



ANNUAL CORPORATE GOVERNANCE REPORT 2017

Viscofan S.A

Year end: 31/12/2017

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

A.- OWNERSHIP STRUCTURE OF THE COMPANY

A.1- Fill in the following table on the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
14/04/2011	32,622,577.40	46,603,682	46,603,682

S Indicate if there are different classes of shares with different rights associated with them

NO

A.2- Detail the direct and indirect owners of significant holdings in your company at year-end, excluding directors:

Name or company name of the Shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MARATHON ASSET MANAGEMENT, LLP	0	2,296,698	4.93%
NORGES BANK	2,309,975	0	4.96%
APG ASSET MANAGEMENT NV	2,408,875	0	5.17%
MR. SANTIAGO DOMEQC BOHORQUEZ	0	2,332,021	5.00%
CORPORACION FINANCIERA ALBA SA	5.277.014	0	11.32%

Name or company name of the indirect shareholder	Through: name or company name of the direct shareholder	Number of total voting rights
MARATHON ASSET MANAGEMENT, LLP	OTHER SHAREHOLDERS OF THE COMPANY	2,296,698
MR. SANTIAGO DOMEQC BOHORQUEZ	ANGUSTIAS Y SOL S.L.	2,332,021

Indicate the most significant movements in the shareholding structure during the year.

Name or company name of the shareholder	Date of transaction	Description of the transaction
MARATHON ASSET MANAGEMENT, LLP	24/04/2017	Exceeded 5% of the share capital
MARATHON ASSET MANAGEMENT, LLP	28/04/2017	Down from 5% of the share capital
NORGES BANK	19/09/2017	Down from 5% of the share capital

A.3- Fill in the following tables about members of the Board of Directors of the Company with voting rights on company shares:

Name or company name of the Director	Number of director voting rights	Number of indirect voting rights	% of total voting rights
MR JOSE ANTONIO CANALES GARCIA	16,061	6,299	0.05%
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	30,276	5,000	0.08%
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	61,015	0	0.13%
MR. ALEJANDRO LEGARDA ZARAGÜETA	8,250	0	0.02%
MRS. AGATHA ECHEVARRIA CANALES	42,869	0	0.09%
MR. NESTOR BASTERRA LARROUDÉ	212,452	0	0.46%
MR. JUAN MARCH DE LA LASTRA	0	18,307	0.04%
MR. JOSÉ MARÍA ALDECOA SAGASTASOLOA	0	0	0
MR. SANTIAGO DOMEQ BOHORQUEZ	0	2,332,021	5.00%
MR. JAIME REAL DE ASÚA Y ARTECHE	0	0	0

Name or company name of the indirect shareholder	Through: name or company name of the direct shareholder	Number of total voting rights
MR. JOSÉ ANTONIO CANALES GARCIA	Other shareholders of the Company	6,299
MR. JUAN MARCH DE LA LASTRA	ATACAMPA S.A..	18,307
MR. IGNACIO MARCO-GARDOQUI IBAÑEZ	PROMOCIONES GARDAL XXI, S.L.	5,000
MR. SANTIAGO DOMEQ BOHORQUEZ	ANGUSTIAS Y SOL SL	2,332,021

Total % of voting rights of the Board of Directors:	5.86%
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Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares

Name of director (person or company)	Number of direct voting rights	indirect rights		Number of equivalent shares	% of total voting rights
		Direct owner	Number voting rights		

A.4-Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities

Related name (person or company)	Type of relationship	Brief description

No applicable

A.5- Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description
CORPORACIÓN FINANCIERA ALBA S.A MR. JOSÉ DOMINGO DE AMPUERO Y OSMA.	CORPORATE	MR. JOSE DOMINGO DE AMPUERO Y OSMA IS MEMBER OF ITS BOARD OF DIRECTOR
CORPORACIÓN FINANCIERA ALBA S.A MR. JUAN MARCH DE LA LASTRA	CORPORATE	MR. JUAN MARCH DE LA LASTRA IS VICECHAIRMAN OF ITS BOARD OF DIRECTOR
ANGUSTIAS Y SOL SL MR. SANTIAGO DOMEQ BOHÓRQUEZ	CORPORATE	MR. SANTIAGO DOMEQ BOHORQUEZ IS SOLE ADMINISTRATOR OF ANGUSTIAS Y SOL S.L.

A.6- Indicate whether the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

Participants in shareholders agreements	% of share capital affected	Brief description of agreement

NO

Indicate whether the company is aware of the existence of concerted actions amongst its shareholders. If so, describe them briefly.

Participants in concerted action	% of share capital affected	Brief description of concerted action

NO

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

NO

A.7- Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 5 of the Securities Exchange Act. If so, identify names:

NO

A.8- Fill in the following tables about the Company's treasury stock

At year-end:

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

(*) Through:

Name of direct owner of shareholding (person or company)	Number of direct shares
Total:	0

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007.

Explain the significant changes

A.9- Describe the conditions and term of the prevailing mandate from the general meeting to the Board of Directors to issue, buy back and transfer treasury stock :

Extract of the Minutes of the General Shareholders Meeting held on 30 April 2013 on second call, the following resolution was adopted by majority:

The proposal is to cancel the authorisation for acquiring own shares that was given to the Board of Directors at the Company's General Shareholders' Meeting of 23 May 2012.

The proposal is to authorise the Board of Directors to buy and sell on the market, through the person, Company or institution that it deems advisable, shares in the Company at the market price on the transaction date, for the maximum number of shares permitted by the Corporate Enterprises Act and related provisions, with the minimum price not being below the nominal value or more than 15% higher than the share price listed on the Spanish Automated Quotation System at the time of the acquisition.

The proposed authorisation is for the maximum term envisaged by law, 5 years, and will run from the date of the resolution. It is conferred upon the Board subject to existing legal restrictions on the purchase of treasury shares and, more specifically, those restrictions prescribed by Articles 146 and 509 of Corporate Enterprises Act. In the event the Board of Directors should need to exercise the authorisation conferred upon it by the General Shareholders' Meeting, the Company's treasury shares would be subject to the treasury shares regime set forth in Article 148 of the Corporate Enterprises Act (CEA).

A.9 bis- Estimated floating capital:

	%
Estimated floating capital	67.76

A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market

NO

A.11- Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

NO

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12- Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

NO

Where applicable, indicate the different classes of shares, and what rights and obligations each share class confers.

B- GENERAL SHAREHOLDER’S MEETING

B.1- Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Corporate Enterprises Act (“CEA”) in connection with the quorum needed to hold a valid General Shareholders’ Meeting.

NO

B.2- Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions

NO

Describe any differences from the minimum standards established under the CEA.

B.3-Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws..

There is no specific regulation for amending the articles of association other than that provided for by applicable regulations concerning the requirements established by art. 194 of the Corporate Enterprise Act for a reinforced quorum and by the remaining provisions of section VIII of the aforementioned act.

The requirements for passing resolutions set forth in article 21 of the Bylaws and articles 18 and 22 of the Regulations of the General Shareholders' Meeting match those stated above

B.4- Indicate the data on attendance at the general shareholders' meetings held the year to which this report refers and the previous year:

Attendance information					
General Shareholders Meeting Date	% shareholders present	% Attending by proxy	% voting remotely		Total
			Electronic vote	Other	
21/04/2016	13.90%	18.08%	0.00%	48.10%	80.08%
27/04/2017	17.20%	21.53%	0.00%	40.39%	79.12%

B.5- Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

YES

Number of shares necessary to attend the General Shareholders' meeting:	1,000
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B.6- Section repealed

B.7- Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

The information is published on Viscofan's website whose address is: www.viscofan.com

The information relating to Corporate Governance is available on the Corporate Responsibility tab, which can be found at the top of the website homepage. Once inside the tab, the information can be accessed by clicking on Corporate Governance to be found in the menu on the left.

The information relating to the General Shareholders' Meetings is permanently available on the Investor Relations tab, located at the top of the website homepage. Once inside the tab, the information can be accessed by selecting the General Shareholders' Meeting section. Moreover, as of the date of publication of the notice to hold a new General Meeting, a direct link is enabled on the company's Home Page to the notice of meeting. In accordance with the shareholders' right to information, there is also access to legally-required documentation and other documentation for information purposes.

C.- CORPORATE GOVERNANCE STRUCTURE

C.1- Board of Directors

C.1.1- Maximum and minimum number of directors established in the bylaws:

Maximum number of Directors	10
Minimum number of Directors	3

C.1.2 Fill in the following table on the Board members:

Name of director (person or company)	Representative	Type of directorship	Position on the board	Date first appointed	Date last appointed	Election procedure
MR JOSE DOMINGO DE AMPUERO Y OSMA		EXECUTIVE	CHAIRMAN	27/02/2009	07/05/2015	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR NESTOR BASTERRA LARROUDE		OTHER EXTERNAL	1st VICE-CHAIRMAN	29/07/1997	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS AGATHA ECHEVARRÍA CANALES		OTHER EXTERNAL	2 nd VICE CHAIRWOMAN	24/06/1998	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR ALEJANDRO LEGARDA ZARAGÜETA		INDEPENDENT	DIRECTOR	22/05/2006	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S

						MEETING
MR IGNACIO MARCO - GARDOQUI IBAÑEZ		INDEPENDENT	DIRECTOR	01/01/2010	21/04/2016	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA		INDEPENDENT	DIRECTOR	23/05/2012	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR. JAIME REAL DE ASUA Y ARTECHE		INDEPENDENT	DIRECTOR	11/04/2014	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR. JOSE ANTONIO CANALES GARCÍA		EXECUTIVE	DIRECTOR	11/04/2014	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR. JUAN MARCH DE LA LASTRA		NOMINEE	DIRECTOR	07/05/2015	07/05/2015	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
DON SANTIAGO DOMEQ BOHÓRQUEZ		NOMINEE	DIRECTOR	21/04/2016	21/04/2016	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING

Total number of Directors	10
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Indicate the severances that have occurred on the Board of Directors during the reporting period:

C.1.3- Fill in the following tables on the Board members and their different kinds of directorship:

EXECUTIVE DIRECTORS

Name of director (person or company)	Position within company organisation
MR JOSE DOMINGO DE AMPUERO Y OSMA	Chairman
MR. JOSE ANTONIO CANALES GARCÍA	Managing Director/CEO

Total number of Executive Directors	2
% of total directors	20.00%

EXTERNAL NOMINEE DIRECTORS

Name of director (person or company)	Name or business name of the significant shareholder represented or proposing nomination.
MR. JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA SA
MR. SANTIAGO DOMEQ BOHORQUEZ	ANGUSTIAS Y SOL S.L.

Total number of nominee directors	2
% of total directors	20.00%

EXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company)

MR ALEJANDRO LEGARDA ZARAGÜETA

Profile

Industrial Engineer from the Higher School of Industrial Engineers of San Sebastián. Master in Economics and Business Administration from IESE (Barcelona) and Doctor in Innovation Economics from the Universidad Politécnica de Madrid.

With broad experience in industry, he became General Managing Director of Construcciones y Auxiliar de Ferrocarriles, S.A. (CAF) in 1992 until 2014, and is now a member of its Board of Directors.

He was an Independent Director of Pescanova, S.A. between 2013 and 2017.

Since 2008 he has served as chairman of the Mexican company Ferrocarriles Suburbanos S.A.P.I. de CV, dedicated to the transport of passengers in Mexico City.

From 2017 he is the Chairman of Nortegas S.A., natural gas distribution company in the north of Spain.

He joined the Board of Directors of Viscofan,S.A. as an Independent Director in 2006, and in 2007 became a member of the Audit Committee.

Name of director (person or company)

MR IGNACIO MARCO-GARDOQUI IBAÑEZ

Profile

Economics degree from Deusto University.

Mr. Marco-Gardoqui has a long professional career, he has worked for financial institutions, and his activities have covered teaching, consulting, and the press world, where he has a strong reputation for his active contribution as economic expert and columnist for Vocento Group.

He also has developed wide experience in several industrial companies, belonging to several Boards of Directors. Currently he is Director of Progénika Biopharma, Minerales y Productos Derivados, Tubacex S.A.

Previously, he has been a member, amongst others, of the Board of Directors of Técnicas Reunidas, Banco del Comercio, IBV, Banco de Crédito Local, Schneider Electric España, Iberdrola Ingeniería y Construcción (Iberinco SA) and was chairman of Naturgás.

He is member of the Board of Directors of Viscofan, S.A, Chairman of its Audit Committee and member of the Appointments and Remuneration Committee.

Name of director (person or company)

MR JOSÉMARÍA ALDECOA SAGASTASOLOA

Profile

Graduate in Technical Electronic Engineer from the Polytechnic School of Mondragón. Graduate from the Executive Management Programme at IESE.

Throughout his long professional career, he has held various posts at COPRECI (1971-1982). He was Managing Director of Fagor Electrónica and member of the Board of Directors of Fagor, S. Coop. (1982- 1991).

Between 1984 and 1991, he was Vice-Chairman of ANIEL (National Association of Electronic Industries) and Chairman of the Components Board. He was also member of the Board of Directors of the European Electronic Components Association (EECA) between 1986 and 1991. Between 1992 and 2012, he held various positions at Mondragón Corporación and, in 2007, he was appointed Chairman of the General Board, a position he held until July 2012.

He has a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong, the integration of the production plants of Orkli, Orbea, Mondragón Automoción in the industrial park of Kunshan (China) and the opening of the industrial park of Pune in India. He has sat on the Board of Directors of various automotive and components companies (Copreci-Czech Republic, Copreci-Mexico, Vitorio Luzuriaga, Fagor Ederlan-Brazil, Paranoa-Cicautxo-Brazil, FPK, Fagor Ederlan Slovakia), and was director (1992-2006) and Chairman (2007-2012) of Mondragón Inversiones.

He was also Chairman of the Engineering Faculty of the University of Mondragón (1998-2002).

He was an independent director and member of the Delegated Committee of Gamesa Corporación Tecnológica, S.A.

He is member of the Board of Directors of Viscofan S.A. and member of its Audit Committee. In 2014 he was appointed as Lead Independent Director.

Name of director (person or company)

MR JAIME REAL DE ASUA Y ARTECHE

Profile

Industrial engineer, specialising in industrial organisation from the ETSII (Bilbao).

He is currently Non-Executive Chairman of the Board of Directors of Elecnor S.A., Chairman of its Executive Committee and member of its Appointments and Remuneration Committee. He is also Chairman of the Infrastructures Committee of Elecnor and Director of Enerfín Enervento S.A., Enerfín Sociedad de Energía, S.L., and Celeo Concesiones e Inversiones, S.L.U., all of which

belong to the Elecnor Group. He is also member of the Advisory Board of BBVA for the Northern region.

He has also been Chairman and Director of Adhorna Prefabricación S.A. until its takeover merger by Elecnor in 2015, and Director and secretary of Cantiles XXI, S.L. Furthermore, from 1981 to 2012 he was director of Internacional de Desarrollo Energético, S.A. (IDDE).

At the same time, from 1981 until 2011 he was linked to Grupo Cementos Portland Valderrivas, where he held different management positions and was a member of the Board of Directors of various companies of this Group.

He is member of the Board of Directors of Viscofan, S.A, and Chairman of its Appointments and Remuneration Committee.

Total number of Independent Directors	4
% of total directors	40.00%

Indicate if any independent director receives from the company, or from its group, any quantity or benefit for an amount other than the director remuneration, or maintains or has maintained, during the last fiscal year, a commercial relationship with the company or with any company of its group, whether in his/her own name or as a significant shareholder, director or senior officer of an entity that maintains or had maintained this relationship.

NO

Where applicable, include a reasoned statement from the Board with the reasons why it deems that this director can perform his/her duties as an independent director.

OTHER EXTERNAL DIRECTORS

Identify all other external Directors and explain why these cannot be considered nominee or independent Directors and detail their relationships with the company, its executives or its shareholders.

Name of director (person or company)	Reasons
MRS. AGATHA ECHEVARRIA CANALES	More than 12 years on the Board of Directors.
MR. NESTOR BASTERRA LARROUDE	More than 12 years on the Board of Directors.

Total number of other external directors	2
% of total directors	20.00%

Indicate any changes that may have occurred during the period in the type of directorship of each director:

C.1.4- Fill in the following table with information regarding the number of female directors over the last 4 years, and the category of their directorships:

	Number of females directors				% of total female directors of each category			
	Period 2017	Period 2016	Period 2015	Period 2014	Period 2017	Period 2016	Period 2015	Period 2014
Executive	0	0	0	0	0	0	0	0
Nominee	0	0	0	0	0	0	0	0
Independent	0	0	1	1	0	0	20.00	20.00
Other external	1	1	1	1	50.00	50.00	50.00	50.00
TOTAL	1	1	2	2	10.00	10.00	20.00	22.22

C.1.5- Explain the measures, if any, that have been adopted to try to include a number of female directors on the Board that would mean a balanced presence of men and women.

Explanation of measures:

The duties of the Appointments and Remuneration Committee include establishing a representation target for the least represented gender on the board or directors, and preparing guidelines on how to achieve this objective. The Appointments and Remuneration Committee complies with the Board Member selection policy in which it is specifically established that the Committee must take account of the representation target established for the least represented gender and must include persons of the said gender amongst potential candidates.

The Appointments and Remuneration Committee has taken account of the gender diversity in the analysis prior to proposing candidates to cover the vacancies created on the Board of Directors, as one of the key factors to be taken into account, although weighting these factors with the diversity of competencies, knowledge and experience, all in accordance with the principles of equality, transparency and legality.

C.1.6- Explain the measures, if any, agreed by the Appointments Committee to ensure that selection procedures do not suffer from implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sought:

Explanation of measures

The Appointments and Remuneration Committee has worked on ensuring the presence of candidates in the selection processes to cover any director vacancies that may arise, including amongst the requirements to be taken into account, that the total number of candidates to be analysed is considered equally men and women, in order to guarantee gender diversity.

Furthermore, the Board of Directors has assessed in the view of current legislation, the Board of Directors Regulations and the directors selection policy, the competency, experience and merits of the candidates and has kept in mind the report made by the Appointments and Remuneration Committee in accordance with that established in article 529. decies. 6 of the Companies Act, in view of the Board needs assessing the diversity in its composition and structure and the conditions that the directors must have to exercise their positions, and the dedication required to appropriately perform their task..

When, despite any measures that might have been adopted, the number of female directors is low or zero, explain the reasons:

Explanation of reasons

See C.1.6 bis

C.1.6.bis- Explain the conclusions of the Appointments Committee regarding verification of compliance with the board member selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female board members represent at least 30% of the total number of members of the board of directors.

Explain the conclusions

The Appointments and Remuneration Committee considers that the director selection policy has been properly complied with, for a number of reasons: all of the recommendations made to the General shareholders' meeting have been supported by a prior analysis of the needs of the Board in they kept in mind the competencies, knowledge and experience of the directors and candidates, assessing the diversity, promoting the search for different alternatives of candidates that fit the profile and selecting them in accordance with the principles in this policy.

The Committee considers that there is a need to analyse the implementation of the policy on a yearly basis, and also in the longer term, taking account of any projected vacancies, based on the director term of appointment, in order to guarantee at all times the quality of the Board's decisions and its ability to effectively promote corporate interest. In this aspect, the Committee works taking into account the 2020 objective and hopes to be able to include in their appointment proposals some female candidate for the General Shareholders' Meeting of 2018

C.1.7- Explain the form of representation on the Board of shareholders with significant holdings.

The company maintains an on-going dialogue with institutional shareholders and investors, in accordance with its communication policy. As a result of these contacts, the company considers the participation in the Board of those significant shareholders that could be interested specifically in take part in the governance bodies of the company whose interests converge with those of the company in the creation of long-term value for all of the interest groups and analyses the different factors that could contribute to propose this participation, keeping in mind the internal policies of these shareholders, the structure of the share ownership and the composition of the Board at all times.

At this time the Board has two nominee directors.

C.1.8 - Explain, where applicable, the reasons why nominee directors have been appointed at the behest of a shareholder whose holding is less than 3% of the capital:

Name or company name of the Shareholder	Justification

Indicate whether formal petitions have been ignored for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose behest nominee directors were appointed. Where applicable, explain why these petitions have been ignored.

NO

C.1.9- Indicate if any director has stood down before the end of his/her term of office, if the director has explained his/her reasons to the Board and through which channels, and if reasons were given in writing to the entire Board, explain below, at least the reasons that were given:

C.1.10 - Describe any powers delegated to the Chief Executive Officer(s), if any:

Name of director (person or company)	Brief description
MR JOSE DOMINGO DE AMPUERO Y OSMA	In his role as Chairman of the Board, he has granted powers of representation, powers relating to the purchase or sale, powers relating to personnel, to charges, payments, contracts, auctions and transactions, to checking accounts, credit or savings, to bills of exchange and promissory notes, securities, guarantees, and supplementary powers to the previous
MR. JOSÉ ANTONIO CANALES GARCÍA	In his position as managing director, he has been granted powers of representation, powers relating to purchase or disposal, powers relating to personnel, collections, payments, contracts, tenders and transactions, Current accounts, credit and savings accounts, bills of exchange and promissory notes, securities and shares, bonds and guarantees, and complementary powers to the above

C.1.11- Identify any members of the Board holding positions as directors or managers in other companies belonging to the listed company's group

Name of director (person or company)	Name of the Group Company	Position	Does the director hold executive functions?
DON JOSÉ ANTONIO CANALES GARCÍA	VECTOR USA INC	VICECHAIRMAN	NO
DON JOSÉ ANTONIO CANALES GARCÍA	VECTOR PACKAGING EUROPE NV	VICECHAIRMAN	NO
DON JOSÉ ANTONIO CANALES GARCÍA	VECTOR EUROPE NV	VICECHAIRMAN	NO
DON JOSÉ ANTONIO CANALES GARCÍA	NANOPACK TECHNOLOGY & PACKAGING S.L.	CHAIRMAN	NO
DON JOSÉ ANTONIO CANALES GARCÍA	GAMEX CB S.R.O.	DIRECTOR	YES
DON JOSÉ ANTONIO CANALES GARCÍA	KOTEKS VISCOFAN D.O.O.	DIRECTOR	NO
DON JOSÉ ANTONIO CANALES GARCÍA	NATURIN VISCOFAN GMBH	DIRECTOR	YES
DON JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CZ S.R.O.	DIRECTOR	YES
DON JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL LTDA	MEMBER OF THE ADVISORY BOARD	NO
DON JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
DON JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN URUGUAY S.A.	DIRECTOR	NO
DON JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN USA INC	DIRECTOR	NO
DON JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN UK LIMITED	DIRECTOR	NO
DON JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CANADA INC	SECRETARY	NO
DON JOSÉ ANTONIO CANALES GARCÍA	ZACAPU POWER S. DE R.L. DE C.V.	VICECHAIRMAN	NO
DON JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	SECRETARY	NO
DON JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DE MEXICO S. DE R.L. DE C.V.	VICECHAIRMAN	NO
DON JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DE MEXICO SERVICIOS S. DE R.L. DE C.V.	VICECHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	GAMEX CB S.R.O.	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	KOTEKS VISCOFAN D.O.O.	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO	VISCOFAN CANADA. INC	CHAIRMAN	NO

Y OSMA			
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VECTOR USA INC	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VECTOR PACKAGING EUROPE NV	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VECTOR EUROPE NV	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN UK LIMITED	DIRECTOR	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	ZACAPU POWER S. DE R.L. DE C.V.	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MEXICO SERVICIOS S. DE R.L. DE C.V.	CHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN URUGUAY S.A.	CHAIRMAN	NO
DON NÉSTOR BASTERRA LARROUDÉ	GAMEX CB S.R.O.	VICECHAIRMAN	NO
DON NÉSTOR BASTERRA LARROUDÉ	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN	NO
DON NÉSTOR BASTERRA LARROUDÉ	VECTOR USA INC	DIRECTOR	NO
DON NÉSTOR BASTERRA LARROUDÉ	VECTOR UK LIMITED	DIRECTOR	NO
DON NÉSTOR BASTERRA LARROUDÉ	VECTOR PACKAGING EUROPE NV	DIRECTOR	NO
DON NÉSTOR BASTERRA LARROUDÉ	VECTOR EUROPE NV	DIRECTOR	NO
DON NÉSTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	VICECHAIRMAN	NO

DON NÉSTOR BASTERRA LARROUDÉ	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL, LTDA	MEMBER OF THE ADVISORY BOARD	NO
DON NÉSTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICECHAIRMAN	NO
DON NÉSTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
DON NÉSTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICECHAIRMAN	NO
DON NÉSTOR BASTERRA LARROUDÉ	VISCOFAN URUGUAY S.A.	VICECHAIRMAN	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	SUPRALON INTERNATIONAL AG	DIRECTOR	NO
DON JOSÉ ANTONIO CANALES GARCÍA	SUPRALON INTERNATIONAL AG	DIRECTOR	NO
DON NÉSTOR BASTERRA LARROUDÉ	SUPRALON INTERNATIONAL AG	DIRECTOR	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	SUPRALON VERPACKUNGS AG	CHAIRMAN	NO
DON JOSÉ ANTONIO CANALES GARCÍA	SUPRALON VERPACKUNGS AG	DIRECTOR	NO
DON NÉSTOR BASTERRA LARROUDÉ	SUPRALON VERPACKUNGS AG	DIRECTOR	NO
DOÑA ÁGATHA ECHEVARRÍA CANALES	SUPRALON VERPACKUNGS AG	DIRECTOR	NO
DON JOSÉ DOMINGO DE AMPUERO Y OSMA	SUPRALON FRANCE SARL	DIRECTOR	NO
DON JOSÉ ANTONIO CANALES GARCÍA	SUPRALON FRANCE SARL	DIRECTOR	NO
DON NÉSTOR BASTERRA LARROUDÉ	SUPRALON FRANCE SARL	DIRECTOR	NO
DON JOSÉ ANTONIO CANALES GARCÍA	SUPRALON PRODUKTIONS UND VERTRIEBS GMBH	DIRECTOR	NO

C.1.12- Detail, where applicable, any company directors that sit on Boards of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

Name of director (person or company)	Name of the listed company	Position
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION ALBA SA	DIRECTOR
MR JOSE DOMINGO DE AMPUERO Y OSMA	TUBACEX S.A.	DIRECTOR
MR NESTOR BASTERRA LARROUDÉ	IBERPAPEL GESTIÓN SA	DIRECTOR
MR ALEJANDRO LEGARDA ZARAGÜETA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES SA	DIRECTOR
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	TUBACEX. S.A.	DIRECTOR
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	MINERALES Y PRODUCTOS DERIVADOS, S.A.	DIRECTOR
MR. JAIME REAL DE ASUA Y ARTECHE	ELECNOR S.A.	CHAIRMAN
MR. JUAN MARCH DE LA LASTRA	INDRA SISTEMAS SA	DIRECTOR
MR. JUAN MARCH DE LA LASTRA	CORPORACIÓN FINANCIERA ALBA SA	VICECHAIRMAN

C.1.13- Indicate and, where applicable, if board regulations have established rules on the maximum number of company boards on which its directors may sit:

YES

Explanation of rules:

According to that established in article 21 of the Board of Directors Regulations the directors of the Company may not form part of more than three Board of Directors of listed companies, in addition to that of Viscofan, S.A.

C.1.14- Section repealed.

C.1.15- Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (Thousand Euros)	3,229
Cumulative amount of rights of current Directors in pension scheme (thousands of euros)	0
Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	0

C.1.16- Identify members of senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position(s)
MR GABRIEL LARREA	CHIEF COMMERCIAL OFFICER VISCOFAN GROUP
MR CÉSAR ARRAIZA	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR JOSÉ IGNACIO RECALDE	CHIEF TECHNOLOGY & DIVERSIFICATION OFFICER VISCOFAN GROUP
MR. ANDRES DÍAZ	CHIEF OPERATIONS OFFICER VISCOFAN GROUP
MR. RICARDO ROYO	CHIEF EUROPEAN BUSINESS OFFICER VISCOFAN GROUP
MR MILOSLAV KAMIS	GENERAL MANAGER GAMEX CB SRO., MANAGING DIRECTOR VISCOFAN CZ SRO
MR. BERTRAM TRAUTH	GENERAL MANAGER NATURIN VISCOFAN GMBH
MR. ÓSCAR PONZ	CHIEF PLASTIC BUSINESS UNIT OFFICER
MR LUIS BERTOLI	GENERAL MANAGER VISCOFAN DO BRASIL S.COM E IND. LTDA
MR ANGEL MAESTRO	GENERAL MANAGER URUGUAY S.A.
MR IÑIGO MARTINEZ	GENERAL MANAGER KOTEKS VISCOFAN DO.O.
MR JUAN NEGRI	GENERAL MANAGER VISCOFAN TECHNOLOGY SUZHOU INC
MR EDUARDO AGUIÑAGA	GENERAL MANAGER VISCOFAN DE MEXICO SRL DE CV
MR DOMINGO GONZÁLEZ	GENERAL MANAGER VISCOFAN USA INC. & CEO VECTOR USA
MR JOSE ANGEL ARRARÁS	R&D AND QUALITY CHIEF OFFICER VISCOFAN GROUP
MR. JESÚS CALAVIA	INDUSTRIAL DIRECTOR VISCOFAN SPAIN
MS. MARÍA DEL CARMEN PEÑA	FINANCIAL DIRECTOR VISCOFAN SPAIN
MR. ARMANDO ARES	CHIEF INVESTOR RELATIONS & CORPORATE COMMUNICATIONS OFFICER VISCOFAN GROUP
MR. JUAN JOSÉ ROTA	CHIEF HUMAN RESOURCES OFFICER VISCOFAN GROUP

MS. ELENA CIORDIA	CHIEF LEGAL OFFICER VISCOFAN GROUP
MS. BELÉN ALDAZ	HUMAN RESOURCES DIRECTOR VISCOFAN SPAIN

Total senior management remuneration (thousand Euros)	4,161
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C.1.17. Indicate the identity of the Board members, if any, who are in turn members of the Board of Directors in companies of significant shareholders and/or in entities of their group:

Name or company name of the Director	Company name of the major shareholder	Position
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION FINANCIERA ALBA SA	DIRECTOR
MR. JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA SA	VICECHAIRMAN
MR. SANTIAGO DOMEQ BOHORQUEZ	ANGUSTIAS Y SOL	SOLE ADMINISTRADOR

Detail the relevant affiliations, other than those considered in the above paragraph, that link Board members to significant shareholders and/or companies in their group:

C.1.18- Indicate whether there has been any change in the Board regulations during the year:

NO

C.1.19- Indicate procedures for selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure:

The selection, appointment, re-election, assessment and removal processes of the Directors are regulated in the articles of association, the Board Regulation and the Director's Selection Policy. In their respective competencies, the General Shareholder's Meeting, the Board of Directors and the Appointments and Remuneration Committee intervene in the different procedures.

The Board of Directors Selection Policy establishes that the Appointments and Remuneration Committee will be responsible for analysing the composition and structural needs of the Company's Board of Directors at all times, and for regulating the procedure to follow whenever there is a vacancy within the Board of Directors to ensure a search for candidates that is based on the principles of equality, transparency and legality, in order to provide the Board of Directors with candidates that can offer the competencies, knowledge and experience required for the Board at all times, taking account of the vacancies to be covered and the structure and composition of the Board, avoiding any implicit bias that may involve some type of discrimination and taking account of diversity, particularly the measures to be applied in order to meet the representation target for the least-represented gender on the Board of Directors and to facilitate the inclusion of female directors on the board.

Pursuant to Article 26 of the Articles of Association: Their appointment of directors will correspond to the General Shareholders' Meeting in accordance with article 243 of the Capital Companies Act.

And Article 27 sets forth that:

To be appointed to the position of director, the status of shareholder is not a requirement. The term of office for Directors is four years from the date they are appointed.

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

Article 27 bis establishes limits on the re-election of Independent Directors:

Independent directors may not be re-elected or appointed for a new term of office under the same classification when they have sat on the company's Board for a term of twelve (12) years as from the date on which they were first appointed.

The independent directors who reach the limit of twelve (12) years provided in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office.

In this respect, Article 8 of the Board Rules sets forth: Article 8. Appointment of Directors.

The shareholders at the General Shareholders' Meeting or the Board of Directors itself will elect the Directors in the circumstances provided in law.

The Board of Directors must ensure that the procedures to select its members favours the diversity of gender, experiences, knowledge and that there is no implicit bias that may involve some type of discrimination, and, in particular, they should facilitate the selection of women directors.

The proposals relating to the appointment or re-election of directors, within the limits set out in the articles of incorporation, shall be made by the Appointments and Remuneration Committee in the case of independent directors and by the Board itself, subject to a report by the Committee, in the case of the other directors.

Any proposals must be accompanied, in any case, by an explanatory report from the Board, assessing the competence, experience and merits of the candidate proposed, and shall include the presence on the Board of a reasonable number of independent directors and shall tend to maintain a majority of directors who are external to management.

The Directors will hold their posts for the term provided in the company bylaws, and may be elected either once or several times. The independent directors may not be re-elected or appointed for a new mandate with the same qualification when they had performed

continuously the position of directors of the Company for a period of twelve (12) years starting from the date of their first appointment.

The independent directors who reach the limit of twelve (12) years provided in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office.

Furthermore, Article 14 of the Board of Directors Regulations includes the Appointments and Remuneration Committee and sets forth:

The mission of the Appointments and Remuneration Committee, amongst others, will be as follows:

- a) Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from the candidates due to cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their mandate.
- b) Provide the Board of Directors with proposals for the appointment of independent Directors for appointment by co-optation or submission for voting at the General Shareholders' Meeting. Submit proposals for the re-election or removal of such Directors.
- c) Provide information on proposals for the appointment of all other Directors for appointment by co-optation or submission for voting at the General Shareholders' Meeting, as well as proposals for their re-election or removal by the General Shareholders' Meeting.

Pursuant to Article 16 of the Board Regulations, relating to the Appraisal of the Board of Directors and the Committees: Each year the Board of Directors will evaluate:

- a) the quality and efficiency of the operation of the Board itself;
- b) the performance of their functions by the Chairman of the Board and the company's chief executive, based on the report raised by the Appointments and Remuneration Committee; should the Chairman have the capacity of executive director, then the coordinating director shall direct the periodical evaluation of the Chairman of the Board of Directors.
- c) the operation of the Board's Committees, based on the report raised by each committee.

The Board must propose, based on the results of the said evaluation, an action plan to correct any shortcomings detected.

In compliance with this article of its Regulation, lead by the Appointments and Remuneration Committee or by the coordinating director, in the case of the Chairman, and coordinated by the Board Secretary, the Board will annually perform the assessment of the Board and all their Committees, analysing, among others, different formal and material aspects of the activity of each of them, as well as the content of the meetings, access to business knowledge, information regarding necessary aspects for the development of their duties, the presence of

officers in the meetings of the Board and the different Committees, the quality of the debates and decision-making, the performance by the directors and the Chairman of each committee and the Board, the qualification of the directors and the Board Secretary, the quality in the achievement of the objectives.

Suggestions are also requested, together with the inclusion of any comment that may help improve the performance of each one.

Each Director and the members of the Committees make their own individual analysis in accordance with guidelines and provide the results to the Secretary of the Board anonymously. After consolidating the results that are obtained, the Secretary gives them to the Board or to each of the Committees, where applicable, for internal debate and to resolve, where applicable, on the actions that help improve the operation and fulfilment of the functions of the Board and each Committee.

Additionally, the Board of Directors will perform the evaluation of the Chairman based on the report submitted by the Appointments and Remuneration Committee and headed by the coordinating director.

In fiscal year 2016, in accordance with the recommendations of Good Governance of listed companies, the Board of Directors commissioned an external consultant to provide services as a facilitator and leader of the self-assessment process of effectiveness of the operation of the Board. To perform the self-assessment process, an interview outline was established, taking into account the particular situation and best practices of Corporate Management.

The external consultant held individual interviews with all members of the Board of Directors, in which the quality and efficiency of the Board operation were analysed, as well as the operation and composition of its committees, the diversity of its composition, and the competencies of the Board, the performance of the Board Chairman and of the company's top executive.

In particular, a detailed analysis in the following areas was performed in the self-assessment process:

- Organisation of the Board
- Organisation of the Committees
- Composition of the Board
- Involvement of the Board
- Communication with Shareholders and Regulators
- Talent Management and Succession Plans
- Risk Management
- Future Issues
- Suggestions

The self-assessment report includes the conclusions drawn and has been presented to the

Appointments and Remuneration Committee and to the Board of Directors.

The removal of directors is governed by the following articles of the Regulations of the Board of Directors: Article 28. Separation of Directors.

Directors will serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they will tender their resignation in the following cases:

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

The Board of Directors may not propose the removal of independent directors before the end of their term of office, unless the Board considers there is due cause following a report to such effect from the Appointments and Remuneration Committee.

When a director steps down before the end of his/her term of office, whether by resigning or for any other reason, he/she must explain the reasons for his/her departure in a letter to be sent to all other members of the company's Board of Directors.

The departure will be reported to the CNMV (National Securities Market Commission) as a material event, and the reason for the departure will be reported in the Annual Corporate Governance Report.

Article 29. Directors' Duties after Separation

After separation upon completion of the period for which they were elected or for any other reason, the Directors may not serve at any entity competing with the Company and its corporate group for a period of two years unless the Board of Directors grants dispensation from this requirement or shortens its term.

C.1.20- Explain to what degree the self- assessment has led to significant changes in its internal organization and the procedures applicable to its activities

Description of amendments:

As a result of the assessments made during recent years, the Board of Directors has included the following measures:

Drafting of an annual meeting calendar of the Board and the different committees to improve planning of the directors and to be able to facilitate their commitment and attendance to the meetings, in addition to the annual plan it includes visits to one of the Group centres, to be able to deepen in specific aspects of their activity and particular environment and, where

applicable, promote continuous training in the knowledge of the activity of the Group of companies of which the Company is the mother company.

There has also been an increase in the involvement of management in some meetings of the Board, in order to gain an insight into their fields of competence and to better monitor the Group strategy and that of each of its companies. In this regard, it is planned to devote to the Board meeting when a Top Management member attends.

Improvements have been made in the documentation sent to the directors prior to the meetings.

In addition, it has been proposed to strengthen the internal control and cybersecurity system.

C.1.20bis- Describe the assessment process and the assessed areas conducted by the board of directors assisted, as the case may be, by an external consultant, regarding the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the board of directors and the first executive of the company, and the performance and contribution of each board member.

In compliance with this article of its Rules, headed by the Appointments and Remuneration Committee or by the Coordinating Director, in the case of the Chairman, and coordinated by the Secretary of the Board, the Board makes an annual assessment of the Board itself and all its Committees, analysing, amongst other factors, a number of formal and material aspects of the activity of each one, in addition to the content of the meetings, access to business knowledge, information on factors that are required in order to carry out their duties, the presence of directors at the meetings of the Board and the various Committees, the quality of the debates and decision making, the performance of the directors and Chairmen of each of the committees and the Board itself, the qualification of the directors and the Board Secretary, the quality in the achievement of objectives.

Suggestions are also requested, together with the inclusion of any comment that may help improve the performance of each one.

Each Director and the members of the Committees make their own individual analysis in accordance with guidelines and provide the results to the Secretary of the Board anonymously. After consolidating the results that are obtained, the Secretary gives them to the Board or to each of the Committees, where applicable, for internal debate and to resolve, where applicable, on the actions that help improve the operation and fulfilment of the functions of the Board and each Committee.

Additionally, the Board of Directors will perform the evaluation of the Chairman based on the report submitted by the Appointments and Remuneration Committee and headed by the coordinating director.

In the 2016 tax year, in accordance with the recommendations of Good Governance of listed companies, the Board of Directors commissioned an external consultant to provide services as a facilitator and leader of the self-assessment process regarding the effectiveness of the Board operation. To perform the self-assessment process, an interview outline was established, taking into account the particular situation and best practices of Corporate Management.

The external consultant maintained individual interviews with each and every one of the members of the Board of Directors, during which they analysed the quality and efficiency of the operation of the board, the operation and composition of its committees, the diversity in the composition and competencies of the board, the performance of the chairman of the board and the first executive of the company.

In particular, in the self-assessment process a profound analysis was performed in the following areas:

- Organisation of the Board
- Organisation of the Committees
- Composition of the Board
- Involvement of the Board
- Communication with Shareholders and Regulators
- Talent Management and Succession Plans
- Risk Management
- Future Issues
- Suggestions

The conclusions obtained in the self-assessment process have been included as improvements in the operation of the Board and their committees during 2017, as mentioned in the previous section C.1.20.

After having performed the self-assessment process with the advice from an external consultant for fiscal year 2016, in 2017 the Company carried out an internal assessment of the Board.

C.1.20.ter Break down, where pertinent, the business relationship that the consultant or any company of its group maintains with the company or any company of its group.

The external consultant that provided their services as facilitator and leader of the self-assessment process in fiscal year 2016, Spencer Stuart, only has provided to the company the services related with the self-assessment of the Board of Directors.

C.1.21- Indicate the circumstances under which Directors are obliged to resign.

In accordance with the provisions of art. 24 of the Regulations of the Board, with regard to the duty to avoid conflicts of interest, the directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants,

informing of the progress of any such prosecution. In this event, the Board will examine the case. The progress of the case shall be monitored and, in view of the same, a decision shall be taken as to whether or not the Director should continue in office.

Furthermore, according to article 28 of the Board of Director Regulations, Directors will serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they will tender their resignation in the following cases:

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

C.1.22- Section repealed.

C.1.23 Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

NO

C.1.24 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board of Directors.

NO

C.1.25- Indicate whether the Chairman has a casting vote.

YES

Matters on which a casting vote may be made

Pursuant to Article 28 of the Articles of Association:

Resolutions shall be adopted by absolute majority vote of the Directors attending the meeting and the Chairman shall have the casting vote.

Article 7 of the Board Rules sets forth the same thing.

C.1.26- Indicate whether the bylaws or the Board Regulations establish an age limit for directors:

NO

C.1.27- Indicate whether the bylaws or the Board Regulations establish a limited term of office for independent directors, other than that established by law

NO

C.1.28- Indicate whether the bylaws or the Board Regulations establish specific rules for proxy voting in the Board of Directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it has established any limit regarding the categories that may be delegated beyond the limits stipulated by legislation. If so, briefly give details on such standards

The Board Regulations cover proxy voting at the Board of Directors or delegation in any of its members: Article 34. Use of Delegated Voting:

If the Board of Directors or any of its members request representation for himself/herself or for another individual and, in general, when the request is made in public, the document describing the empowerment must contain or have attached the agenda, as well as the applications for instructions to exercise the right to vote and the indication of how the representative is to vote if no precise instructions are given.

The delegations of votes received by the Board of Directors or any of its members will be executed in full accordance with the instructions received accordingly and the minutes will record the exercise and identification of the voting instructions received when they include a vote against the Board's proposals in order to protect the rights that may correspond to the delegating shareholder, where applicable.

Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:

- a) His/her appointment, ratification, removal or resignation as a Director.
- b) The bringing of an action for liability against him/her.
- c) The approval or ratification of transactions with the company in relation to which the director has a conflict of interests.

C.1.29- Indicate the number of meetings the Board of Directors has held during the year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, proxies given with specific instructions will be counted as attendances.

Number of Board Meetings	12
Number of Board Meetings not attended by the Chairman	0

If the Chairman is an executive Director, indicate the number of meetings held without an executive director present or represented and chaired by the Lead Director:

Number Meetings	0
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Indicate the number of meetings of the Board's different committees have held during the year

Number of Delegated Committee Meetings	10
Number of Audit Committee Meetings	08

Number of Appointments and Remuneration Committee Meetings	07
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C.1.30- Indicate the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies given with specific instructions will be counted as attendances

Number of meetings attended by all directors	12
% of attendances to total votes during the year	100.00%

C.1.31- Indicate whether the individual and consolidated financial statements presented for Board approval are certified beforehand:

YES

Where applicable, identify the person(s) who has(have) certified the Company's individual and consolidated financial statements to be filed by the Board:

Name	Position
MR JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGER
MR CÉSAR ARRAIZA ARMENDÁRIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MRS MARÍA DEL CARMEN PEÑA RUIZ	FINANCIAL DIRECTOR VISCOFAN S.A.

C.1.32- Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors report.

To avoid any qualifications in the audit report on the financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting, the Board has delegated this task to the Audit Committee, other functions, as provided in article 13 of the Board Regulations:

D) In relation with the external auditor:

Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders' Meeting without qualifications in the associated audit report.

For practical purposes, the Audit Committee will ensure compliance with the necessary mechanisms established to perform continuous control over the preparation of financial information at every level, from its start to its consolidation in the Viscofan Group companies.

Both the corporate financial department and the internal audit department have

collaborated closely with the Audit Committee to establish, put in place and monitor the most appropriate controls for guaranteeing the truthfulness of the financial information to ensure that it gives a true and fair view of the Group's financial situation.

The internal audit department has also included the continuous review of said controls in its annual plan for various subsidiaries, where said review will apply to the financial departments and areas that also take part in preparing the information: operations, human resources, purchasing and commercial, etc.

Both the internal audit department and the corporate financial department have collaborated actively with the Audit Committee to coordinate and monitor the evolution of the control system, proposing corrective measures where necessary and verifying their effectiveness.

The Audit Committee, internal audit and corporate financial departments have also held informative and follow-up meetings with external auditors to give them the characteristics of the internal control system and its implantation in all the Group's companies and to involve them in their fulfilment and maintain bidirectional communication to allow better monitoring of the improvements that have been put in place. All with the aim of continuing to guarantee the operation of the Group's financial information with greater control at all levels.

Furthermore, the company has maintained a policy of pre-closing the year on 31 October in order to anticipate and correct any incidents that may have arisen during the year.

C.1.33- Is the company Secretary a director?

NO

Complete if the Secretary is not also a Director:

Name or corporate name of Secretary	Representative
Juan Maria Zuza Lanz	

C.1.34- Section repealed.

C.1.35- Indicate what mechanisms the company has established, if any, to preserve the independence of the external auditors, the financial analysts, the investment banks and the rating agencies.

Article 13 of the Board of Directors Regulations, confers upon the Audit Committee the following duties relating to the external auditor:

D) In relation with the external auditor:

(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:

(i) the Audit Committee will ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and

details of any possible disagreement with the outgoing auditor. If the financial auditor walks away, the committee will explore the underlying causes.

(ii) the Audit Committee will likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.

(iii) Maintaining the necessary contact with the auditor in order to receive information on all matters that could jeopardise the independence thereof, and any other matters related to the audit procedure.

(iv) Annually receiving from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(v) It shall annually issue, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the status of independence or to the rules governing the audit.

Article 5 of the Regulations of the Board of Directors includes the following powers among those reserved exclusively for the Board of Directors sitting in full session, in addition to those reserved for the Board by law:

e) The determination of the policy on information to shareholders, markets and public opinion.

With regard to analysts and investment banks, the mechanisms envisaged under Article 35 of the Regulations of the Board of Directors, coupled with the company's commitment to monitoring applicable law, ensure that independence is upheld and that the information is made available to everyone at the same time and under the same conditions, thus ensuring equal access to such information.

Article 35 - Communications with shareholders and with the Securities Markets.

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

The periodic financial information shall be homogeneous and reliable and, as appropriate, shall be submitted to the relevant Committee. The Board shall also immediately provide information to the public on:

- a) Relevant facts that could materially influence the formation of stock market prices.
- b) Substantial amendments to the Company governance rules.
- c) Treasury share policies that Company may propose to carry out exercising the authorisations conferred by the shareholders at the General Shareholders' Meeting.

To such end the Board of Directors shall use all means at its disposal to keep the information

on the Company's web page up to date and to coordinate its content with the documents filed with and recorded at public registries.

The policy on communication with shareholders, institutional investors and their representatives or advisors establishes that the communication and the dialogue with the shareholders, and institutional investors and their representatives and advisors, and with the financial market in general, is based on principles of equality, transparency and legality, to provide the necessary information that guarantees the exercise of their rights and immediate, truthful and non-discriminatory decision making, ensuring the accessibility of this information to all shareholders.

C.1.36- Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

YES

Outgoing auditor	Incoming auditor
Ernst & Young, S.L.	PriceWaterhouseCoopers Auditores, S.L.

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

NO

C.1.37- Indicate whether the audit firm does other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees on the total fees charged to the company and/or its group:

NO

C.1.38- Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such reservations or qualifications.

NO

C.1.39- Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements for the company and/or its group. Indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years	1	1
Number of years audited by current audit firm / number of years the company has been audited (%)	3.70%	4.17%

C.1.40- Indicate and, where applicable, give details on the existence of a procedure for directors to engage external advisory services:

YES

Description of procedure:

According to article 18 of the Board Regulations, 'Through the Chairman, Directors may request the hiring of such external advisors as they deem necessary for the proper performance of their work as Directors. The full Board is empowered to adopt any relevant resolutions as to whether or not such external advisory services shall be performed, what person or entity shall provide such services, the limitations on access to the Company's proprietary information that such advisor shall have and the approval, as appropriate, of the relevant expense item'.

C.1.41- Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies with sufficient time:

YES

Description of procedure

Article 17 of the Board of Directors Regulations sets forth the following:

"The directors will receive the necessary information for the performance of their task on time and with the appropriate depth to the issues to be handled, unless there are urgent reasons for their exceptional meeting or assembling.

The directors may gather additional information when considered advisable. The request shall be channelled through the Secretary of the Board".

C.1.42- Indicate and, where applicable give details, whether the company has established rules requiring directors to inform and, where applicable, resign under circumstances that may undermine the company's credit and reputation:

YES

Description of rules:

This was dealt with in point C.1.21 above.

C.1.43- Indicate whether any member of the Board of Directors has informed the company of any legal suit or court proceedings against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act

NO

Indicate whether the Board of Directors has analysed the case. If so, explain the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or planned to be taken by the Board of Directors on the date of this report.

C.1.44- Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

No significant agreements have been made with these characteristics.

C.1.45- Identify in aggregate terms and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries: 2

Beneficiary type

Chairman and General Manager Director

Description of the agreement

In both cases: Indemnity of two years' salary in the event of irregular termination, with two years of non-competition.

Indicate whether these contracts must be disclosed to and/or approved by the company or group governance bodies:

Body authorising the clauses:

Board of directors (yes) General shareholders meeting (no)

	YES	NO
Is the General Meeting informed of the clauses?	X	

C.2 - Board of Directors Committees

C.2.1- Detail all the Board Committees, their members and the proportion of executive, nominee, independent and other external directors sitting on them

DELEGATED COMMITTEE

Name	Position	Category
MR JOSÉ DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MS ÁGATHA ECHEVARRÍA CANALES	DIRECTOR	OTHER EXTERNAL
MR NÉSTOR BASTERRA LARROUDÉ	DIRECTOR	OTHER EXTERNAL

% Executive Directors	33.00%
% Nominee Directors	0.00%
% Independent Directors	0.00%
% Other External Directors	66.67%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

The delegated committee is regulated in article 30.1 of the Company By-Laws and in article 12 of the Board Regulations. These articles establish the following:

Company By-Laws. Article 30.1.

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

The Executive Committee will adopt its resolutions by majority vote and the Chairman will have the casting vote. The Chairman of the Board will chair the Committee. As a permanent delegation of the Board of Directors, the Executive Committee will exercise all the powers of the Board, except for the following: Sale, exchange and tax of property, industrial or business facilities and businesses of all type, constitution and modification of royalties regarding these properties, facilities and businesses, disposal, availability, control and property taxes, constitution and modification of mortgage loans, submit questions to private arbitrations and those legally not delegable.

Board of directors regulations. Article 12,- Executive Committee.

The Executive Committee will comprise the number and type of members set down in the company bylaws. The Secretary of the Board of Directors will also serve as secretary of the Executive Committee.

The Board of Directors is empowered to appoint and remove its members based on a report by the Appointments and Remuneration Committee. The agreement must be approved by favourable vote of two thirds

of the components of the Board. The members of the Executive Committee will automatically cease to sit on the Committee when they cease to serve as directors of the Company.

The Executive Committee will possess such authority and powers as are awarded by the company bylaws and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders' Meeting.

The Executive Committee will perform its duties with the utmost transparency before the Board, informing the latter of all business discussed and all resolutions adopted, and furnishing all directors with the minutes of its meetings.

Summary of its most important actions in 2017:

The Delegated Committee has met on 10 occasions.

In the exercising of their competencies the Committee has expanded upon the issues to be dealt with by the Board of Directors and has supervised the implementation of the strategy in the different Group subsidiaries, approved by the Board, and with maximum transparency

criteria, has transferred the proposals that emanate from it to the Board so that it can adopt the agreements that it considers timely. It also furnished all directors with the minutes of its meetings.

The Delegate Committee has carried out strategic analyses to study potential growths – both organic and inorganic – as well as different investment possibilities. As an example, in fiscal year 2017 the Board

of Directors has acquired 100% of the Social Capital of the companies Supralon International AG, Supralon Verpackungs AG, and their participants: Supralon Produktions und Vertriebs GmbH and Supralon France SARL; to the investments to install productive fibrous capacity in Cáseda (Spain) and to the increase of collagen capacity in Suzhou (China) and Koteks (Serbia), having the support of the analyses made by the Delegated Committee. It has examined the different products and families (collagen, cellulose, fibrous and plastics), product development and energy optimisation.

It has examined the progress of the corporate financial year, month by month, with regard to production and also with regard to the consolidated sales and results for the Group and each investee company.

They have participated in the meetings not only the members of the Committee and the Secretary, but also, occasionally, when required by the Committee, on time and participating exclusively in that relating to the issues in which they were asked to report, the General Manager Director and other members of Top Management.

Indicate whether the composition of the Delegated Committee/Executive Committee reflects the distribution of different classes of directorship on the Board

NO

Otherwise, explain the composition of the Executive or Delegated Committee

The Delegated Committee comprises an executive director and two other external consultants, due to their knowledge of the business and the industry in which the Company operates. The delegated committee performs an extensive work as permanent delegation of the Board, mainly aimed at deepening in all matters that require a greater analysis, monitoring and preparation, and contributing in the establishment of objectives, strategies, control and monitoring of them.

The Delegated Committee also has ongoing direct contact with senior management at the different production locations around the world and different corporate areas. This allows the Board to gain more detailed knowledge of the day-to-day reality of the Viscofan Group's activity and to better focus the meetings on Group strategy.

AUDIT COMMITTEE

Name	Position	Category
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MR. IGNACIO MARCO-GARDOQUI IBAÑEZ	CHAIRMAN	INDEPENDENT
MR. AEJANDDDRO LEGARDA ZARAGÜETA	DIRECTOR	INDEPENDENT
MR JOSÉ MARÍA ALDECOA SAGASTOSOLOA	DIRECTOR	INDEPENDENT
MR. SANTIAGO DOMEcq BOHÓRQUEZ	DIRECTOR	NOMINEE

% Nominee Directors	25%
% Independent Directors	75%
% Other External Directors	0%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Audit Committee is regulated in article 13 of the Board Regulations, which establishes its composition, the appointment and termination of its members, and their main duties. Article 30, section 2 of the Bylaws is supplemented by the reference to holding meetings, constitution and adopting agreements.

The Board Regulations establish the following.

Article 13,- Audit Committee

There will be an Audit Committee of the Board of Directors which will be formed by a minimum of three and a maximum of five members

The Audit Committee shall be exclusively comprised of non-executive Directors appointed by the Board of Directors. At least two must be independent Directors and one appointed taking into account his/her knowledge and experience in accounting, auditing or both.

Its members will be appointed by the Board of Directors with the legal requirements, prior report of the Appointments and Remuneration Committee, having present the knowledge, aptitudes and experience in matters of accounting, auditing or risk management of the directors and, will be automatically dismissed when they no longer hold a director position in the Company or in accordance with a resolution by the Board of Directors.

Committee members will be automatically dismissed when they no longer hold a Director post in the Company or in accordance with a resolution by the Board of Directors.

Audit Committee members will appoint a Chairman selected from the independent Directors that form the Committee, who will be replaced every four years and the Chairman may be re-elected one year after he/she ceases to serve as Chairman.

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

The Audit Committee will report to the Board on the business it addresses and on all resolutions adopted at the Board meetings convened for such purpose, and will provide to all directors with the minutes of its meetings. Notwithstanding the foregoing and if the Chairman of the committee deems it necessary based on the urgency and importance of the business in question, the information will be passed to the Board at the first meeting to be held after the committee meeting.

Notwithstanding other functions set out in the governing legislation, company by-laws or assigned to it by the Board of Directors, the Audit Committee's mission will include the following:

A) To report to the General Shareholders' Meeting on any issues or concerns raised by shareholders and falling within its remit.

B) Proposing the appointment of the financial auditor to the Board of Directors, which will then pass the matter on to the General Shareholders' Meeting in addition to the conditions of recruitment.

C) With respect to internal control and reporting systems:

(a) Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (ICFR) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, possible complex corporate structures, instrumental or special purpose entities, the correct application of accounting criteria

(b) Overseeing the process devised by senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.

(c) Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.

(d) Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, including tax risks, so that the main risks can be correctly identified, managed and reported.

(e) Discussing with the auditor any significant shortcomings in the internal control system, detected during the audit.

(f) Overseeing the internal auditing services, including, in particular:

(i) proposing the selection, appointment, re-election and separation of the head of internal auditing;

(ii) approving the annual internal audit work plan relating to the evaluation of the ICFR, and receiving regular information on the results of the work performed, including any

incidents that may arise. The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;

- (iii) Ensuring the independence and efficiency of the internal audit function;
- (iv) Proposing the budget for this same internal function;
- (v) Receiving periodic information on its activities, and;
- (vi) Verifying that senior management takes into account the conclusions and recommendations set forth in its reports.

D) With respect to the external auditor:

- (1) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders' Meeting without qualifications in the associated audit report,
- (2) Overseeing compliance with the audit agreement, collecting information on the audit plan and its execution and ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and accurately.
- (3) Monitoring the decisions of the senior management team regarding any adjustments recommended by the external auditor, and to hear and, where applicable, mediate any disagreements between both parties
- (4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:
 - (i) the Audit Committee will ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor walks away, the committee will explore the underlying causes.
 - (ii) the Audit Committee will likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.
 - (iii) Maintaining the necessary contact with the auditor in order to receive information on all matters that could jeopardise the independence thereof, and any other matters related to the audit procedure.
 - (iv) Annually receiving from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(v) Annually issuing, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the independence or with the rules governing the audit.

(5) Attempting to ensure that the group's auditor also audits each component group company

(E) Reporting to the Board of Directors on the following issues, before the latter adopts the corresponding resolutions:

(a) The regular financial information the company has to publish, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.

(b) The creation or acquisition of interests in special purpose vehicles or those domiciled in countries or territories considered tax havens, plus any other similar transactions or operations which, owing to their complexity, might diminish the group's transparency.

(c) Related transactions

(F) Address and, where appropriate, respond to any initiatives, suggestions or complaints raised by shareholders in relation to the Committee's remit, as referred to the Committee by the Company's General Secretary.

(G) Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing.

(H) Supervision of compliance with internal codes of conduct and rules on corporate governance.

Likewise, Article 30.2 of the Articles of Association, as well as that already established in Article 13 of the Board Regulation, adds the following:

"The Audit Committee will meet every time the Chairman calls a meeting, through decision of the Board of Directors or following the request of the majority of its members.

The Audit Committee shall have a valid quorum whenever the majority of its members are present at the meeting, in person or represented.

Agreements shall be adopted through absolute majority of the members that attend the meeting and the casting vote will be that of the Chairman in the event of a tie.

The agreements shall figure in the minutes book of the Audit Committee, and should be signed by the Chairman of this body, as should the certifications that emerge from the resolutions adopted.

Summary of its most important actions

The Audit Committee met on ten occasions in 2016, three of which with external auditors. Whenever considered pertinent, it required the presence of members of the management team, of the Compliance committee, internal auditing committee and external auditors, that appeared before the Committee on three occasions, with the purpose of reporting on the most important aspects identified in the External Audit process, both in its preliminary phase, and during its performance and the final close of the year.

On 21 April, as a result of the expiry of the four-year mandate of Mr. Alejandro Legarda Zaragüeta as the Chairman of the Committee, Mr. Ignacio Marco-Gardoqui was unanimously appointed the new Chairman of the Audit Committee.

He has been fulfilling the duties pertaining to the position, in accordance with the regulations as well as those included in the Company By-Laws and the Board of Directors Regulations:

With regard to the external audit, in the preliminary phase the review from pre-closure to 31 October was carried out, enabling EY and the Committee to identify and anticipate the tasks of the external audit as well as the issues that given their uniqueness or accounting impact, require a special mention, such as that included in the Management Report that accompanies the Consolidated Report.

The auditor independence has been ensured, and because the annual accounts are presented without exception.

In accordance with the current legal provisions in Spain, Act 22/2015 of 20 June and Regulation (EU)-537/2014, in 2016 the Committee supervised and coordinated a selection for professional auditing services for the 2017-2019 period, as a result of which the Audit Committee put forward to the Board of Directors the designation of PricewaterhouseCoopers Auditores S.L. as the new Accounts Auditor for its subsequent submission to the General Shareholders' Meeting to be held in 2017.

Each quarter the Committee has supervised the SCIIF and the financial information to transfer to the CNMV and market, requesting the presence of the Management and the members of the Group Financial Department to contrast the evolution of the business and the most significant targets and operations and its accounting, as well as the Consolidation activities along with the Group's Financial Director and the Internal Audit. For the third year the EY was requested to assess the evolution of the implementation of SCIIF in the Group during 2016, taking the CNMV-issued Guide as a reference.

Throughout 2016 the Committee focussed its efforts on a continuous improvement of the control environment. It carried out a close follow up of the Financial Information Internal Control System (SCIIF), of the Group Regulatory Compliance System and of the Internal Audit activities.

The Audit Committee supervised the follow-up of the Internal Audit Plan, the update of the Compliance System, the review of the criminal risks map, and the formalisation of the Ethics and Regulatory Compliance Manual. It has also supervised the Risk Map of the Group, and its adaptation to the new Strategic Plan MORE TO BE 2016-2020, for its later transfer to the

Board of Directors, the Group's Tax Strategy, later approved by the Board of Directors, and formalised the regular follow-up of the Group's taxation.

In terms of the 2014/95/EU Directive, the Committee analysed the situation of the Corporate Social Responsibility (CSR). It also carried out a self-assessment of all of its members in terms of its activity throughout 2016, with the help of the External Consultant, Spencer Stuart. The result of this was satisfactory in content and performance.

Finally, it informed the Board of Directors of all of its activities, also delivering all the minutes of its sessions to the directors, as well as the information related to the risk map and the tax issues.

Identify the Director member of the Audit Committee who has been appointed on the basis of knowledge and experience of accounting or auditing, or both and state the number of years the chairman is in that position:

Name of Director with experience	Mr. IGNACIO MARCO-GARDOQUI IBAÑEZ
Number of years as Chairman	2

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Title	Category
MR JAIME REAL DE ASUA Y ARTECHE	CHAIRMAN	INDEPENDENT
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	DIRECTOR	INDEPENDENT
MR. JUAN MARCH DE LA LASTRA	DIRECTOR	NOMINEE

%Nominee Directors	33.33%
% Independent Directors	66.67%
% Other External Directors	0.00%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Appointments and Remuneration Committee is regulated in article 30, section 3, of the Articles of Incorporation of the Company and in article 14 of the Board Rules, governing its composition, the appointment and cessation of its members, and their principal duties.

We attach below the content referring to the Board Regulations as a broader and more complete draft of the duties, procedures, organisation and operation rules of the Appointments and Remuneration Committee. Article 14 establishes the following:

The Appointments and Remuneration Committee will be formed by a minimum of three and a maximum of five members and will be exclusively comprised of non-executive Directors appointed by the Board of Directors. At least two must be independent Directors.

Committee members will be automatically dismissed when they no longer hold a Director post in the Company or in accordance with a resolution by the Board of Directors.

Committee members will appoint a Chairman selected from the independent Directors that form part of the Committee. The purpose of the Appointments and Remuneration Committee will be as follows:

- a) Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from the candidates due to cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their mandate.
- b) Set a representation target for the least represented sex on the Board of Directors and prepare guidelines on how to achieve this target.
- c) Provide the Board of Directors with proposals for the appointment of independent Directors for appointment by co-optation or submission for voting at the General Shareholders' Meeting. Submit proposals for the re-election or removal of such Directors.
- d) Provide information on proposals for the appointment of all other Directors for appointment by co-optation or submission for voting at the General Shareholders' Meeting, as well as proposals for their re-election or removal by the General Shareholders' Meeting.
- e) Provide information about proposals for appointing and dismissing senior management and the principal conditions of their contracts.
- f) Review and organise the succession procedure for the Chairman of the Board of Directors and the Chief Executive Officer and, as the case may be, submit proposals to the Board of Directors to ensure that such succession is handled in an ordered and planned manner.
- g) Propose to the Board of Directors the remunerations policy of the directors and senior officers, as well as the individual remuneration and the rest of the contractual conditions of the executive directors, and ensure its observance.

The Appointments and Remuneration Committee will report to the Board of Directors on the business it addresses and all resolutions it adopts.

Summary of its most important actions.

The Appointments and Remuneration Committee met on seven occasions and, whenever considered appropriate, the presence of senior management members was requested.

It fulfilled its normal duties, as established in the regulations and those set out in the Company By-Laws and the Board of Directors Regulations.

It reviewed the qualification of directors, it prepared reports for the assessment of executive directors and the assessment of the Committee itself and it headed the assessment of the Board and its committees regarding its activities in 2017.

It analysed the competencies, knowledge and necessary experience in the Board, it requested the presence of the Lead Independent Director to know the concerns of the non-executive directors, it made recommendations to the Board of Directors for proposals and reports for the re-election or appointment of Directors, whose appointments will be proposed to the Company's General Shareholders' Meeting for its approval.

It organised the succession plan of the Chairman, the General Manager Director and Top Management and the talent management policy.

In terms of remunerations it applied the current remunerations policy and it drew up the box of remunerations applying this policy, including the annual variable remuneration, it proposed the annual variable remuneration and monitored the compliance with the requirements for the triennial remuneration, both for the directors and for top management, as well as the wage policy for top management.

It also worked with the assessment of expert external consultants in the revision of the remunerations policy of the directors and top management to present to the Board a remunerations policy for the coming years for its submitting to the General Shareholders' Meeting to be held in 2018, with the objective of continuing adjusting to the best practices of remuneration, attraction and retention of necessary talent to contribute to reinforcing the leadership of Viscofan in a competitive environment.

In addition, the Committee for work-life balance of Viscofan Group workers has reported to this Commission.

C.2.2- Fill in the following table with information on the number of female directors sitting on Board Committees over the last four years

	Number of female directors							
	Year 2017		Year 2016		Year 2015		Year 2014	
	Number	%	Number	%	Number	%	Number	%
Delegated Committee	1	33.33%	1	33.33%	1	33.33%	1	33.33%
Audit Committee	0	0	0	0	0	0	0	0%
Appointments and Remunerations Committee	0	0	0	0	0	0%	1	33.33%

C.2.3- Section repealed

C.2.4- Section repealed.

C.2.5 Indicate, where applicable, the existence of regulations for the Board Committees, where they can be consulted and any amendments made to them during the year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description:

It is regulated in article 30 of the Company By-Laws, registered in the Commercial Register and published on the company's website in consolidated text including all the current availabilities.

It is governed also by the Regulations of the Board of Directors, which are available on the company's website and have been duly filed with the Spanish CNMV and with the Commercial Registry.

The text in force was transcribed in point C.2.1 above.

The Committee drafts an annual report of activities whose summary is included in point C.2.1

At the same time, the chairman of the Committee presented to the General Shareholders' Meeting a summary of his annual activity report.

Committee name

DELEGATED COMMITTEE

Short description:

The Delegate Committee is governed by Article 30 of the company's Articles of Association, as filed with the pertinent Commercial Registry and published on the company's website as a consolidated text encompassing all current provisions.

It is similarly governed by Article 12 of the Regulations of the Board of Directors, which are available from the company's website and have been duly filed with the Spanish CNMV and with the Companies Registry.

The text in force was transcribed in point C.2.1 above.

The Delegate committee regularly reports to the Board of Directors on all the matters discussed at its meetings and provides the minutes thereof.

Committee name

AUDIT COMMITTEE

Short description:

The Audit Committee is governed by Article 30 of the Company By-Laws, as posted on the company's website, and by Article 13 of the Regulations of the Board of Directors, which is similarly available from the company's website and has likewise been duly filed with the Spanish CNMV and with the Companies Registry.

The Committee draws up an annual report of activities whose summary is included in point C.2.1.

This report summary is submitted to the General Shareholders' Meeting on an annual basis for information purposes.

The Committee also drafts a report on auditor independence and a report on related party transactions, which are made available to the shareholders.

C.2.6- Section repealed.

D.- RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 - Explain the procedure, if any, for approving related-party and intra-group transactions

Procedures for approving related party transactions

Corresponds to the Board of Directors as one of the matters reserved exclusively for the Board by virtue of Article 5 of the Board Regulations:

e) Transactions made by the company with directors, major shareholders or shareholders with Board representation, or with other persons related thereto ("associate transactions").

However, 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 customers;
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.

The Board will approve related-party transactions following a favourable report from the Audit Committee, according to article 13.E. (c) of the Board of Director Regulations.

D.2. Detail any significant transactions, entailing a transfer of a significant amount or obligations between the company or its group companies, and the company's significant shareholders:

Name of significant shareholder (person or company)	Name of the company or group entity	Type of transaction	Type of transaction	Amount (in thousands of Euros)
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Financing agreement: Loans	1,250
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Interest paid	50

D.3- Detail any significant transactions entailing a transfer of a significant amount or obligations between the company or its group companies, and the directors and/or senior managers:

Name of the directors and/or senior managers (person or company)	Name of the related party (person or company)	Nature of relationship	Nature of transaction	Amount (in thousands of Euros)
NONE				

D.4 - Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its object and conditions.

In any event, provide information on any intragroup transaction with companies established in countries or territories considered tax havens.

Name of the Group Company	Brief description of the transaction	Amount (in thousands of Euros)
NONE		0

D.5- State the amount of the transactions carried out with other related parties.

NONE

D.6- Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/or significant shareholders.

Article 22 of the Board Regulations, relating to the duty of loyalty establishes the obligation of the Company directors to perform their duties under the principle of personal responsibility with freedom of opinion or judgement and independently with regard to third party relations and instructions.

The duty to prevent conflicts of interest is governed in article 24 of the Board of Directors Regulations. Use of Delegated Voting:

Article 24. Duty to avoid conflicts of interest

The directors shall adopt the measures required to avoid situations of conflict with the company interest and with their duties towards the company and its group of companies, and they shall be obliged to inform the Board, prior to occurrence or as soon as they are aware of the existence thereof, with the obligation to immediately resign should the said conflict persist or should their presence on the board be contrary to the company's interests.

Directors shall refrain from discussing and voting on matters in which they have either a direct or indirect interest, even though related parties, except in the agreements or decisions affecting their capacity as member of the board, such as their appointment or removal from positions within the Board.

Likewise, the directors shall refrain from conducting transactions with the company, except for ordinary transactions, of little importance, made in standard conditions for customers.

Any situations of conflict of interest in which the Directors are involved, shall be included in the annual corporate governance report.

The directors shall inform the company and, where appropriate, shall resign, in cases in which the reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants. The progress of the case shall be monitored and, in view of the same, a decision shall be taken as to whether or not the Director should continue in office.

Directors cannot, either personally or through an intermediary, carry out activities or hold positions of any nature in businesses or companies that are currently or potentially competitors of Viscofan and its group of companies, neither may directors act as a representative or consultant to such businesses or companies or perform any other activity that puts them in a situation of conflict of interests with the Company.

Moreover, the duty of loyalty and the duty to avoid conflicts of interest are extended to related parties, according to the definition included in the Board Regulations, in the version approved by the Board at its meeting held on 26 February 2015:

Article 26,- Related parties

The director's duty of loyalty, of avoiding conflicts of interest and of abstention in its various areas, also covers those activities performed by the director related parties, based on the definition contemplated in this regulation.

For the purpose of this regulation, the following shall be considered to be related parties:

- 1) The Director's spouse or spousal equivalent.
- 2) The ascendants, descendants and siblings of the Director or spouse.
- 3) The spouses of the ascendants, descendants and siblings of the Director.
- 4) The companies in which the administrator, either personally or through an intermediary, directly or indirectly, holds or has the power to hold control, holds an executive position or has a significant shareholding.

If the administrator is a legal person, then the following shall be understood to be related parties:

- 1) The partners who, in relation to the legal person administrator, hold or may hold, directly or indirectly, the control, hold an executive post or who have a significant shareholding.
- 2) De jure or de facto administrators, official receivers, and those attorney-in-fact with general powers of legal person administrator.
- 3) Companies forming part of the same group, that constitute a decision making unit due to the fact that one of them holds or has the power to hold, directly or indirectly, the control of the rest, or because the said control corresponds to one or several natural persons acting together as one.
- 4) Those persons that, in accordance with the paragraph above, are related to the directors of the legal person administrator.

With regard to the duties in relation to significant shareholders, article 32 puts the responsibility on the directors acting on their behalf, for extending to the shareholders the duties of the directors, in addition to those legally stipulated or set out in the Articles of Incorporation.

Likewise, the regulation stipulates that any transactions performed with the said significant shareholders must be approved by the full Board and must be included in the company's annual report and in the corporate governance annual report.

Finally, Article 34 of the Regulations of the Board of Directors, regulating the use of voting by proxy, reads as follows:

Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:

- a) His/her appointment, ratification, removal or resignation as a Director.
- b) The bringing of an action for liability against him/her.
- c) The approval or ratification of transactions with the company in relation to which the director has a conflict of interests.

Furthermore, the Viscofan Group Code of Conduct includes among its general ethical principles loyalty, in accordance with which directors, managers and employees of the Viscofan Group, as well as any person that develops his/her professional activity within the Viscofan Group, should act with loyalty in the permanent defence of the Group's interests and shall refrain in particular from carrying out any actions and operations, of whatever nature, that could mean a conflict between their personal interests and those of the Group, and even more so when those actions could be in the interest of competing companies. Likewise, among the action recommendations, the Code includes information regarding conflicts of interest:

"Viscofan Group employees shall notify the Regulatory Compliance Committee, or, where applicable, the Viscofan S.A. Board of Directors, regarding any economic, family or any other link that could give way to conflicts of interest because it could compromise their impartial action. In the event of a conflict of interest, the employees will be governed by the principles of independence and abstention, and, by virtue of these, shall refrain from performing operations in which conflicts of interest exist, unless under the strict authorisation of the Viscofan S.A. Board of Directors".

D.7- Are more than one of the Group's companies listed in Spain as publicly traded companies

NO

Identify the subsidiaries listed in Spain:

Subsidiaries listed

Indicate whether the respective areas of business and any potential relations between them and any potential business relations between the holding company and the listed subsidiary and other group companies have been publicly defined

Define any potential business relations between the holding company and the listed subsidiary company and between the listed subsidiaries and other group companies

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and other companies of the group:

Mechanisms to resolve possible conflicts of interest

E. - RISK CONTROL SYSTEMS

E.1 - Explain the scope of the company's Risk Management System, including risks of a tax-related nature

The risk management system of the Viscofan Group is regulated by the Policy on risk management control approved in 2017, whose object is to establish basic principles and the general framework for acting for the control and risk management of any nature to which the Viscofan Group faces with the purpose of identifying, measuring, preventing and mitigating their possible impact on its activity in the case of occurrence.

The control and risk management policy establishes 3 basic principles:

Integration:

The control and risk management of the Viscofan Group must guarantee the preventative identification of the different risks that may affect their activity, integrating, coordinating and governing all the actions aimed at preventing and mitigating these risks via a system that involves all the companies over which they have effective control, reaching all their employees, including senior management, and the Company's Board of Directors.

The Company's control and risk management is based on a code of conduct that indicates the ethical principles and behaviour guidelines, supplemented by the internal operational policies, divided into: general policies, specific policies, and local policies. This risk management system and its policies come within the limits provided for in the rules and regulations applicable to the activity of the Viscofan Group.

Continuity:

The control and risk management must be reviewed and updated periodically to adjust to the situation of the Viscofan Group at all times in order to guarantee the preventative identification continuously in time and the adaptation to the mitigating measures and information and control systems of the different risk that could affect the evolution of this activity in a socio-economic, political and changing environment in their different geographic locations, as well as the composition of the Viscofan Group throughout time.

Transparency:

The control and risk management must guarantee reliable information to all the interest groups: shareholders, market, employees and the entire company, of the inherent risks to the Viscofan Group and the systems developed for their prevention and mitigation that

contributes to the compliance of the growing requirements for information in different areas of the company's activity.

The general policy on control and risk management and their basic principles are materialised via an integral continuous control and risk management system, supported by different internal bodies that have different duties and responsibilities, and by a consistent process, at least, in the following actions:

- a) Identify the main strategic, operating, information and compliance risks, keeping in mind their capacity to negatively affect the creation of sustainable value and shared for their interest group on behalf of the Viscofan Group, and in accordance with their circumstances and the development of their activity within the Strategic Plan MORE TO BE 2016-2020.
- b) Fix a level of risk that is considered acceptable in accordance with the circumstances of the Viscofan Group at all times via the establishment of tolerances and adopt the means of measurement and control that allow for appropriately monitoring its evolution.
- c) Identify, implement and maintain an integrated control system in the internal regulations of the Viscofan Group identifying or, where applicable, approving the codes, policies and procedures aimed at mitigating the identified risks in case they materialise.
- d) Assess the suitability and efficiency of the control system and its application, as well as its compliance by all the Viscofan Group employees.
- e) Review and, if applicable, adapt and reinforce the compliance system determining specific action plans in the case that the occurrence of one of the main risks negatively affects the creation of long-term sustainable value.

Knowing the location of each risk on the inherent and residual map and its tolerance to the risk requires an on-going dialogue between the interest groups through the channels established by the company. This system enables the Organisation to measure how mitigating the measures adopted have been and to focus on the risks that are still outside of the comfort zone, adding corrective and preventive measures that allow the impact and/or probability of the risk occurring to be lowered.

Managing corporate risks is not a serial process, in which each component only affects the next, but rather it is a multi-directional and iterative process in which one component can influence any other.

The monitoring of the company's Risk Management System is performed through a number of risk management committees, as set out in point E.2. In this same point the duties regulated specifically by the Company are developed, and that are attributed in each case to the different bodies involved in the risk management, which includes participation in the personnel risk control and forecasting system for both participating companies (local level) and on a corporate level.

The Global Risk Committee met on 3 occasions this year 2017 with the purpose of updating the map. Though it is possible that there are additional risks that are not identified and that could also negatively affect the achievement of Viscofan Group objectives.

The existing risk map has been defined in accordance with the code of ethics, internal regulation and the Strategic Plan MORE TO BE, which encompasses the period from 2016-2020, and is presented adopting the COSO methodology, grouping the existing risks in four categories:

1. Strategy,
2. Operations,
3. Information,
4. Compliance.

The objectives of this update are several:

- a) Continued consulting to members regarding the necessity of adding a risk map,
- b) Incorporate the criminal risks identified by the Compliance Committee to the risk map,
- c) Review the assessment of the risks on the residual risk map, taking into account the mitigating measures implemented and the events occurring in the world that could impact us,
- d) Improve the risk management with the implementation of the tool "Risks Management" of SAP GRC
- e) Identify risk indicators to each risk to facilitate their monitoring and assigning of individual thresholds.

The collection of these measures is reflected in the internal regulation, in the financial information internal control system, and in the code of conduct that is implemented across the entire Group

E.2- Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System, including tax-related risks

Name of the committee or body

BOARD OF DIRECTORS

Description of functions

In powers", the risk control and management policy and the periodic monitoring of internal information accordance with Art. 5 of the Company Board of Directors Regulations, relating to Exclusive and control systems constitute one of the matters that may only be heard and addressed by the Board of Directors when in full session.

Name of the committee or body

AUDIT COMMITTEE

Description of functions

The Audit Committee, through its duties in relation to the internal control and reporting systems, is responsible for overseeing the preparation and control of the financial information in general and, specifically, all the procedures implemented for this purpose.

Furthermore, a specific duty of the Audit Commission is to oversee the suitability of the control procedures and policies implemented and to review the internal control systems and risk management, in order to ensure that the main risks are identified, managed and effectively disseminated.

Name of the committee or body

INTERNAL AUDIT

Description of functions

On their behalf, the Internal Audit Department has among their objectives the assessment and control of the risks of any nature to which the Organisation faces and for which purpose it is capable of examining and assessing the systems and procedures of control and mitigation of all risks, as well as the methodologies used. It has a broad presence on specific risk Committees: Global Risks Committee, Credit Risks Committee and Investments Committee.

Name of the committee or body

REGULATORY COMPLIANCE COMMITTEE

Description of functions

The Regulatory Compliance Committee includes among their duties that of supervising specific risks of the Company in relation with the criminal responsibility or any other regulation incompliance of it and assess, analyse, implement or improve and monitor a system of compliance aimed at avoiding the criminal responsibility on behalf of the Company.

Name of the committee or body

ETHICS COMMITTEE

Description of functions

The Ethics Committee is responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may give rise to a situation of risk for the Viscofan Group as a result of a breach of the Viscofan Group's internal regulations or any other circumstance.

Name of the committee or body

GLOBAL RISK COMMITTEE

Description of functions

The Global Risk Committee is a collegiate body whose purpose is to deepen the identification, analysis and revision of the main inherent risks that affect the organisation, assess the exposure to it and formulate the recommendations and necessary actions for handling the risks within the reasonable margins.

The Global Risk Committee is therefore an authority of analysis, definition, advising and coordination in terms of risk and its management.

Name of the committee or body

CREDIT RISK COMMITTEE

Description of functions

The Credit Risk Committee is established as a supervisory and control body for those risks related to customer payment management. The objective of this Committee is to delve into the prevention, monitoring and solution of the risks mentioned, via the creation and implementation of the instruments considered most appropriate at the time.

Name of the committee or body

INVESTMENTS COMMITTEE

Description of functions

The main purpose of the Investment Committee is to control and supervise compliance with the Investment Plan approved by the Board of Directors. To achieve this, it meets on a

quarterly basis for the purposes of performing periodic follow-up checks on the correct application of approved investments and controlling the efficient use of Group resources and investments.

Name of the committee or body

SENIOR MANAGEMENT

Description of functions

Senior management is responsible for identifying and assessing the risks to which the Group is exposed in the course of its business and for taking appropriate measures to prevent the appearance of these risks or, if they do appear, to reduce or eliminate their impact. Therefore, it plays a fundamental role in designing and implementing control mechanisms and ensuring their fulfilment across the organisation.

Name of the committee or body

EMPLOYEES

Description of functions

Finally, the remaining Viscofan Group employees shall comply with the measures in place in the risk control and prevention systems and, where applicable, report any behaviour they consider may be a possible risk to the Viscofan Group.

In order to facilitate coordination tasks, better identify risks and risk prevention and control actions, certain individuals were identified at local levels who will coordinate their actions with the competent bodies at the corporate level.

E.3- Indicate the principal risks, including tax-related risks that could prevent business targets from being met

The risks were identified following the COSO methodology, and are shown on the Viscofan Group's risk map under qualitative and quantitative parameters. To summarise, the main risks are indicated that may affect the sustainability of the Viscofan Group and the achieving of the business objectives defined in the current strategic plan. MORE TO BE 2016-2020.

1. Strategic risks: Those risks that affect the objectives at a high level, aligned with the mission of the Viscofan Group. The company has identified the following specific risks within this category: Natural disasters, Country risk, Competitive environment risks and of the market of the sector (competitors, customers and substitute products), Reputation risk, Company ownership risk, Risk of obsolescence-innovation, Cybersecurity risk.

2. Information risks: Those risks that affect the reliability of information supplied and objectives regarding the availability of sufficient capital and resources to carry out the activity and achieve the financial objectives of the company. The company has identified the following specific risks within this category:

IT contingencies, integrity of the development of financial information, financing and lack of liquidity, exchange rate, interest rate, budgetary control, and pension plans.

3. Transaction risks: Those risks that affect the objectives related to efficient use of resources and continued long-term activity, including reputational risks.

The company has identified the following specific risks within this category: Significant damages, Business continuity, Energy market, Client dissatisfaction, Transport risk, Lack of raw

materials, Civil responsibility, Disclosure of know-how, Human capital, Group cohesion, Dietary risk, Sabotage.

4. Compliance risks: Those risks affecting the objectives relating to compliance with applicable laws and rules and regulations, including internal rules, in addition to the protection of employees and the company: Environment, Work accidents, Work safety and hygiene, Evolution of the regulatory framework, Multinational dietary legislation compliance, Compliance of obligations arising from commercial relationships, Corporate risk, Criminal responsibility of legal persons, LOPD risk, Taxation.

E.4- Identify whether the entity has a risk tolerance level, including tax-related risks

The company has a risk map in which the risks are quantitatively and qualitatively rated, making it possible to define a tolerance level for the risk identified. The appetite accepted for the risk is supported by the strategy defined and is reviewed by the various risk committees.

Prior to establishing preventive and corrective measures for each risk identified, the company and the various bodies exercising the functions referred to above, shall discuss the probability of occurrence of each risk, the consequences of the different scenarios in the event of occurrence and the impact that the said occurrence could have on the Group, on its activity and on its financial statements, in addition to its resilience in each case. With this data the criticality is determined, to match it with the prevention and correction measures to be implemented.

There are key risk indicators (KRI) defined for each risk and the tolerance thresholds for all of them. Some, for example in "Serious work accidents" established a tolerance level of zero.

They are the object of a continuous monitoring of those risks that are in the very high criticality area.

E.5- State what risks, including tax-related risks, have occurred during the year.

Risk is inherent in any business activity and, although the actual company diversification, at a geographic level (sales and production), and with regard to the product range, is a measure in itself that mitigates the risks identified on the risk map, this global nature also means that, during the financial year, adverse circumstances also develop, making it difficult to achieve the objectives established in the budget for the year.

However, in the course of the tax year, the measures implemented and the quantification of the said risks have not prevented the company from achieving the financial objectives established and reported to the investment community.

In this context, some of the risks to materialise with the most significant impact are as follows:

Materialised risk in the course of the fiscal year : Financial risk: exchange rate

Circumstances giving rise to the risks:

In 2017, the exchange market faced a large volatility due to macroeconomic changes, economic and monetary policies carried out by competent authorities in different countries. In this sense, variations in the currencies that the Group uses have experienced a great fluctuation, in particular the United States dollar, Brazilian real, Czech koruna, Chinese renminbi and the

British pound, and not only in ratio terms, but that the volatility among maximums and minimums of change has been very drastic in the fiscal year and has significantly impacted the changing of the incomes and in negative exchange differences.

Functioning of the control systems:

Viscofan attentively watches for opportunities to take out exchange rate hedges, endeavouring to cover the transaction flows between different currencies, as required by circumstances. Over the last few years, the company has strengthened the treasury team and has contracted out reporting systems in order to improve the hedging capacity to minimise risk. However, the volatility of the currencies is also driving up the cost of the hedges.

Materialised risk in the course of the fiscal year. Strategic risk. Competitive Environment of the sector.

Circumstances giving rise to the risks:

In 2017, the competitive environment in the United States market endured a level of prices and commercial offers on behalf of the competitors, particularly in cellulose technology that has brought the loss of significant customers in the country.

Functioning of the control systems:

Monitoring work of this market has been performed, maintaining disciplined trading policies that will not damage the financial objectives of profitability. The specific projects were reinforced in the United States, increasing the product portfolio (especially in other casings technologies) and that pursue improving the levels of service, quality and productivity that entails a greater protection of the market share in adverse scenarios.

Materialised risk in the course of the fiscal year: Compliance risk. Taxation

Circumstances giving rise to the risks:

In 2017, the Viscofan Group included in the scope of consolidation the companies of Supralon in Europe due to the purchase in November 2017 of 100% of their Social Capital. Among the purchased companies is Supralon International AG, located in Liechtenstein, country considered a tax haven.

Functioning of the control systems:

The Group has a fiscal policy that establishes that "it will prevent the presence of tax havens when it tries to transfer income". Based on this strategy, they decided to analyse the situation in Supralon International AG to adjust to the fiscal strategy of the Group in 2018.

Materialised risk in the course of the fiscal year: Operational risk. Customer dissatisfaction

Circumstances giving rise to the risks:

In 2017, some casings were produced in the US that did not meet to the requirements of some customers, causing its removal and compensation.

Functioning of the control systems:

The quality team in the US reinforced and carried out investments in the factory to ensure that the production met the requirements demanded by the customers and proceeded to remove the defective products from warehouses.

E.6- Explain the response and supervision plans for the principal risks faced by the company, including tax-related risks

1. Strategic risks

Natural disasters

In 2015 the company completed the preparation of the Corporate level Business Continuity Plan which commenced in the previous financial year and has now moved down to a local level in order to individually equip the production plants with the responsiveness and adaptability in the face of any contingency, including natural disasters.

On the other hand, we are working on intra-group diversity, in other words the production of any plant may be assumed by another group plant in the event of a natural disaster or similar circumstances.

In this respect, particular mention should be made of all the work carried out in the various plants with regard to EHS, since this function was created. This has led to greater uniformity in the management and analysis criteria in this area, as well as in the promotion of improvement-driven initiatives. The close collaboration with the Risk Engineering departments of the insurance companies is allowing Viscofan to gain a better knowledge of its risks and to implement measures/make investments that have a direct impact on the reduction in risk exposure, including Natural Disasters.

Country risk

The Credit Risk Committee met periodically in order to analyse the actual risk to customers of the entire Group, analyse potential delays, review compliance with established procedures, verify the status of insurance policy coverage and conditions, review the risk in different countries, especially the current political and financial instability in certain countries, including Spain, and adopt the measures required in each case to ensure, or, where applicable, decrease, this exposure by changing sales conditions, requesting collection assurance measures, etc.

Cyber-safety risk

A cyber-attack is a malicious action that aims to damage the availability of assets, data confidentiality or the integrity of an organisation's information. The risk of an attack is a growing issue, due to the ever-increasing computerisation of the systems and a greater use of network settings.

An organisation that is aware of the risk that exists both inside and out of its perimeter can minimise the possibility of being attacked. In this respect, Viscofan has a Recovery Plan implemented within its IT area, a contingency plan that ensures the continuity of operations, and installed software and hardware aimed at protecting information. It has also increased employee awareness regarding the risks of cyber-safety, and has implemented an access policy for current external suppliers that require regular access.

2. Financial Risks and Exchange Rate Systems

Viscofan is attentive to new business and exchange rate hedging opportunities, advisable at any given time, and which make it possible to reduce the impact of this risk.

Financial control of transactions

In 2017, the company has expanded its corporate management control team in order to conduct a more exhaustive analysis of production costs and to improve the reporting systems. This team will also facilitate the work of financial support, depending on the needs of the various Group subsidiaries.

Computing contingencies.

Once the company defined the contingency plan to reduce the impact of a systems failure, this plan was then implemented, including servers located in different cities, to guarantee system operation in less than twenty-four hours following any type of occurrence, and ensuring the continuity of activity in the event of damage.

3. Operational risks.

Energy market.

The company is analysing a number of alternatives in order to obtain the most benefit from reductions in energy costs. In addition, following the regulatory changes made in Spain throughout the fiscal years of 2013 and 2014, the company is making studies and contingency plans to reduce the impact of new regulatory changes in the future. In Germany, the Group has invested in a cogeneration turbine to reduce the plant's dependence on third party supplies.

This is more efficient with regard to energy costs whilst the company has taken an important step forward in environmental terms, due to the drop in the consumption of primary energy at this plant. The Group is also performing a viability study of the use of cogeneration in other locations, for example, in Mexico in 2017 they installed a new more efficient energy model.

Scarcity of raw materials.

Distinct strategies have been followed for diversification and the homologation of new suppliers in each product line, all directed at the approval of alternative suppliers in order to lower dependency and gain increased flexibility with regard to fluctuations in supply and demand.

Likewise, there has been in-house work directed at adapting a number of processes in order to permit the use of different raw materials.

Furthermore, a corporate head of purchasing has been appointed in order to increase the negotiating possibilities with the various suppliers.

Environmental, safety and hygiene risks

The Board of Directors has endorsed a new corporate policy on the Environment, Safety and Hygiene, which is mandatory for all Viscofan Group collaborators. In order to ensure that all the Viscofan Group collaborators comply with the principles contained in this corporate EHS policy, a set of guidelines has been defined to implement the policy (Viscofan EHS Management Guidelines). The key objective of these guidelines is to provide all the group companies with a sound management system in the Environment and Occupational Health and Safety areas. This commitment is reflected in the signing of the United Nations Global Compact during fiscal year 2015 and renewed in 2016 and the start of the certification obtained in several plants of the group under internal standards such as ISO 50.001, ISO 14.001 or OSHAS 18.001

4. Compliance risks

Evolution of the framework regulation

Every effort has been made to monitor the regulatory amendments. Whenever possible, the company has carried out prevention actions on the possible impacts that these changes could cause.

Compliance management is also one of the cornerstones of the EHS management guidelines, defining the need to implement legal requirement identification systems and to conduct periodical compliance audits.

The financial area has legal and tax advice to monitor the evolution of the tax regulation in the different countries where the Viscofan Group operates, and in 2016 the Tax strategy was approved.

Monitoring system and complaints channel

The Group has a complaints channel available for all locations, and an Ethics Committee to favour the use of this channel and provide greater protection to any collaborators who may use the said complaints channel.

These specific tasks and projects come within the framework of the general policy conducted this year, with an increase in the monitoring measures in the different risk areas in order to control any potential occurrence and incident and to establish the prevention and control measures required, or to adapt those already in place, and to ensure compliance with the same. In this respect, in fiscal year 2017 a policy of obliged compliance was approved: the Human Rights Policy.

F. - SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in the entity.

F.1 The entity's control environment

Give information, describing the key features of at least:

F1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Article 5 of the Board Regulations includes among the powers of exclusive knowledge of the Board of Directors as a whole:

"vii) The control and risk management policy, and the periodic monitoring of internal information and control systems".

Furthermore, article 13 of the Viscofan Board of Directors Regulations lists the functions of the Audit Committee in relation to internal information and control systems.

Among these functions, the Committee has assigned the following supervision and review functions:

"Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (ICFR) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, possible complex corporate structures, instrumental or special purpose entities, the correct application of accounting criteria".

The Audit Committee was created in 1999 and its composition and activity have progressively adapted to the recommendations of the Code of Corporate Good Governance. It currently comprises four members, three of them independent directors and the fourth a proprietary director. During 2017, they met on 8 occasions, four of them with the external auditors (two meetings with EY, auditors until 2016, and two meetings with PwC, auditors as of 2017). Whenever considered appropriate, it has required the presence of members of the management team, the internal audit department and external auditors.

The Committee carries out the tasks assigned to it, as established in the applicable regulations and those set out in the Company By-Laws and in the Board of Directors Regulations. By way of example, it presented a report to the General Shareholders' Meeting on the Committee's activities.

The Committee supervises, analyses and communicates the activities performed by the Internal Audit department, the financial information drafting process, the intermediate financial statements, the provisional treasury statement prior to approval of the interim dividend distribution in addition to the Internal Control Over Financial Reporting System. The latter is subject to a continuous improvement process and was reviewed by PwC in 2017. The Committee has also supervised the progress made in the compliance system.

In its relations with the external auditor and as one of its duties, the Committee has ensured that the annual accounts are presented with no reservations or qualifications, and that the independence of the auditor is guaranteed.

Finally, it informed the Board of Directors of all its activities and submitted all the minutes of its meetings to the Directors, as well as information on the risk map and tax matters.

For its part, the general duties of the Internal Audit Department include the review and evaluation of the risk control and mitigation systems and procedures for all risks, as well as the methodologies used.

Specifically, with regard to the control of the financial information, it examines and assesses the reliability of the financial information, from an accounting and management point of view, checking that it is complete and correct. It also reviews the recording procedures, and proposes corrective measures, which are reported to the Audit Committee and to the Corporate Finance Division.

Furthermore, the Internal Audit Department reports the results of all the auditing, inspection and consulting activities to the Audit Committee and keeps it informed of the same, and, where appropriate, the Directors concerned are also informed.

For its part, according to the Policy on Internal Control of the Viscofan Group's Financial Information, the Corporate Finance Division is responsible for carrying out:

- The design, start-up and dissemination of the financial information internal control system (hereinafter, ICFR).
- The definition, review and dissemination of the accounting policies and procedures to be applied, aiming to guarantee uniformity in the processes and in the accounting information.
- The definition of the process of preparation of the financial information and identification of risks that may affect its reliability.
- Identification of the control activities to be carried out to mitigate risks and the supervision of their appropriate performance both at local and corporate level.
- Supervision of the suitable design and use of the financial reporting systems. And to the Finance Departments of each of the Group companies:
- Compliance with the common accounting principles and policies.
- Dissemination of the ICFR among the local organisation, identifying those responsible for the execution of each control activity.
- Coordination of the work of the other local departments so that the local financial information is prepared in accordance with the objectives set.
- Performance of the control activities allocated to the department, and supervision of the activities that correspond to the rest of the departments (sales, purchasing, production, warehouse, maintenance, etc.).

Finally, all other Group Departments are to cooperate in the dissemination of the ICFR within their area of responsibility. Each Department shall also be responsible for applying the corresponding controls to their area and for the coordination with the rest of the departments in applying ICFR, with the supervision of the corporate departments and of correcting the weaknesses identified by the Internal Audit Department in their function of supervising the system

F.1.2- Whether, especially in the process of drawing up the financial information, the following elements exist:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

The General Management and the Corporate Human Resources Division, supervised by the Internal Audit Department, are responsible for the design and review of the organisational

structure and for the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Human Resources Division has procedures for updating corporate-level organisational structures and those of each of the Group subsidiaries. Dissemination is via the corporate Human Resources Management platform and the corporate intranet, with the current organisation charts of each company and any major changes being managed and published on the latter.

Financial Management has organisational structure charts with the composition of the financial departments of each subsidiary company, as well as information about the tasks performed by different members of these departments. Each team has a person responsible for the ICFR at local level, responsible for disseminating it to the rest of the departments involved, checking that each one of them carries out the checks allocated and regularly reporting on the operation of the system.

The aim of all of this is to guarantee that the internal control principles are suitably disseminated within the organisation, contributing to improved quality of control over financial information.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions

The Board of Directors approves the Code of Conduct at the proposal of the Regulatory Compliance Committee. The code affects the Boards of Directors, Senior Management and the rest of the Group's employees in their daily professional performance, regarding the relations and interactions they have with all their stakeholders.

The current Viscofan Group Code of Conduct was approved by the Board of Directors at its meeting held on 29 February 2012. Its principles and action guidelines include regulatory compliance, integrity, responsibility, transparency and confidentiality. Furthermore, it also includes the criteria to be taken into account by employees who participate in the preparation of financial information, previously regulated in the Policies that are in force.

Specifically, the Group has implemented an Internal Control Over Financial Reporting Policy, with the specific aim of establishing the necessary guidelines to ensure suitable preparation and subsequent dissemination of financial information, which establishes the governing principles and describes the duties and responsibilities of each of the Departments, financial or otherwise, at Group and local level.

The Human Resources Department is responsible for the "Induction Procedure", in which each new employee receives a copy of the Code of Conduct and the policies coming within the compliance system. It establishes the required conduct guidelines to ensure that Group personnel act correctly, regardless of the country or department in which they work. Finally, each employee must fill-in a form in which he/she signs a pledge to comply with, and implement the Code of Conduct and Internal Rules.

Additionally, each of the Group companies has a Local Supervisor appointed by the Board of Directors who is in charge of monitoring the Group's Compliance System and ensuring all local employees, technicians and managers receive the necessary training.

This compliance system has been widely disseminated and is available to employees on the Group Intranet.

In 2017, the Viscofan Group Compliance system was strengthened through various actions. Firstly, a new Compliance site on the intranet was launched with access to the Code of Conduct and the various policies and procedures that Group employees must comply with; secondly, the incorporation of a new employee in the Corporate Legal department in charge of the ongoing implementation and supervision of the Compliance system; and finally, approval and publication of new regulations in to the Compliance system (Tax strategy, access and use of systems by externals, Dietary Regulations).

- Whistle-blowing channel, to allow financial and accounting irregularities to be communicated to the Audit Committee, as well as possible non-compliance with the code of conduct and irregular activities in the organization, reporting where applicable if this is confidential in nature.

Article 13 of the Board of Directors Regulations allocates the following role to the Audit Committee: "Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing".

The whistle-blowing channel has been created for this purpose, as a virtual space for Group employees to discuss matters associated with compliance with the Code of Conduct and, generally, with all of the Viscofan Group's compliance systems, especially when there are signs of non-compliance.

This whistle-blowing channel makes it possible to establish a suitable channel to facilitate reporting to the Audit Committee of any financial and accounting irregularities, guaranteeing the confidentiality of communications.

The Audit Committee has delegated the management of this whistle-blowing channel to the Ethics Committee, whose main objective is to manage the communications received via the Whistle-Blowing Channel and to analyse any practices that may be considered as non-compliant. The Ethics Committee reports directly to the Audit Committee.

- Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management

The aim of the Viscofan Group Training Policy is to guarantee that Group employees have all the knowledge and skills necessary for optimum execution of the duties assigned to them, improving or updating their performance.

Concerning one of the principles of this Policy, namely, planning, and in accordance with the responsibilities described therein, each year the Annual Training Plan is prepared, in which the managers of each department take part. Together with Human Resources Management, they identify training opportunities and the programmes to be carried out during the year.

In the case of the personnel involved in the preparation and review of the financial information for specific training intended to cover the specific needs of each individual or, if applicable, a department, the external training actions for the review of standards and accounting procedures are combined with internal training, mainly concentrated on the dissemination of policies and procedures and on the execution of the internal controls included in the ICFR.

Specifically, in 2017 all employees responsible for financial reporting at Viscofan Group companies were invited to attend a meeting which dealt with the latest developments regarding the Group's internal accounting regulations. They were also updated on other processes, such as the annual budget, and other aspects related with management control. All the documentation used in the internal training sessions is posted on the Group's intranet, so that it is available to users for further consultation.

F.2- Financial reporting risk assessment

Provide information on, at least, the following:

F.2.1- The key features of the risk identification process, including error and fraud risks, with respect to:

- Whether the process exists and is documented.

The two areas most directly involved in the identification of risks that could affect the drafting of financial information are the Corporate Finance Division and the Internal Audit Division. In their daily activities, permanent communication is encouraged between these two departments to analyse how the ICFR is working and identify risk areas for which additional controls should be incorporated into the system.

Subsequently the Internal Audit Division's quarterly report informs the Audit Committee of the main risks identified in the period, together with a risk assessment based on quantitative criteria (Materiality Policy) or qualitative criteria (processes) and the oversight of corrective actions implemented in previous periods.

- Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.

In each process and sub-process that affects the preparation of financial information, the Group identifies the risks that may materialise taking the following information into account:

- Description of the existing control objectives to meet the business targets defined by the Company and guarantee the reliability of the financial information.
- Possibility of the occurrence of an error risk, according to its impact on the financial statements, being categorised as follows:

> Validity: All transactions generated in the period are valid.

- > Integrity: All transactions have been recorded correctly.
- > Registry: All transactions have been accurately entered into the accounts.
- > Cut-off: All transactions recorded represent economic events that occurred during the period in question; transactions are recorded in the corresponding period.
- > Assessment: Assets and liabilities are correctly valued (they appropriately reflect the existing circumstances of the business and its financial conditions).
- > Presentation: The financial statements are appropriately presented and disclosed.

At the meetings discussed above, a conclusion may be reached as to the need or not to modify the existing risk map, following an analysis of the information complied.

- The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.

In accordance with the Board of Directors Regulations, the Board shall be exclusively responsible for defining the structure of the corporate group. In turn, the Audit Committee shall oversee the appropriate scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures and special purpose vehicles.

The Viscofan Group Accounting Policy Manual determines that the responsibility of keeping the scope of consolidation duly updated lies with the Consolidation Area, which forms part of the Corporate Finance Division. The corporate operations that could affect the scope are reported appropriately by the General and Legal Divisions.

The Audit Committee is informed about structural and corporative modification operations that are planned for its analysis and preliminary report to the Board of Directors regarding its economic conditions and accounting impact.

Independently of the fact the Group can grow either via acquisitions or organic growth, the Group's corporate strategy is to maintain as simple a structure as possible, in order to facilitate control of the business, from both an operational and a financial and accounting perspective.

In this way, except for the company Nanopack Technology y Packaging, S.L., the Parent company of the Group, that is Viscofan S.A., wholly owns the Group companies, either directly or indirectly and, in this latter case, the shareholding is always through other companies in the Group. In the case of Nanopack S.A., the Group has a 90.57% shareholding in Nanopack Technology y Packaging S.L.

During fiscal year 2016, the share capital of Vector USA Inc. and Vector Europe NV were purchased, which in turn is the owner of Vector Packaging Europe NV and of Vector UK Ltd. During 2017 it has advanced in the corporate integration of the companies of the Vector group within the Viscofan Group. Also during 2017, the capital share of the European companies of Supralon were purchased (Supralon International AG, Supralon Verpackungs AG, and their participants: Supralon Produktions und Vertriebs GmbH and Supralon France SARL).

In addition, it is the exclusive knowledge of the Board of Directors in full to create or acquire interests in special purpose vehicles or institutions registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

According to article 13 of these same Regulations, the Audit Committee is responsible for informing the Board, prior to it making the corresponding decisions in this area.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they impact the financial statements.

Periodically, the Audit Committee evaluates the situation of the main risks that affect the Group, in accordance with the description given in section E of the Annual Corporate Governance Report. For said purpose, it is supported by the Global Risks Committee, set up at the Audit Committee's proposal and representing the Group's General Management and other divisions (Production, Financial, Legal and Commercial) and Internal Audits.

Specifically, control of risks covers following mentioned risk categories:

- Concerning the risks of reliability of the financial information, as described above.
- Concerning criminal risks. The Regulatory Compliance Committee is responsible for monitoring all matters related to risk prevention and the identification of measures for detecting possible crimes, fraud or conduct contrary to Group policy in relation to the criminal liability of companies.
- Concerning general risks. The responsibility is shared between the Global Risk Committee, which identifies the risk map and starts up the control policies to mitigate them, and the Audit Committee, which supervises the suitability of the policies and control procedures implemented, and reviews the risk management systems, so that the main risks are identified, made known and are managed appropriately.

In the 2016 the Global Risks Committee reviewed the existing map of risks established in accordance with the code of ethics, internal regulation and the Strategic Plan MORE TO BE, which encompasses the 2016-2020 period. This review was performed using the COSO methodology, grouping existing risks into four categories:

1. Strategy,
2. Operations,
3. Information,
4. Compliance.

These categories are described in Section E.2 of this report. The integrity of the elaboration of financial information is included in the Risks category of Information.

In 2017, a review of the risk management model was performed of the Viscofan Group taking advantage of the implementation of the Risk Management module of the SAP GRC application for the overall risk management.

- Which of the entity's governance bodies supervises the process.

Article 13 of the Viscofan Board of Directors Regulations assigns the Audit Committee the role of monitoring the risk management carried out by the Group.

"Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, so that the main risks are properly identified, managed and reported".

Furthermore, one of the objectives of the Internal Audit Division is the identification and assessment of any type of risk faced by the Organisation, and to this effect, it is authorised to examine and evaluate the systems and procedures in place for the control and mitigation of all risks, as well as the methodologies used.

F.3- Control activities

Provide information, indicating the main characteristics, about the existence of at least the following:

F.3.1 Procedures for review and authorisation of the financial information and the description of the ICFR, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgments, estimates, valuations and projections.

The procedures existing in the Viscofan Group define the activities and controls to be carried out in the process of drafting the financial information, distinguishing the following stages until its dissemination:

- Recording of daily operations by each local department involved, including the book closing for each subsidiary.
- Carryover of financial information for consolidation.
- Consolidation of the information.
- Validation and approval of the financial information.
- Publication and dissemination of the information.

In accordance with what is set forth in the Policy on the Internal Control of Financial Information, the Corporate Finance Division is responsible for the design, start-up and dissemination of the ICFR, and for the accounting policies and procedures to be applied, the definition of the process of preparation of the financial information and the control activities for mitigating possible risk. To do this, it receives support from the Internal Audit Division, which in its task of overseeing the comprehensive nature of the accounting and management information issued, both internally and externally, cooperates in defining the ICFR.

To do so, based on the documentation describing the flows that affect the different departments (purchasing, billing, salaries, banks and cash, etc.), the risk areas are identified and the internal controls to be carried out are proposed.

On the other hand, based on the balance sheet and profit and loss accounts, the most significant accounts are identified, analysing, by means of the controls implemented or establishing new controls if considered necessary, the coverage percentage, in order to guarantee the reliability of the information published.

In this way, adding the two approximations by process and by items in the income statement and profit and loss account, the aim is to guarantee that the controls in place cover the most significant risk areas.

To facilitate the internal control a tool has been developed on Viscofan's intranet to implement the ICFR controls, enabling the management of master control data according to subsidiary (executor, supervisor, frequency, etc.), the management of execution and supervision flows for each control, the storage of evidence of each control and access to controls and evidence from Corporate Finance and Internal Audits.

In 2017, they continued advancing in the drafting of documents describing the objectives of each control, the improvement and standardisation of evidence deposited by the different subsidiaries and the inclusion of new controls, especially in the IT processes. The implementation of GRC for the control management and IT risk maps, as well as for the management of automatic controls, is a supplement to the platform that until now had existed for the management of ICFR.

At local level, each subsidiary has a person responsible for the ICFR, who coordinates the launch, execution and supervision of the monthly controls.

When the local financial information has been generated, in accordance with the Reporting Validation and Analysis Procedure, each company should carry out the additional controls established in this Procedure, with the participation of at least two people: on the one hand, the person responsible for book closing at local level and, on the other hand, the person responsible for validating this closing, who is usually the Company finance manager or the person responsible for the commercial subsidiary.

The financial information validation procedure reported by each subsidiary makes it possible to check that the data received for consolidation is consistent with that existing in the local systems and is standardised in accordance with the corporate accounting plan in force. The computer application used for consolidation has basic controls incorporated to flag any inconsistency in the information reported.

Those responsible for the accounts inform about changes to the financial statements of their subsidiary, transmitting the most relevant accounts with details of the calculations made.

The consolidated information is reviewed by the General Management, the Corporate Finance Division and the Investor Relations and Communication Division. This review takes place before the information is sent to the Board of Directors for final approval.

The Audit Committee intervenes in the supervision of the Company's regular financial information, filling the roles assigned to it in the Board of Directors Regulations.

"Overseeing the process devised by senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements. Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed".

This involvement from the Audit Committee extends to permanently monitoring account auditing, holding regular meetings with the audit team to directly supervise the result of the process after both pre-closing and definitive closing of the annual accounts.

All this complies with the following roles allocated by the Board Regulations (art. 13) to the Audit Committee in relation to the external auditor:

- (1) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders' Meeting without qualifications in the associated audit report.
- (2) Overseeing compliance with the audit agreement, ensuring that the audit opinion relating to the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

The Commission pays special attention to proposals for improving internal control, the quality of the opinions and estimates and the accounting criteria applied in the Group.

F.3.2- Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the financial information

The main standards and procedures existing in the Viscofan Group in relation to the control of computer systems are contained in the following manuals and policies, available on the Group intranet, which regulate the use of computer systems and networks and their control and management:

- Computer systems and networks user manual
- Authorisation policy on computer access and profiles
- Password policy
- Policy on Management of IT Systems and Networks

These manuals develop the following aspects:

- > The control systems should record and limit access to all Group computer systems and networks, establishing at least the creation of a username for each authorised user and the need for a password associated with it in accordance with the Password Policy.
- > Management of access to any computer system or network shall comply with the provisions of the IT Profile Access Authorisation Policy. Thus, the person responsible for managing profiles and access should keep a record that justifies the authorisation of each action or modification of profiles and each access made.
- > The maintenance of the computer systems and networks should include periodic measures that guarantee the copying and the possibility of backup and recovery of the data and information contained in the different computer systems and networks of the Viscofan Group in each case. Access to these copying and backup resources or mechanisms should be limited, protecting their content in all cases and establishing mechanisms for safekeeping and custody that guarantee their security.

> Any development or modification made by the computer departments to the Viscofan Group computer systems and networks shall be carried out with as much coordination as possible, requesting the authorisations necessary for its implementation or for performing any test process and, in any case, establishing at least the same measures in terms of security and limitation of access to the data.

> The security policy, change management, maintenance and handling of incidents should guarantee rapid recovery of the Viscofan Group computer systems and networks in the event of any contingency that could have an impact on their availability.

The main infrastructure of the Group is located in a main Data Processing Centre (CPD). In a second CPD the secondary infrastructure is housed to ensure the continuity of the service in case of disaster.

The Viscofan Group has a Disaster Recovery Plan, coming within the framework of processes and procedures, and which will serve to guide and support the teams during an incident. This will enable the teams to respond in a way which is as most efficient and controlled as possible, minimising the impact on users, in order to return to operational service as soon as possible.

In 2017, the Process Control module was implemented in applying SAP GRC to document and make a better management of the risks and IT process controls (development and maintenance of applications, infrastructures and operations and physical and logical security).

F.3.3-Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the evaluation, calculation and assessment outsourced to independent experts, which may materially impact the financial statements

The most relevant services that the Viscofan Group assignment to independent expert third parties are the actuarial calculations on labour liabilities and the calculation of the Corporate Tax of one of the Group companies, as well as experts in assessment, due diligence, and the performing of PPA (Purchase Price Allocation) processes in the purchases of new businesses.

In any case, the criterion is maintained of working only with prestigious institutions, and the valuations received are reviewed by the financial departments involved.

F.4- Information and communication

Provide information, indicating the main characteristics, about the existence of at least the following:

F.4.1- A specific function in charge of defining and keeping the accounting policies updated (accounting policy department or area) and dealing with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organization, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The responsibility for defining, updating and disseminating the accounting policies and procedures to be applied to guarantee standardisation of processes and accounting information lies with the Corporate Finance Division, in accordance with the Policy on the Internal Control of Financial Information.

The manuals are disseminated through the document libraries on the corporate Intranet and are available to the financial teams. Contact between corporate and local levels is continuous, and lines of communication are maintained for resolving any queries and conflicts derived from their interpretation.

In addition, regular account coordination meetings are held to transmit accounting policies, provide training in the performance of the controls included in the ICFR and check standardisation in the preparation of the information reported by each subsidiary.

F.4.2- Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on ICFR.

In accordance with the Policy on the Internal Control of the Financial Information, the Group Financial Department is responsible for supervising the appropriate design and use of the financial computer systems.

For these purposes, the Corporate Finance Division has organised selection, set-up, implementation and training into a single reporting tool for consolidation for all Viscofan Group companies.

The data from the local applications are integrated into the consolidation system following a single corporate accounting procedure, the Corporate Accounting Plan. The Corporate Finance Division is responsible for reviewing the equivalence between the accounting plans from each subsidiary and the Corporate Accounting Plan in order to guarantee the standardisation of the information received.

As an additional control measure, the controlling area checkup that at the close of the fiscal year the accounting balances of the consolidation system match with the accounting balances of the financial modules of each subsidiary to ensure that the origin and destination information is the same.

The content of the information reported includes both the financial statements and most of the information necessary for preparing the tables and notes for the Annual Report of the company and subsidiaries, the first draft of which is prepared directly in this system.

F.5- Supervising the system's operation

Provide information, indicating the main characteristics, about at least the following:

F.5.1- The ICFR supervision activities carried out by the Audit Committee and whether the entity has an internal audit function whose powers include providing support to the Audit Committee in its task of supervising the internal control system, including the ICFR. Likewise, give information on the scope of the ICFR assessment carried out during the year and of the

procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial reporting has been considered.

In accordance with Board Regulations. The Audit Committee is responsible for the following: "Overseeing the internal auditing services, including in particular:

- (i) Approving the annual internal audit work plan relating to the evaluation of the ICFR, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;
- (ii) Ensuring the independence and efficiency of the internal audit function;
- (iii) Proposing the budget for this same internal function;
- (iv) Receiving periodic information on its activities, and;
- (v) Verifying that senior management takes into account the conclusions and recommendations set forth in its reports".

The Viscofan Group has an Internal Audit Division, which reports functionally to the Audit Committee.

The objectives set forth in the Internal Audit Statute are:

- Guaranteeing there is a suitable and adequate risk control system;
- Assisting the Board of Directors or the corresponding delegated body in the objective fulfilment of their responsibilities, offering support to the Group Management and the Organisation in the improvement and consolidation of the internal control system, procedures applied and control activities;
- Checking that, through the standardised and efficient application of the policies and procedures in the internal control system, risks are appropriately managed, facilitating the achievement of the strategic objectives of the Viscofan Group;
- Reviewing and checking that the Organisation's processes are appropriate and complied according to approved policies and procedures;
- Identifying and assessing all types of risks faced by the Organisation;
- Overseeing the comprehensiveness of the accounting and management information issued, both internally and externally, i.e., it should be complete and correct;
- Overseeing compliance with the law

The Internal Audit Division prepares Audit Plans, broken down into two classes, according to the time they are in force:

- Multi-annual plans.
- Annual plans.

Annual plans are considered the materialisation in a more limited timeframe of the generic work defined in the multi-annual plan. The latter is considered a declaration of measurable objectives for a longer period.

In addition, the Internal Audit Division carries out the following reporting work:

"It communicates with the Audit Committee and also, where applicable, the Divisions involved, keeping them informed about the results of all audit, investigation and consultancy activities. It also periodically reports to the Audit Committee on the application of the audit plans and other relevant activities; Drafts and subsequently deals with the supervisors of the assessed Divisions, if applicable, the results of the job prior to the final issuing of the reports; Drafts the degree of implementation and efficiency of the recommendations by virtue of the reports issued, and reports on this subject to the Audit Committee".

The Audit Committee holds regular meetings at which it coordinates the actions of the Internal Audit Division, prepares the action plans, reports on and monitors the progress of each of these plans and analyses the level of implementation of the recommendations that have arisen as a result of its actions.

During the financial year of 2017, the Internal Audit work plan specifically focussed on:

- Participation in the Investment Committee, overseeing and controlling its activity.

In 2017, the Investment Committee held four meetings, coinciding with the quarterly financial closures.

Investments are strictly monitored at all subsidiaries. A report is issued every fortnight and this is sent to the Committee members, making it possible to ensure that any possible deviations are quickly detected and the appropriate actions can be taken.

- Participation in the Credit Risk Committee, overseeing and controlling its activity, particularly with regard to credit risk coverage levels and the principal accounts receivable.

The Credit Risk Committee met in 2017 on four occasions.

The key objective of the Credit Risk Committee is to report on the taking out of credit insurance, compliance with established procedures and the added risk involved in selling to some countries. Furthermore, a detailed analysis is made of the total exposure of customers, particularly those with the largest amounts of matured debt.

Monitoring conducted by the Committee has made it possible to keep the amount of the debt covered compared to last year. In the course of 2017, the accident rate was maintained below 2 per thousand.

- Participation in the Global Risk Committee previously described, performing the reassessment and the redefinition of some risks of the Risk Map already existing (defined in 2016 based on the new strategic plan for the period from 2016-2020, MORE TO BE), performing a redefinition of all the KRIs associated to each of these risks and performing, also, a monitoring of the values of these KRIs.

The Committee has met three times throughout this year.

- The supervision of the ICFR, reviewing the controls made and the quality of the evidence provided, establishing appropriate corrective measures in accordance with their materiality. Especially, every quarterly closure is accompanied by a random review of the most

important controls, submitting the findings report to the Audit Committee prior to the approval of the financial information to be published.

- The review of different processes in different subsidiaries. The reviewed processes have been the process of Monthly Financial Closing, the process of Purchase Management, the process of Sales Management, the process of Warehouse Management and the process of HR Management (in one of the companies of the reviewed Groups). The implementation of the Crime Prevention and Detection System was also reviewed in these cases in the audited companies. The review of diverse corporate processes related with the HR areas and Management Control (process of Annual Budget).
- The monitoring of the implementation of the recommendations arising from the reviews of the different processes audited in the past. To do so, it has a monitoring tool of the Internal Audit recommendations, with the creation of reports for Senior Management. As of the end of 2017, however, all the new recommendations arising in the reviews of processes and audited companies are documented in the Audit Management model of SAP GRC.
- The coordination of the implementation project of the application of SAP GRC, carried out via the collaboration of the Internal Audit and Corporate Finance departments, with the support of the consulting services from an external company. The modules of the application implemented have been those of Risk Management (for the global risk management), Audit Management (for the global management of the audit processes) and Process Control (for the management of the internal control).

The activity of the Internal Audit Department is considered to be satisfactory, mainly thanks to the high implementation rate for the improvements and recommendations made in order to correct the incidents detected.

The Audit Department prepares reports on its actions, reflecting the incidents detected during the work execution and suggestions for improvement. These reports are initially discussed with the heads of the subsidiaries or departments involved.

Once the reports have been discussed with the heads and the measures to be adopted have been established, the report is sent to the Audit Committee. Those incidents identified and which could affect the financial reporting, are quantified, where applicable, and reported to the Corporate Financial Department and also to the Local Financial Departments affects, so that they may be corrected.

F.5.2- Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information on whether there is an action plan to try to correct or mitigate the weaknesses observed. Furthermore, whether there is an action plan to correct or mitigate any weaknesses observed.

Furthermore, whether there is an action plan to correct or mitigate any weaknesses observed. In addition to the roles of the Internal Audit Division described in the previous point, the Board of Directors Regulations authorise the Audit Committee to request the presence of the external auditors whenever they consider it appropriate:

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

In practice, the Audit Committee holds a minimum of three annual meetings with the external auditors, one of which coincides with the pre-audit carried out at the end of October each year and the other two with the year-end audit.

At these meetings, the auditor's report any weaknesses in internal control that may have been detected in the audit process and that affect the internal control system. The Committee monitors them during the year, in coordination with the Internal Audit Division and the Corporate Finance Division, to identify and implement, where applicable, any measures that may be deemed advisable.

F.6 - Other relevant information

We do not consider it necessary to disclose any other information that has not been already described in the above sections.

F.7 - External audit report

Provide information about the following:

F.7.1. Whether the ICFR information disclosed to the markets has been submitted by the external auditor, in which case the entity must attach the corresponding report as an annex. Otherwise, explain the reasons why it was not.

ICFR information has been submitted for review by our external auditors PwC, in accordance with the Professional Action Guidelines and the Audit Report form concerning ICFR-related information on listed companies as established in the circular No.7/2015 of the CNMV from 22 December 2015. The report with the conclusions of this review is attached as an annex

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code of listed companies.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies

2. When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:

- a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.
- b) The mechanisms in place to resolve possible conflicts of interest.

Not Applicable

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) Changes taking place since the previous annual general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation and any alternative procedures followed in its stead.

Complies

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation

Complies

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reviews of the operation of the audit committee and the nomination and remuneration committee
- c) Audit committee report on third-party transactions
- d) Report on corporate social responsibility policy

Complies

7. The company should broadcast its general meetings live on the corporate website.

Explain

The Company considers that the transmission of the General Meeting live through the website in a smaller company is not the most appropriate measure to facilitate shareholders' participation in the General Meeting, which is confirmed by the high degree of Shareholders' participation in the General Shareholders' Meeting via their physical presence or via the means of remote participation enabled for this purpose, for which reason the company prefers to allocate the resources that, in its case, it would have to devote to such transmission to encourage their participation through the attendance bonus and providing the shareholders with the greatest information by making available a large amount of information regarding the General Meeting from the moment of publication of the call.

8. That the audit committee ensures that the board of directors will present the accounts to the general shareholders' meeting without limitations or exceptions in the audit report and that, in the exceptional events in which there are exceptions, both the chairman of the audit committee as well as the auditors explain the content and scope of these limitations or exceptions clearly to the shareholders

Complies

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy or remote voting form with the necessary modifications so that they can vote on the new points of the agenda and alternative proposals in accordance with the terms as those proposed by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Not Applicable

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies

12. The board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Complies

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable.

- b) Ensures that the appointment or re-election proposals are based on a prior analysis of the board's needs
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report

Complies

15. Nominee and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control

Complies

16. The percentage of nominee directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related

Complies

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of the total number of directors.

Explain

The company consider that complies with recommendation 17 in accordance with the principle of proportionality among shareholder participation and representation in the board of directors, according which the relationship between nominee directors and independent directors must reflect the relationship between the percentage of capital represented in the board of directors by the nominee directors and the rest of the capital. In the Code of Good Governance of the

listed companies published by the CNMV, it specifically indicates that this proportional principle is not, however, an exact mathematic rule, but rather an approximate rule whose objective is to ensure that the independent directors have a sufficient weight in the board of directors and that any significant shareholder exercises a disproportionate influence in relation to their participation in the capital.

In this text it also clarifies that in certain situations it is considered that this percentage could be excessive and it is recommended to mitigate the application of this rule respect to those that however, do not have an elevated capitalisation considering as a reference those companies not included in the IBEX-35 index to those that would become excessively onerous the compliance of this rule, however respect to the companies in whose share ownership shareholders have presence that individually or together with others maintain an elevated percentage of its capital. For these cases it is recommended a percentage of, at least, one third.

In this sense, it is worth noting that in accordance with the principle of the rule, the inclusion in the Ibex can be used as a reference, but not as a mathematic demand, given that considering the inclusion in a reference index defined by a private institution that could be reviewed every quarter should not have been the principle of complying with or explaining for which the companies are governed their long-term corporate governance, but a reference. In this sense, the law and the code indicate as a quantitative objective criteria an elevated capitalisation and Viscofan is not included as a reference in the funds that they invest in companies of high capitalisation both in the national market and foreign investors, which are considered high capitalisation given a versatile capitalisation greater than 10 billion euros. It is worth remembering that the criteria of including in the Ibex index are not exclusively of capitalisation, but that also influence the liquidity of the value, having companies with capitalisation greater than Viscofan that is not included in this index. However, despite all these considerations, and including even though a foreign decision to the Company, outside the scope of their control that could have as a purpose modifying the monitoring of the recommendations within the same fiscal year without the possibility of doing nothing to the respect, as in this case, the Code of good governance of the companies listed approved by Agreement of the Board of the National Stock Market Committee (CNMV) on 18 February 2015, establishes that the inclusion in the IBEX is the determining criteria regardless of the data objective of capitalisation, and in this sense, the Company does not follow the recommendation that the independent directors represent half of the board even considers that for its capitalisation should fulfil the recommendation that the number of independent directors must represent, at last, a third of the total directors. The Company fulfils this recommendation.

Moreover, the Company considers that the special characteristics of its activity and industrial sector, in which a high degree of specialisation and specific knowledge in areas are required that are not at the scope of persons outside this sector, making it suitable to ensure that the Board maintains sufficient presence of directors with a lot of experience that can guarantee a suitable development of the duties of the Board, above all in that relating to the company's strategy and a continuity in this knowledge. The temporary limitation of the independent directors does not allow guaranteeing this continued presence and the Company considers that it must combine

both needs, above all to the view of the requirement for the companies that do not have a high capitalisation in accordance with the generally accepted criteria.

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of nominee directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

Complies

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of nominee directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a nominee directorship.

Not Applicable

20. Nominee directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, the latter's number should be reduced accordingly.

Complies

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Not Applicable

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors' regulations should lay down the maximum number of company boards on which directors can serve.

Complies

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies

27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions

Complies

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Complies

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, of the majority of directors present, which shall be duly shown in the minutes.

Complies

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise

Complies

34. When a lead independent director has been appointed, the Bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Partially Complies

The Bylaws or the rules of the Board specifically include all the duties of this point, except for maintaining contacts with investors and shareholders in order to form an opinion on their concerns, in particular, in relation to the corporate governance of the company, even though the policy on communication with shareholders, institutional investors and their representatives or advisors predicts contacts of the Coordinating Director with investments and shareholders to understand their points of view. The company is working on a modification of the Board Regulations in which all the matters of this recommendation will be included.

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report

Complies

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Partially complies

The Delegated Committee is set up as a committee whose main function is to deepen in issues related with the business that due to the geographic dispersion and complexity of the Group require a greater dedication and specialisation, therefore the Company has considered that the delegated committee must have presence of directors with greater experience and knowledge of the sector and business. The Secretary of the Delegated Committee is the Secretary of the Board of Directors.

38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies

41. The head of the unit handling internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies

42. The audit committee should have the following functions over and above those legally assigned

1. With respect to internal control and reporting systems:
 - a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
 - b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re- election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on

its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Explain

The Company considers that it fulfils the recommendation because the audit committee has effectively assigned and carries out all the duties included within, however some of them are not currently found specifically included in the internal regulation of the Company, but rather they are assigned within the broader powers to manage, administrate and represent the Company in all the points relative to the ordinary activity of which the Board has been granted in their duty of representation and administration of the Company. To leave greater constancy of its compliance, the company is working on a modification of the Board Regulations in which all the duties of this recommendation will be included specifically

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer

Complies

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Explain

The Company considers that it fulfils the recommendation because the audit committee has effectively assigned and carries out all the duties included within, however some of them are not currently found specifically included in the internal regulation of the Company, but rather they are assigned within the broader powers to govern, administrate and represent the Company in all the points relative to the turn or traffic of it of which the Board has invested in their duty of representation and administration of the Company. To leave greater constancy of its compliance, the company is working on a modification of the Board Regulations in which all the duties of this recommendation will be included specifically.

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Complies

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Explain

The composition and operation of the company is performed in accordance with the best practices and considering Viscofan as a medium capitalisation company in accordance with the commonly accepted international standards and to the track-record of corporate governance of the company. The Company considers that its current size and that of the Board of Directors does not justify the separation of both committees, which would also imply the assigning of greater resources to the Board of Directors to remunerate the members that form part of these committees

49. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive Directors.

When there are vacancies on the board, any Director may approach the Nomination Committee to propose candidates that it might consider suitable.

Complies

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Explain

The Company considers that it fulfils the recommendation because the remuneration committee has effectively assigned and carries out all the duties included within, however some of them are not currently found specifically included in the internal regulation of the Company, but rather they are assigned within the broader powers to manage, administrate and represent the Company in all the points relative to the turn or traffic of it of which the Board has been granted in their duty of representation and administration of the Company. To leave greater constancy of its compliance, the company is working on a modification of the Board Regulations in which all the duties of this recommendation will be included specifically.

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting
- d) They may engage external advise, when they feel it necessary for the discharge of their functions
- e) Meeting proceedings should be recorded in minutes and a copy made available to all directors.

Not Applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium- sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks

Partially Complies

The Company considers that it fulfils the recommendation because the duties mentioned in the recommendation are effectively assigned and are carried out for one of the Board committees, however some of them are not currently found specifically included in the internal regulation of the Company, but rather they are assigned within the broader powers to manage, administrate and represent the Company in all the points relative to the turn or traffic of it of which the Board has been granted in their duty of representation and administration of the Company. For the better performing of these duties and to support each of the committees that they have assigned within the Board, the Company has created ad hoc committees outside of the Board of Directors, composed of employees and/or officers of the Company that report to those Board committees. Additionally, to leave greater constancy of its compliance, the company is working on a modification of the Board Regulations in which are all the duties of this recommendation will be included specifically in each of the committees to which they are assigned.

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies

55. The Company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies

56. Director remuneration should be sufficient to attract individuals with the desired profile and remunerate the commitment, abilities and responsibility that the position demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Explain

Regardless of their links to shares awards or financial instruments referred to its value, the variable remuneration of the executive directors established in the current remunerations policy includes an annual short-term remuneration and triennial long-term remuneration, both based on a combination of parameters that permit incentivising both for the achieving of the results established annually, and the success of the multi-year strategic plan, all of this aligned with the interests of the shareholders since both keep in mind for their parameters, among others, the evolving of value of the share.

On the other hand, the executive directors have acquired shares in the stock exchange voluntarily and for their part over the years that they have been company directors. As a result of these market acquisitions, both the Chairman and the General Managing Director, have shares with a higher value than two years of fixed salary received as executives.

In addition, the Board of Directors must submit to the General Shareholders' Meeting to be held in 2018 a new remunerations policy that specifically includes the delivery of shares, options on shares or remuneration rights linked to their value within the long-term incentive plan of the executive directors.

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Not Applicable

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Explain

The company considers that the configuration of the current remunerations policy guarantees that there is no risk included in the recommendation because the variable components of the remuneration, which are referred to the results and data of the fiscal year immediately prior in the case of the annual variable remuneration and to the three previous fiscal years in the triennial, are only received by the executive directors once they have met the requirements for their perception, and the external auditors or other external experts have confirmed this compliance, which avoids the need to include the clauses of the recommendation.

Furthermore, the variable remunerations are limited in order to ensure that their amount is not significant in relation to the results they are linked to, in order to minimise risk.

To offer greater guarantees, the Board of Directors must also submit to the General Shareholders' Meeting to be held in 2018 a new remunerations policy that specifically includes the possibility of cancelling or returning the variable remuneration of the executive directors in certain circumstances.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies

H. OTHER INFORMATION OF INTEREST

1. If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

2. This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report.

3. The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, it will identify the code in question and the date adhered.

POLICIES ON DIVERSITY AND POINTS OF VIEW

In 2017, the Royal Decree law 18/2017 of 24 November came into force, by which the Code of Commerce, the revised text of the Companies Act approved by Legislative Royal Decree 1/2010, 2 July, and Law 22/2015, 20 July, from Account Auditing, were modified in subjects of non-financial and diversity information.

Establishes, among others, the obligation of disclosure of the "policies on diversity of competencies and point of view" that apply to the administration body respect to issues such as age, sex, disability, or professional training and experience. In the event that the company does not apply a diversity policy, there is no obligation to establish it, even though the statement on company governance must clearly explain the reason for which it does not apply.

The Viscofan Group does not have a specific policy on diversity of the Board of Directors; however, this subject is regulated by the Directors Selection Policy and the Board Regulations of the Group.

The policy on Selection of Directors establishes the principle of equality. Based on this, all candidates shall have the right to be considered for any vacancy produced in the Board, in accordance with objective criteria avoiding any implicit bias that may imply some discrimination, due to nationality, race, sex, ideology or any other aspect beyond their competencies, knowledge and professional experience.

It also establishes that in the candidate search process, the Appointments and Remuneration Committee will keep in mind the diversity and, more specifically, the objective of representation established for the least represented sex in the Board of Directors, including among the potential candidates, the person of this sex that holds the professional profile searched for.

At the same time, the Board of Directors Regulations contains in article 8 that the Board shall ensure that the selection procedures for their members favour diversity of gender, experience and knowledge and do not have an implicit bias that may imply any discrimination and, in particular, that facilitates the selection of directors.

In this aspect the regulation includes the need for establishing an objective of representation for the least represented sex in the board of directors and the drafting on how to reach this objective, mission of the Appointments and Remuneration Committee.

The Appointments and Remuneration Committee considers that the application of the policy of Selection of Directors must be analysed year to year but also long-term keeping in mind the prevision of the vacancies that over the course of time for those that were appointed directors, is expected to occur, to be able to guarantee at all times the quality of the decisions of the Board and their capacity to effectively promote the corporate interest. In this aspect, the Committee works keeping in mind the 2020 objective, which the number of Directors represents at least 30% of the total members of the Board of Directors.

The Appointments and Remuneration Committee has taken account of the gender diversity in the analysis prior to proposing candidates to cover the vacancies created on the Board of Directors, as one of the key factors to be taken into account, although weighting these factors with the diversity of competencies, knowledge and experience, all in accordance with the principles of equality, transparency and legality.

The Appointments and Remuneration Committee has worked on ensuring the presence of female candidates in the selection processes to cover any director vacancies that may arise, including amongst the requirements to be taken into account, that the total number of candidates to be analysed is considered equally men and women, in order to guarantee gender diversity.

This annual corporate governance report has been approved by the Company's Board of Directors in their meeting on

February 28th, 2018

List whether any Directors voted against or abstained from voting on the approval of this Report.

NO.

