Policy.

- Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

The remuneration in kind that will be accrued in 2021 for the concepts contemplated by the Remuneration Policy (life/accident insurance premiums, healthcare and vehicles) is estimated at €21 thousand for the Executive Chairman and €46 thousand for the Managing Director.

The Company has arranged civil liability insurance for both executive and non-executive directors (D&O insurance), as well as for executives of the Company and the Group's subsidiaries. In this insurance, the directors will be considered as the insured parties, due to the liabilities that may arise as a consequence of the performance of their activities. The premium for the referred to D&O insurance for 2021 is €70,000. Due to the civil liability insurance being arranged globally, it is not possible to calculate the proportionate part for the directors as remuneration in kind.

- Amount and nature of variable components, differentiating between those established in the short and long term. Financial and nonfinancial parameters, including social, environmental and climate change parameters selected to determine the variable remuneration in the year in progress, explaining the extent to which these parameters are related to performance, both of the director and of the company, together with their risk profile, and the methodology, deadline necessary and techniques established to determine the degree of compliance with the parameters used in the design of the variable remuneration at the end of the year, detailing the criteria and factors applicable with regard to the time required and methods to effectively verify the conditions of performance or any other type to which the accrual and consolidation of each component of variable remuneration is linked.

State the range, in monetary terms, of the different variable components according to the degree of compliance with the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.

The variable components of the remuneration system for executive directors for 2021, in accordance with that established in the Remuneration Policy, continuing on from the previous policy, are the following and have been proposed by the Committee and approved by the session of the Board of Directors on 25 February 2021:

a. Annual variable remuneration (Annual Bonus):

- Amount and limits.
 - o A Target Annual Bonus of €459,000 has been set for the Executive Chairman (i.e. when targets are met 100%); In the case of exceeding the target, the Annual Bonus for the Executive Chairman could reach a maximum of €688,000.
 - o A target Annual Bonus of €354,000 has been set for the Managing Director (i.e. when targets are met 100%); In the case of exceeding the target, the Annual Bonus for the Managing Director could reach a maximum of €531,000.
- Metrics and weighting.

- Corporate Targets. These are common to the two executive directors with a combined weighting of 50% in the Annual Bonus:
 - Economic-financial parameters, in terms of Increased sales, improvement to the EBITDA and the net profit and share performance (35%).
 - Non-financial and sustainability parameters in terms of the reduction of production related CO2 emissions, accident rate reduction and the reduction in production waste, using the Group's sustainability strategy as reference. (15% weighting)
 - Quantifiable targets for each executive director (30% weighting): execution of the Group's priority projects linked to strategic positioning, business growth and maximising operations.
 - Individual performance of each executive director (20% weighting). Valuation of the qualitative factors for each Director at the proposal of the Committee linked to commitment to the project, transformation, teamwork.
 - Exceeding targets linked to the additional profitability targets in terms of EBITDA and net profit.
- Determination procedure - At the end of the reporting period, the Committee, with the internal support that it deems necessary (i.e. Internal Audit, Financial Management) as well as external (audited financial statements and verified non-financial statements), will determine the proposed degree of fulfilment (establishing a specific percentage and amount) of the targets and the valuation of the performance of the executive directors. This percentage will be applied to the Target Annual Bonus to determine the specific amount of the annual variable remuneration, which will be submitted to the Board of Directors for approval at the time of preparation of the financial statements, directors' report, Annual Corporate Governance Report and the Annual Directors' Remuneration Report, which usually take place within the first two months following the close of the reporting period to which they refer.

In particular, during said period it is verified that the performance conditions to which the accrual and consolidation of the Annual Bonus are linked have been fulfilled, essentially through an external audit process of the financial statements and directors' report which guarantee the verification of the financial and non-financial parameters, as well as via the verification of internal processes and internal reports that lay out the remaining targets, or based on public information (i.e. share value).

b. Long-term incentive plan (3-year bonus).

Given that the 3-year period runs from 1 January 2019 to 31 December 2021, the details for 2021 are the same as those detailed in the corresponding sections of the Annual Directors' Remuneration Report for the year ending 31 December 2019. The determination of the degree of fulfilment of the targets will be made by the Board of Directors at the proposal of the Committee at the end 2021. In 2022, in accordance with the procedure laid out in the resolution approved by the General Shareholders' Meeting concerning the long term incentive (resolution ten of the General Shareholders' Meeting of 24 April 2020) and will be detailed in the Annual Directors' Remuneration Report corresponding to the year ending 31 December 2021, and which will be submitted to an advisory vote by the General Shareholders' Meeting in 2022, after which the 3-year bonus will be settled and paid.

- Main characteristics of the long-term savings systems. In addition to other information, state the contingencies covered by the system, whether through defined contributions or benefits, the annual contribution that needs to be

made to the defined contribution system, the benefits directors are entitled to in the event of defined benefit systems, the conditions under which economic rights are vested for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, on the terms provided, between the company and the director.

State if the accrual or vesting of any of the long-term savings plans is linked to achieving certain objectives or parameters related to the short- or long-term performance of the director.

The Company has no long-term savings systems for directors.

- Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation in the terms agreed to between the company and director, whether voluntary resignation by the director, dismissal of the director by the company, or any other type of termination agreement reached such as exclusivity, post-contractual non-competition, continuance in office or loyalty, which would entitle the director to some sort of remuneration.

The following cases are addressed in executive director contracts:

- The compensation of two annual payments of the annual fixed remuneration for extinguishing the contractual relationship not attributable to the director, including termination initiated by the executive director in the following cases:
 - o Substantial modification of the conditions of provision services that redound notoriously to the detriment of the executive director.
 - o (ii) Substantial change in the conditions of the provision of services of the executive director as a result of a significant change in ownership of the Company equal to or greater than 30% of the share capital with the effect of renewing the governing bodies of the Company or the content and approach of its main activity, provided that the termination occurs within three months after the occurrence of such changes.
- There will be no compensation if the dismissal is the result of gross misconduct, wilful misconduct and culpable conduct of the executive director in the performance of duties.
- Two-year non-compete agreement. The compensation for the two-year non-compete commitment is included in the compensation contemplated for the termination of the relationship. In case of noncompliance with the non-compete commitment, the executive director must return the received compensation and pay three times its amount in damages.

Both the current and the new Remuneration Policy provide a notification period of 6 months to terminate the relationship with the executive director and in the case of non-compliance, the breaching party must compensate the other with an amount of remuneration corresponding to the notification period. In relation to the above, although the compensation of two years of Fixed Remuneration previously indicated is maintained, the new Remuneration Policy establishes that the amount which, where applicable, the Company will pay for breach of the contractually established notification period, will be discounted from the two years of Fixed Remuneration

deriving from the compensation in the event of termination of the contractual relationship.

- Indicate the conditions that must be respected in the contracts of those who exercise senior management functions as executive directors. Among other aspects, give information on the duration, limits to the amounts of indemnity, tenure clauses, notice periods and payments that can replace such notice periods, and any other clauses regarding hiring bonuses, as well as severance payments or ring-fencing for early cancellation or termination of the contractual relationship between the company and the executive director. Include, inter alia, covenants or agreements regarding non-competition, exclusivity, tenure or loyalty and non-competition after termination of contract, unless already explained in the section above.

Executive director contracts adapt to the following essential conditions:

- Commercial nature
- Indefinite.
- Notice of 6 months for voluntary termination (reciprocal). In case of failure to observe the 6-month notice period (reciprocal), the compensation shall be payment of the remuneration corresponding to the unfulfilled notice period. As indicated in the previous section, the new Remuneration Policy establishes that the amount which, where applicable, the Company will pay for breach of the contractually established notification period, will be discounted from the two years of fixed remuneration deriving from the compensation in the event of termination of the contractual relationship.
- Compensations and post-competition covenants (refer to section above).
- The duty of confidentiality on information, data, reports or background information to which directors had access while in office shall persist even after they leave office, regardless of the reason.

Exceptionally, and in order to streamline the hiring of candidates, the Policy provides for the Committee the ability to submit a proposal to the Board of Directors for a hiring premium to offset any loss of incentives not accrued, and the possibility of an international assignment for such cases (e.g. housing supplement). Such circumstances did not occur, and the Company made no premium payment in this regard.

- The nature and estimated amount of any other supplementary remuneration that will be accrued by directors in the year in progress in consideration for services furnished other than those inherent in the post.

No supplementary remuneration other than the remuneration explained in previous sections are expected.

- Other remuneration concepts, including concepts deriving from the company providing advances, loans, guarantees or any other remuneration to directors.

None were or are expected to be granted.

- The nature and estimated amount of any other planned supplementary remuneration that will be accrued by directors in the year in progress not

included in the previous sections, whether payment is made by the company or another group company.

There are not and will not be any supplementary remuneration other than the remuneration explained in previous sections.

A.2 Explain any relevant change in the remuneration policy applicable to the current year arising from:

- A new policy or amendment in the policy already approved by the General Meeting.
- Relevant changes in specific determinations established by the board for the current year on the valid remuneration policy compared with the ones applied in the previous year.
- Proposals that the Board of Directors may have agreed to at the General Shareholders' Meeting at which this annual report will be submitted and proposed to be applicable in the current year.

As indicated in Section A.1, the Board of Directors of Viscofan S.A. has proposed before the upcoming General Shareholders' Meeting the approval of a new Directors' Remuneration Policy for the period 2021-2023 ("Remuneration Policy"), continuing on from that approved by the General Shareholders' Meeting in 2018, however, it does introduce some new adjustments to reinforce the alignment with the strategic priorities, investor opinion and the market practices of the sector.

In relation to the previous policy, the Remuneration Policy to be proposed to the General Shareholders' Meeting includes the following changes:

- a. In relation to remuneration for directors in their capacity as such:
 - an increase in the fixed remuneration of the members of the Appointments, Remuneration and Sustainability Committee (from €20,000 to €25,000 for members and from €30,000 to €37,500 for the chairmanship of each committee) justifiable due to the undertaking of new functions and greater demands of the position;
 - a fixed remuneration of €25,000 for the position of lead director; the recommendations of good governance increasingly require that the lead director perform certain functions and undertake responsibilities that justify, as is usual in like-for-like companies, the recognition of said specific remuneration.
 - the decrease in attendance fees for Board meetings (from €3,000 to €1,000) in the event of attending remotely (except where legally unavoidable);
 - the establishment of a double attendance fee for the vice chairman of the Board of Directors, only in the case of effectively substituting the Chairman in his role.
- b. Concerning the remunerations of the executive directors
 - Fixed remuneration: In accordance with the Remuneration Policy, it is proposed to update the Salary of the executive directors in line with the results obtained by the Company

during recent years and the fixed remuneration paid by like-for-like companies in the market.

- Maximum limit of the Annual Variable Remuneration and the Long-term incentive. The new Remuneration Policy establishes that in the case of exceeding the preestablished targets, the maximum annual variable remuneration and long-term incentive can reach a maximum of 150% of the target variable remuneration (120% in the previous annual or annualised Policy; in other words, up to a maximum of 105% of the executive director's annual Salary; 84% in the previous Policy)
- Long-term incentive plan ("3-year bonus"). The Remuneration Policy proposed to the General Shareholders' Meeting expressly includes the possibility of the incentive being settled in Company shares, without prejudice to a part being paid in cash in order to address the tax obligations of the executive director.
- It is expressly provided that the Board of Directors, at the request of the Committee, may submit before the General Shareholders' Meeting the concession of special incentives to executive directors in light of extraordinary operations.
- Payments in the event of termination of the contractual relationship. The amount which, where applicable, the Company pays for breach of the notification period, will be discounted from the two years of Fixed Remuneration deriving from the compensation in the event of termination of the contractual relationship.
- Clawback. The period of application of the clawback clause in relation to the payment of variable annual and/or multi-year remuneration is increased from 12 to 24 months.

A.3 Identify the direct link to the document where the current company remuneration policy is posted, which must be available on the company website.

<https://www.viscofan.com/corporate-governance/regulations-and-policies>

A.4 Explain, taking into account the data provided in Section B.4, the outcome of voting, of an advisory nature, by shareholders at the General Shareholders' Meeting regarding the annual report on remuneration for the previous year.

The Annual Directors' Remuneration Report for the year ending 31 December 2019 received the backing of the majority of shareholders, specifically 99.26% of the votes cast, in line with that obtained during the previous financial year ended 31 December 2018 (98.22%). Therefore, from the continuous contact with shareholders and investors it can be concluded that the policy followed by the Company in recent years is in line with the shareholder vote and therefore a new Remuneration Policy is proposed for the period 2021-2023 to continue on from the previous one, albeit introducing, as previously detailed, some changes that reinforce said alignment.

B GLOBAL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE YEAR-ENDED

B.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and, as the case may be, the identity and the role of the

external advisors whose services have been used in the process to apply the remuneration policy in the year ended.

Pursuant to the company's internal regulations, the Board of Directors, at the Committee's proposal, is the body responsible for setting the directors' remuneration, as part of the policy approved by the General Shareholders' Meeting, except for any remuneration involving company shares or share options or linked to the value of Viscofan shares, which must also be approved by the General Shareholders' Meeting. The Remuneration Policy in force in 2020 was that approved by resolution of the General Shareholders' Meeting of 25 May 2018 and is valid for three years.

The Committee, which met on seven occasions in 2020, is made up of the following members at the date of this report:

Name	Position	Type
Jaime Real de Asúa Arteche	Chairman	External Independent
José María Aldecoa Sagastasoia	Member	External Independent
Néstor Basterra Larroudé	Member	Other External Directors
Juan March de la Lastra	Member	External Member External Nominee
Ignacio Marco-Gardoqui Ibañez	Member	External Independent
José Antonio Cortajarena Manchado	Non-member secretary	N/A

In all the processes for adopting their respective decisions, the Committee and the Board of Directors have received information and advice from the company's internal services.

In this regard, it is worth noting:

- (i) Regarding the remuneration of directors in their capacity as such, the Policy in force in 2020 is applied as follows:
 - a. Attendance fees. Each director entitled to the accrued attendance fee is paid after each meeting of the Board of Directors, subject to the secretary verifying the attendance list. All the directors have attended all meetings of the Board of Directors.
 - b. Fixed remuneration: Payment of the amounts accrued by each director in their capacity as such for 2020 is subject to approval of the financial statements for that year at the 2021 General Shareholders' Meeting, within the first six months of the year (and foreseeably in April). Once these financial statements have been approved, the corresponding resolution will be adopted by the Board of Directors to recognise and pay each director pursuant to the amounts set out in the policy.
- (ii) Regarding the remuneration of executive directors:
 - a. The proposed individual fixed remuneration or Salary for each executive director for 2020 was submitted by the Committee at its meeting on 20 February 2020 and approved by the Board of Directors on 27 February 2020, effective as of 1 January 2020. This salary is paid to the executive directors on a monthly basis.
 - b. The settlement and recognition of this Annual Bonus 2020 was proposed by the Committee at its session on 20 February 2020 and approved by the Board of Directors at its meeting on 27 February 2020. The degree to which the financial and operational targets have been met is based on the annual financial report duly audited under the terms set out and submitted to the shareholders for approval. The remaining targets are determined based on verified internal reports and public information (i.e. share price).

B.2 Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks and adapting them to the long-term objectives, values and interests of the company, including a reference to the measures that have been adopted to guarantee that the long-term results of the company have been taken into consideration in the remuneration accrued and that a suitable balance has been attained between the fixed and variable components of the remuneration, the measures that have been adopted in relation to those categories of staff whose professional activities have a material repercussion on the company's risk profile and the measures that have been adopted to avoid conflicts of interest, if appropriate.

In relation to the remuneration of the directors in their capacity as such, the scheme for establishing a fixed remuneration and attendance fees, excluding the variable remuneration payment for non-executive directors, is an efficient instrument for reducing exposure to excessive risks and including a long-term outlook.

With regard to executive directors, the policy approved in 2018 and valid in 2020 (with the new Remuneration Policy for 2021-2023 continuing after that date) is based on three main components of equal weighting:

- A fixed component, which is accrued in any case, so that it does not represent an exposure to risk.
- An annual variable remuneration based on the performance over a period of one year, essentially linked to specific and measurable recurring business targets, preventing any excessive risks being taken. This is reinforced with the fact that the assessment is carried out once the audited financial statements and directors' report are available and the non-financial information statement verified.
- The very long term variable component (3-year Bonus) which has a measurement period of three years, without prejudice to its payment and settlement, which moderates the undertaking of risks and offers the creation of value over a longer term than is usual. The 3-year Bonus currently in force has a measurement period of 2019-2021, therefore, as at 2020 no right to remuneration for this item has been accrued.

A reasonable balance is established between annual and multi-year remuneration (the latter having a 3-year minimum measurement period).

- There is also a *clawback* clause in force whereby the Company can recover the variable remuneration from executive directors in the event of a series of circumstances occurring during the twelve months following the payment date of the variable remuneration (as of the entry into force of the new Remuneration Policy, this period is extended to 24 months).

The answer to this section is completed with the explanations given in section A.1.

B.3 Explain how the remuneration accrued and vested over the year meets the provisions contained in the currently valid remuneration policy.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, as the case may be, how the variations in the performance of the company have influenced changes in the remuneration of

directors and how the latter contribute to the short- and long-term results of the company.

Remuneration accrued by directors in their capacity as such is determined and set out in the policy and is not determined by profit or other measures of the company's performance. Pursuant to this policy, the total amount paid as attendance fees for these sessions of the Board of Directors and the accrual by each director of a fixed amount for belonging to the Board of Directors, committees and positions, amounts to €1,524 thousand and falls within the statutory limit (Article 29 of the company by-laws and stipulated in the policy) of 1.5% of the annual consolidated profit before taxes, which totalled €159,656 thousand.

Likewise, salaries for executive directors, once determined by the Board of Directors at the proposal of the Committee and pursuant to the above, are not subject to profit or other measures of the Group's or the company's performance.

In relation to the annual variable remuneration for executive directors, once the limit of the Annual Bonus was established by the Board of Directors at its meeting held on 27 February 2020, at the proposal of the Committee, it is related to the consolidated results of the company with its group of companies in 2020. It is linked to the group's main indicators, as detailed in section B.7, and determined once the Board of Directors is in possession of the duly audited separate and consolidated financial statements and directors' report, including the verification of the non-financial information statement by third-party inspector.

Turning to the long-term incentive, the 3-year Bonus has a measurement period of 2019-2021, therefore, as at 2020 no right to remuneration for this item has been accrued.

Lastly, regarding remuneration in kind, the Company has paid what is set out in the policy (for a joint total for executive directors of €67,000), without this exceeding the limit of 20% of the fixed remuneration for executive directors.

B.4 Give information on the outcome of the advisory vote of the general meeting on the annual remuneration report from the previous fiscal year, indicating the number of votes cast against, if any:

	Number	% of total
Votes cast	40,718,661	87.57 %
	Number	% of cast
Votes against	64,496	0.16%
Votes in favour	40,418,142	99.26%
Abstentions	236,023	0.58%

Remarks

B.5 Explain how the fixed components accrued and vested during the year by the directors in their capacity as such were determined and how they have changed with respect to the previous year.

The fixed components have been determined pursuant to the current policy, which has not varied

in 2020 in comparison with the previous year after it was approved at the General Shareholders' Meeting on 25 May 2018 for a period of three years.

Therefore, a fixed remuneration has been accrued for the directors acting as such:

The remuneration for the members of the Board of Directors acting as such was:

- Chairman of the Board of Directors: €160,000/year.
- Director: €80,000/year.
- Chairman of the Audit Committee: €45,000/year
- Chairman of the Appointments, Remuneration and Sustainability Committee: €30,000/year.
- Member of the Audit Committee: €30,000/year.
- Member of the Appointments Remuneration and Sustainability Committee: €20,000/year

The General Shareholders' Meeting of 24 April 2020 increased the number of members of the Board of Directors from 10 to 11; on the same date, the Board of Directors at its session held after the General Meeting, increased the number of members of the Audit Committee from 5 to 6 and appointed an independent external director to fill the newly created vacancy. Lastly, on 29 October 2020, The Board of Directors increased the number of members of the Appointments, Remuneration and Sustainability Committee from 4 to 5 and appointed an independent external director for the newly created vacancy. The new directors and members of the Board and Committees have accrued the fixed remuneration associated to their respective positions since their appointment and acceptance.

Similarly, in 2020, the attendance fees were applied to remunerate the in person and effective attendance of non-executive directors at the meetings of the Board of Directors: €3,000 for each meeting and director, with 12 Board of Directors meetings having been held.

B.6 Explain how the salaries accrued and vested by each one of the executive directors over the past financial year for the performance of management duties were determined, and how they have changed with respect to the previous year.

- In 2018 the fixed component was increased to fix it at approximately the 25% percentile of the reference group of the IBEX 35 and for the years 2019 and 2020 said fixed remuneration or Salary has been updated; specifically, for 2020, the Board of Directors, at the proposal of the Committee, updated it as follows:
- - o Chairman: €606,000 (€595,000 in 2019);
 - o Managing Director: €466,000 (€458,000 in 2019),

The above represents an increase of 1.8% which, in the absence of any particular situations, was also applied to senior management for 2020.

B.7 Explain the nature and the main characteristics of the variable components of the remuneration systems accrued and vested in the year ended.

In particular:

- Identify each one of the remuneration plans that have determined the different types of variable remuneration accrued by each of the directors in the year ended, including information on their scope, their date of approval, their date of incorporation, the periods of accrual and validity, the criteria used to evaluate performance and how this has affected the establishment of

the variable amount accrued, as well as the measurement criteria used and the period necessary to be in a position to suitably measure all the conditions and criteria stipulated, duly explaining in detail the criteria and factors applicable with regard to the time required and methods to effectively verify the conditions of performance or any other type to which the accrual and vesting of each component of variable remuneration was linked.

- In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (vesting) and to exercise these options or financial instruments, including the price and term to exercise them.
- Each director and category (executive directors, proprietary external directors, independent external directors and other external directors) who are beneficiaries of remuneration systems or plans that include variable remuneration.
- As the case may be, information is to be provided on periods for the accrual, vesting or deferment of payment of vested amounts applied and/or the periods for withholding/unavailability of shares or other financial instruments, if they should exist.

Explain the short-term variable components of the remuneration systems:
--

Executive directors have accrued the following annual variable remuneration (Annual Bonus) in 2020:

- Executive Chairman:
 - Target Annual Bonus (targets met 100%): €424,000; maximum in the event of exceeding targets: 508.000€.
 - Group corporate targets (50% weighting): Degree of fulfilment 95%
 - Economic-financial parameters, in terms of increased sales, EBITDA and net profit and share performance (35% weighting): 100%
 - Operating parameters in terms of efficiency in the reduction in management of inventory/sales (5% weighting): 100%
 - Sustainability parameters (10% weighting): reduction of production related CO2 emissions and a reduction in production related waste: 50%
 - Specific efficiency targets for the group, new businesses and the implementation of the sustainability strategy (30% weighting): Degree of fulfilment 80%
 - Performance assessment (20% weighting): 100% degree of recognition
- Total degree of fulfilment: 92%.
- Exceeding the Target operating result: 20%
- Annual Bonus amount 2020: 468.000 €

- Managing Director:
 - o Target Annual Bonus (targets met 100%): €326,000; maximum in the event of exceeding targets: 391.000€.
 - o Group corporate targets (50% weighting): Degree of fulfilment 95%
 - Economic-financial parameters, in terms of increased sales, EBITDA and net profit and share performance (35% weighting). 100%
 - Operating parameters in terms of efficiency in the reduction in management of inventory/sales (5% weighting): 100%
 - Sustainability parameters (10% weighting): reduction of production related CO2 emissions and a reduction in production related waste: 50%
 - o Specific efficiency targets for the group, new businesses and the implementation of the sustainability strategy (30% weighting): Degree of fulfilment 80%
 - o Performance assessment (20% weighting): 100% degree of recognition
- Total degree of fulfilment: 92%.
- Exceeding the Target operating result: 20%
- Annual Bonus amount 2020: 360.000 €

These amounts will be paid in the first quarter of 2021.

Explain the long-term variable components of the remuneration systems:

The 2020 General Shareholders' Meeting (resolution ten of the General Shareholders' Meeting of 24 April 2020) approved a Long-Term Incentive Plan for the period 2019-2021 for the Company's executive directors. Given that the three-year period runs from 1 January 2019 to 31 December 2021, the determination of the degree of fulfilment of the targets will be carried out at the end of 2021 and will be detailed in the Annual Directors' Remuneration Report for that year. Therefore, in 2020 no amount for this item was accrued or paid.

B.8 Indicate whether certain variable components accrued were reduced or clawed back when, for the former, deferred payment of non-vested amounts or, for the latter, vested and paid, on the basis of data that were subsequently proven to be inaccurate. Describe the amounts reduced or clawed back through the application of the reduction or clawback clauses, why they were implemented and the years to which they refer.

No circumstances arose that would have entailed the reimbursement of variable remuneration.

B.9 Explain the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefit, the contingencies covered, the conditions for vesting economic rights for directors and their

compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.

Not applicable. The remuneration policy does not cover long-term savings systems.

B.10 Explain, where appropriate, the severance pay or any other type of payment deriving from early dismissal or early resignation, or from the termination of the contract upon the terms provided for therein, accrued and/or received by directors during the year ended.

Not applicable. Did not occur

B.11 Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, where appropriate, explain such changes. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

Did not occur

B.12 Explain any supplementary remuneration paid to directors as consideration for services rendered outside of their post.

Not applicable. There was no supplementary remuneration.

B.13 Explain any remuneration deriving from advance payments, loans or guarantees granted, indicating the interest rate, their key characteristics, amounts eventually returned and obligations taken on through guarantee or collateral.

Not applicable. Did not occur

B.14 Itemise the remuneration in kind accrued by the directors over the year, briefly explaining the nature of the different salary components.

The remuneration in kind accrued in 2020 for the concepts contemplated by the Policy (life/accident insurance premiums, healthcare and vehicles) was €21 thousand for the Executive Chairman and €46 thousand for the Managing Director.

B.15 Explain the remuneration accrued by directors by virtue of payments made by the listed company to a third company at which the director renders services when these payments seek to remunerate the director's services to the company.

Not applicable. Did not occur

B.16 Explain any other items of remuneration other than those mentioned in the previous sections, whatever their nature or the group company that settles the payment, particularly when this is a related-party transaction or the payment thereof distorts the true image of the total remuneration accrued by the director.

Not applicable. Did not occur

C INDIVIDUAL REMUNERATION CORRESPONDING TO EACH DIRECTOR

Name	Type	Accrual period year t
JOSE DOMINGO AMPUERO OSMA	EXECUTIVE CHAIRMAN	From 01/01/2020 to 31/12/2020
JOSE ANTONIO CANALES GARCIA	EXECUTIVE DIRECTOR	From 01/01/2020 to 31/12/2020
IGNACIO MARCO-GARDOQUI IBAÑEZ	INDEPENDENT VICE CHAIRMAN	From 01/01/2020 to 31/12/2020
JOSÉ MARÍA ALDECOA SAGASTASOLOA	DIRECTOR	From 01/01/2020 to 31/12/2020
JAIME REAL DE ASÚA Y ARTECHE	INDEPENDENT DIRECTOR	From 01/01/2020 to 31/12/2020
NESTOR BASTERRA LARROUDÉ	OTHER EXTERNAL DIRECTOR	From 01/01/2020 to 31/12/2020
AGATHA ECHEVARRIA CANALES	OTHER EXTERNAL DIRECTOR	From 01/01/2020 to 31/12/2020
JUAN MARCH DE LA LASTRA	NOMINEE DIRECTOR	From 01/01/2020 to 31/12/2020
SANTIAGO DOMEQ BOHORQUEZ	NOMINEE DIRECTOR	From 01/01/2020 to 31/12/2020
LAURA GONZALEZ MOLERO	INDEPENDENT DIRECTOR	From 01/01/2020 to 31/12/2020
CARMEN DE PABLO REDONDO	INDEPENDENT DIRECTOR	From 24/04/2020 to 31/12/2020

C.1 Complete the following tables on the individual remuneration of each of the directors (including remuneration for carrying out executive functions) accrued during the fiscal year.

a) Remuneration from the reporting company:

i) Remuneration in cash (in thousands of €)

Name	Fixed Remuneration	Attendance fees	Board committee membership remuneration	Salary	Short-term variable remuneration	Long-term variable remuneration	Compensation	Others	Total year t	Total year t-1
JOSE DOMINGO AMPUERO OSMA	160	-	-	606	468	0	0	0	1.234	1.026
JOSE ANTONIO CANALES GARCIA	80	-	-	466	360	0	0	0	906	747
IGNACIO MARCO-GARDOQUI IBAÑEZ	80	36	38	0	0	0	0	0	154	161
JOSÉ MARÍA ALDECOA SAGASTASOLOA	80	36	50	0	0	0	0	0	166	166
JAIME REAL DE ASÚA Y ARTECHE	80	36	30	0	0	0	0	0	146	146
NESTOR BASTERRA LARROUDÉ	80	36	20	0	0	0	0	0	136	136
AGATHA ECHEVARRIA CANALES	80	36	30	0	0	0	0	0	146	146
JUAN MARCH DE LA LASTRA	80	36	20	0	0	0	0	0	136	133
SANTIAGO DOMEQ BOHORQUEZ	80	36	30	0	0	0	0	0	146	143
LAURA GONZALEZ MOLERO	80	36	40	0	0	0	0	0	156	146
CARMEN DE PABLO REDONDO	53	24	20	0			0	0	97	0
TOTALS	933	312	278	1.072	828	0	0	0	3.423	2.950

Remarks

ii) Table of changes in share-based remuneration schemes and gross profit from shares or consolidated financial instruments

Name	Name of Plan	Financial instruments at start of year t		Financial instrument granted in the year t		Financial instrument consolidated in the year				Instruments matured but not exercised	Financial instruments at end of year t	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent/ vested shares	Price of vested shares	Gross profit from vested shares or financial instruments (thousand €)	No. instruments	No. instruments	No. equivalent shares
Director 1	Plan 1											
	Plan 2											

Remarks

iii) Long-term savings systems

	Remuneration from vesting of rights to savings systems
Director 1	

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Year t		Year t-1	
	Year t	Year t-1	Year t	Year t-1	Savings systems with vested economic rights	Savings systems with no vested economic rights	Savings systems with vested economic rights	Savings systems with no vested economic rights
Director 1								

Remarks

--

iv) Details of other concepts

Name	Concept	Amount
JOSE DOMINGO AMPUERO OSMA	Life and accident insurance premiums Healthcare policy Company car	21
JOSE ANTONIO CANALES GARCIA	Life and accident insurance premiums Healthcare policy Company car	46

Remarks

b) Remuneration to company directors for seats on the boards of other group companies:

i) Remuneration in cash (in thousands of €)

Name	Fixed Remuneration	Attendance fees	Board committee membership remuneration	Salary	Short-term variable remuneration	Long-term variable remuneration	Compensation	Others	Total year t	Total year t-1
Director 1										
Director 2										

Remarks

ii) Table of changes in share-based remuneration schemes and gross profit from shares or consolidated financial instruments

Name	Name of Plan	Financial instruments at start of year t		Financial instrument granted in the year t		Financial instrument consolidated in the year				Instru- ments matured but not exercised	Financial instruments at end of year t	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent/vested shares	Price of vested shares	Gross profit from vested shares or financial instruments (thousand €)	No. instruments	No. instruments	No. equivalent shares
Director 1	Plan 1											
	Plan 2											

Remarks

iii) Long-term savings systems

	Remuneration from vesting of rights to savings
Director 1	

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Year t		Year t-1	
	Year t	Year t-1	Year t	Year t-1	Savings systems with vested economic rights	Savings systems with no vested economic rights	Savings systems with vested economic rights	Savings systems with no vested economic rights
Director 1								

Remarks

iv) Details of other concepts

Name	Concept	Amount
Director 1		

Remarks

c) Summary of the remuneration (in thousands of €):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to each director, in thousands of euros.

Name	Remuneration accrued at the Company					Remuneration accruing to group companies				
	Total Cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings systems	Remuneration from other concepts	Company total year t	Total Cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings systems	Remuneration from other concepts	Total Group year t
JOSE DOMINGO AMPUERO OSMA	1.234			21	1.255					
JOSE ANTONIO CANALES GARCIA	906			46	952					
IGNACIO MARCO-GARDOQUI IBAÑEZ	154				154					
JOSÉ MARÍA ALDECOA SAGASTASOLOA	166				166					
JAIME REAL DE ASÚA Y ARTECHE	146				146					
NESTOR BASTERRA LARROUDE	136				136					
AGATHA ECHEVARRIA CANALES	146				146					
JUAN MARCH DE LA LASTRA	136				136					
SANTIAGO DOMEcq BOHORQUEZ	146				146					
LAURA GONZALEZ MOLERO	156				156					
CARMEN DE PABLO REDONDO	97				97					
TOTALS	3.423			67	3.490					

Remarks

D OTHER INFORMATION OF INTEREST

If there are any relevant aspects relating to directors' remuneration that you have not been able to describe in other sections of this report but that are necessary to provide more comprehensive and fully reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

This annual remuneration report was approved by the company's board of directors at its meeting on 25 February 2021

Indicate whether any board members voted against or abstained from voting on approving the present Report.

Yes

No

Name or company name of the member of the board of directors who voted against approving this report	Reasons (against, abstention, nonattendance)	Explain the reasons