

Annual Corporate Governance Report
2010

LISTED STOCK COMPANIES

IDENTIFICATION OF ISSUER

FISCAL YEAREND: 12/31/2010

TAX IDENTIFICATION CODE: A-31065501

Company name: Viscofan, S.A.

SAMPLE ANNUAL CORPORATE GOVERNANCE FORM FOR LISTED STOCK COMPANIES

For a better understanding of the model and subsequent preparation of the form, one must read the instruction for filling it out at the end of this report.

A. OWNERSHIP STRUCTURE OF THE COMPANY

A.1. Complete the following table about the share capital of the company:

Date of last change

Share capital (€)

Number of shares

Number of voting rights

03/06/2009 13,981,104.60 46,603,682 46,603,682

Fecha de última modificación	Capital Social (euros)	Número de acciones	Número de derechos de voto
03/06/2009	13.981.104,60	46.603.682	46.603.682

State whether there are different classes of shares with different rights attaching thereto

NO

A.2. Breakdown of direct and indirect holders of significant shareholdings in the company as of the end of the fiscal year, excluding directors:

(*) Through:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
DOÑA MARIA DEL CARMEN CAREAGA SALAZAR	0	2.366.000	5,077
MARATHON ASSET MANAGEMENT, LLP	0	2.338.952	5,019
BLACKROCK, INC.	0	1.463.530	3,140
BNP PARIBAS, SOCIETE ANONYME	1.436.592	0	3,083

(*) Through:

Name or company name of the indirect holder of the stake	Through: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
DOÑA MARIA DEL CARMEN CAREAGA SALAZAR	ONCHENA S.L.	2.366.000	5,077

Indicate the most significant changes in the shareholding structure that have occurred during the fiscal year:

Name or company name of the shareholder	Date of transaction	Description of the transaction
BLACKROCK, INC.	22/01/2010	Exceeded 3% of the share capital
BNP PARIBAS, SOCIETE ANONYME	10/05/2010	Exceeded 3% of the share capital

A.3. Complete the following tables about members of the Board of Directors of the Company who have voting rights attaching to shares of the Company:

(*) Through:

Name or company name of the indirect holder of the stake	Through: Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
DON NESTOR BASTERRA LARROUDÉ	DON IGNACIO BASTERRA MARTINEZ	6.118	0,013

Name of company name of the Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
DON JOSE DOMINGO DE AMPUERO Y OSMA	40.000	0	0,086
DON NESTOR BASTERRA LARROUDÉ	87.694	6.118	0,201
DOÑA AGATHA ECHEVARRIA CANALES	16.749	0	0,036
DON ALEJANDRO LEGARDA ZARAGÜETA	8.250	0	0,018
DON IGNACIO MARCO-GARDOQUI IBAÑEZ	30.276	0	0,065
DON JOSE CRUZ PEREZ LAPAZARAN	210	0	0,000
DOÑA LAURA GONZALEZ MOLERO	5	0	0,000 3

A.4. Describe, if applicable, the family, commercial, contractual or corporate relationships between significant shareholders, to the extent known to the Company, unless they are immaterial or result from the ordinary course of business:

A.5. Describe, if applicable, the commercial, contractual or corporate relationships between significant shareholders and the Company and/or its group, unless they are immaterial or result from the ordinary course of business:

A.6. Indicate whether any paracorporate (shareholders') agreements affecting the Company pursuant to the provisions of Section 112 of the Securities Market Law [*Ley del Mercado de Valores – LMV*] have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement:

NO

Indicate whether the Company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

NO

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

A.7. Indicate whether there is any individual or legal entity that exercises or may exercise control over the Company pursuant to Section 4 of the Securities Market Law. If so, identify it:

NO

A.8. Complete the following tables about the Company's treasury stock:

At financial year end

Number of direct shares	Number of indirect shares (*)	% of total share capital
0	0	0.000

(*) Throgh:

Total	0
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Describe any significant changes, pursuant to the provisions of Royal Decree 1362/2007, that have occurred during the fiscal year:

Capital gain/(loss) on treasury shares disposed of during the period	0
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A.9. Describe the terms and conditions and the duration of the powers currently in force given by the shareholders acting at the General Shareholders' Meetings to the Board of Directors in order to acquire or transfer Company stock:

Extract of the Minutes of the General Shareholders Meeting held on June 01, 2010 on second call: It was resolved to revoke the authorization to acquire treasury shares that was conferred upon the Board of Directors at the Company's General Shareholders Meeting held on June 03, 2009. It was resolved to authorize the Board of Directors to buy and sell on the market, through the person, Company or entity 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 Spanish Public Limited Companies Act (*Ley de Sociedades Anónimas*) and related provisions, at a minimum price nominal value and a maximum of 125 (one hundred and twenty five) times par value.

The proposed authorisation is for the maximum term envisaged by law 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 Article 75 of the Spanish Public Limited Companies Act (*Ley de Sociedades Anónimas*).

In the event the Board of Directors should need to exercise the authorization 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 79 of the Consolidated Spanish Public Limited Companies Act'.

A.10. Indicate, if applicable, any restrictions imposed by law or the Articles of Association on the exercise of voting rights, and any legal restrictions on the acquisition or transfer of interests in share capital.

Indicate whether there are legal restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that a shareholder may exercise due to legal restriction 0

Indicate whether there are by-law restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that a shareholder may exercise due to a by-laws restriction 0

Indicate if there are legal restrictions against the acquisition or transfer of interests in the share capital:

NO

A.11. Indicate whether the shareholders acting at a General Shareholders' Meeting have approved the adoption of breakthrough measures in the event of a public tender offer pursuant to the provisions of Law 6/2007:

NO

If applicable, describe the approved measures and the terms on which the restrictions will become ineffective.

B. STRUCTURE OF THE COMPANY'S MANAGEMENT

B.1. Board of Directors

B.1.1. Describe the maximum and minimum number of Directors set forth in the By-Laws:**Maximum number of Directors 9****Minimum number of Directors 3****B.1.2. Complete the following table identifying the members of the Board of Directors:****Name or company name of the Director****Representing****Director Position on the Board****Date first elected****Date last elected****Election procedure**

Nombre o denominación social del consejero	Representante	Cargo en el consejo	F. Primer nombram	F. Ultimo nombram	Procedimiento de elección
DON JOSE DOMINGO DE AMPUERO Y OSMA	-	PRESIDENTE	27/02/2009	03/06/2009	VOTACIÓN EN JUNTA DE ACCIONISTAS
DON NESTOR BASTERRA LARROUDÉ	-	VICEPRESIDENTE 1º	27/07/1997	03/06/2008	VOTACIÓN EN JUNTA DE ACCIONISTAS
DOÑA AGATHA ECHEVARRÍA CANALES	-	CONSEJERO	24/06/1998	03/06/2008	VOTACIÓN EN JUNTA DE ACCIONISTAS
DON ALEJANDRO LEGARDA ZARAGÜETA	-	CONSEJERO	22/05/2006	22/05/2006	VOTACIÓN EN JUNTA DE ACCIONISTAS
DON GREGORIO MARAÑÓN BERTRAN DE LIS	-	CONSEJERO	29/01/1999	03/06/2008	VOTACIÓN EN JUNTA DE ACCIONISTAS
DON IGNACIO MARCO-GARDOQUI IBAÑEZ	-	CONSEJERO	01/01/2010	01/06/2010	VOTACIÓN EN JUNTA DE ACCIONISTAS
DON JOSE CRUZ PEREZ LAPAZARAN	-	CONSEJERO	24/06/1998	03/06/2008	VOTACIÓN EN JUNTA DE ACCIONISTAS
DOÑA LAURA GONZALEZ MOLERO	-	CONSEJERO	22/04/2010	01/06/2010	VOTACIÓN EN JUNTA DE ACCIONISTAS

Total number of Directors 8

Indicate any separations from the Board of Directors during the period:

Name or company name of the director.	Director type at time of removal	Effective date of removal
MR. IÑIGO SOLAUN GARTEIZ-GOXEASCOA	independent	31/12/2009
MR JAIME ECHEVARRIA ABONA	executive	31/12/2009

B.1.3. Complete the following table about the members of the Board and each member's status:

EXECUTIVE DIRECTORS

Name or company name of the Committee

MR. JOSE DOMINGO DE AMPUERO Y OSMA

Committee who has proposed the nomination

Nominating Committee

Position on the Company's organizational chart

Chairman

Total number of executive Directors 1**% of the entire Board 12.500**

EXTERNAL DIRECTORS REPRESENTING A CONTROLLING SHAREHOLDER

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the Director

MR. NESTOR BASTERRA LARROUDÉ

Profile

Law degree and is an Economics graduate from the University of Deusto. He also has an MBA from IESE	He spent most of his career working in corporate banking both internationally and in Spain as responsible in capital market and corporate department in Bank of America and Banco Santander. He is currently Vice-president of Iberpapel Gestion SA, partner and member of the board of Director of Amistra SGC, S.A. and member of the Executive Committee of Viscofan, S.A., Director of Naturin Viscofan GmbH, and Industrias Alimentarias de Navarra, S.A.U.
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Name or company name of the Director

MS. AGATHA ECHEVARRIA CANALES

Profile

Law degree from ICADE (Universidad Pontificia de Comillas) and is a Business Studies graduate from the same university.	She has broad professional experience in a number of multi-nationals, including the audit firm Touche & Ross, S.A., British Petroleum España, S.A. and the investment bank Charterhouse Limited in which she was Managing Director and Director of its Spanish subsidiary and founder and director of D+A Documentación y Análisis S.A. She currently acts as a business strategy adviser to family firms Member of the Board of Directors of Viscofan, S.A., of its Executive Committee, Audit Committee and Nominating and Remeneration Committee.
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Name or company name of the Director

MR. ALEJANDRO LEGARDA ZARAGÜETA

Profile

<p>Industrial engineering graduate from the Escuela Superior de Ingenieros Industriales in San Sebastian and holds a Masters in Economics and Business Administration from IESE (Barcelona).</p>	<p>With broad experience in industry, in 1989 he was appointed Financial and Administrative Director of Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) where he subsequently became General Managing Director in 1992. In 2006 he joined the Board of Viscofan, S.A. as an independent Director and in 2007 became an observer on its Audit Committee.</p>
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Name or company name of the Director

MR. GREGORIO MARAÑÓN BERTRAN DE LIS

Profile

<p>Complutense in Madrid and completed the Senior Executive Programme at the IESE.</p>	<p>He has broad experience working in the legal profession and in the financial sector, where he was Managing Director of Banco Urquijo, Chairman of Banif and Director of Argentaria and of BBVA.</p> <p>He is currently Chairman of Roche Farma, of Universal Music Spain, of Logista, S.A; Director of Prisa and member of its Executive Committee, president of its corporate government committee, and Nominating and Compensation Committee; member of the Board of Directors of Prisa TV, and of its Audit Committee and Nominating and Compensation Committee; member of the board of Altadis; Chairman of Advisory Board of Spencer Stuart; and member of the advisory board of Vodafone and Aguirre & Newman.</p> <p>In the cultura sphere he is Presidente of the Teatro Real and the Foundation Greco 2014; Vice-president and president of the Executive committee of the Ortega-Marañón Foundation, director of Santillana Foundation, Altadis Foundation, Real Fundación de Toledo and Toledo International center for the peace. He is a permanent member of the San Fernando Real Academia de Bellas Artes, and has been member of the International Council of the Tate Gallery.</p> <p>He holds the grand cross of Alfonso X el Sabio and officer of the french legion of honor.</p>
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Name or company name of the Director

MR. IGNACIO MARCO-GARDOQUI IBAÑEZ

Profile

<p>Economics degree from Deusto University.</p>	<p>Mr. Marco Gardoqui has a long professional career, he has worked for financial entities, and his activities have covered teaching, consulting, and the press world ,where he has a strong reputation for his actively contribution as economic expert and columnist, he belongs to the Publishing Committee of Vocento Group.</p> <p>He also has developed a wide experience in several industrial companies, belonging to multiples Board of Directors; currently he is Director of Scheider Electric España, Progénika Biopharma, Minerales y Productos Derivados and Tubacex Tubos Inoxidables SA. Previously, he has belonged, among others, to the Board of Director of Técnicas Reunidas, IBV, and Banco de Crédito Local, and chairman of Naturgás</p>
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Name or company name of the Director

MR. JOSE CRUZ PEREZ LAPAZARAN

Profile

<p>Agricultural Engineering graduate from the Madrid Polytechnic.</p>	<p>With broad experience in government service at the Ministry of Agriculture, with postings in Spain and abroad, and deputy in the general courts of the spanish state.</p> <p>He has held the positions of Director General of Agri-food Organization and Industry in the Government of La Rioja, Minister for Agriculture, Livestock and Forestry in the Government of Navarre, was Chairman of the Boards of various listed companies and professor in the Food Technology and Projects Departments of the University of Saragossa and the Public University of Navarre.</p> <p>He is currently Parliamentary senator and has been very active as Chairman or member of the various Agricultural, Fisheries and Food committees of the Congress and Senate and in the latter of the European Union, Labour and Defence committees. He is a recipient of the Gran Cruz del Merito Agrario y Pesquero and is member of the Board of Directors of Viscofan, S.A. He is also a member of its Nominating and Compensation Committee and Chairman of the Audit Committee</p>
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Name or company name of the Director

MS. LAURA GONZALEZ MOLERO

Profile

<p>Graduate in Pharmaceuticals from the "Universidad Complutense de Madrid", Executive MBA from the "Instituto de Empresas", advanced course of innovation and leadership in Harvard and IMD Universities.</p>	<p>Chairman and CEO of the Merck Group in Spain and independent Director of the Leche Pascual Group.</p> <p>Currently, she is leading the integration process of Milipore to the Merck Group, with experience in the integration process with the biotechnology company Serono, a company with which she has been linked, in different posts, since 1999, and in which she was Vice-Chair of Serono Iberia y Paises Nordicos and Nordic countries when purchased by the Merck group.</p> <p>She was previously Managing Director of Farmacéutica Essex from the Schering-Plough Group, and Laboratorios Farmacéuticos</p>
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	Guerbert, S.A, as well as sales director for Roche, S.A.
	Currently she is member of the Board of Directors of the Circulo de Empresarios, APD, and Adecco.
	Her career has also been recognised by numerous prizes and awards in recognition of her work as a notable director.

Total number of independent Directors 7

% of total Directors 87.700

OTHER EXTERNAL DIRECTORS

Describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company or its management or with its shareholders.

Name or company name of teh Director	Date	Before conditon	Actual condition
MR. JOSE DOMINGO DE AMPUERO Y OSMA	01/01/2010	INDEPENDENT	EXECUTIVE
MS. AGATHA ECHEVARRÍA CANALES	01/01/2010	OTHER EXTERNAL	INDEPENDENT

Indicate the changes, if any, in the type of director during the period:

B.1.4. Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 5% of share capital.

State whether formal petitions for presence on the Board have been received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied.

NO

B.1.5. State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

YES

Name of the Director

Mr. IÑIGO SOLAUN GARTEIZ-GOXEASCOA

Reason for the removal: to allow time for personal commitments after many years of loyal service on the Board

Name of the Director**Mr. JAIME ECHEVARRIA ABONA**

Reason for the removal: to allow time for personal commitments following a long stint as Chairman of the Viscofan Board of Directors and a loyal and much-valued career with the company since its inception in 1975.

B.1.6. Indicate the powers delegated to the CEO(s), if any:

B.1.7. Identify the directors who are managers or directors of companies within the listed company's group, if any:

Name or company name of the Director

Company name of the Group entity

Title

Name or company name of teh Director	Denominación social de la entidad del grupo	Cargo
MR JOSE DOMINGO DE AMPUERO Y OSMA	GAMEX CB S.R.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	KOTEKS VISCOFAN D.O.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN LIMITED	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA. INC	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	GAMEX CB S.R.O.	VICE- CHAIRMAN

Nombre o denominación social consejero	Denominación social de la entidad del grupo	Cargo
MR. NESTOR BASTERRA LARROUDÉ	INDUSTRIAS ALIMENTARIAS DE NAVARRA. S.A.U.	VICECHAIRMAN
MR. NESTOR BASTERRA LARROUDÉ	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	NATURIN LIMITED	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CANADA. INC	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	VICECHAIRMAN

B.1.8. Identify the directors of your company, if any, who are members of the Board of Directors of other companies listed on official stock exchanges in Spain other than those of your Group, that have been reported to your company:

Name or company name of the Director

Company name of the Group entity

Title

MR. NESTOR BASTERRA LARROUDÉ IBERPAPEL GESTION. S.A.	DIRECTOR
MR. ALEJANDRO LEGARDA ZARAGÜETA CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES. S.A.	DIRECTOR
MR. GREGORIO MARAÑÓN BERTRAN DE LIS PROMOTORA DE INFORMACIONES S.A.	DIRECTOR

B.1.9. Indicate and, if applicable, explain whether the Company has established rules regarding the number of boards of which its directors may be members:

YES

Explanation of the rules

Article 23 of the Regulations of the Board of Directors states that: Company directors may not sit on more than ten Boards of Directors, in addition to the Board of Viscofan, S.A.

The following are expressly excluded from the calculation:

- Posts on boards of companies in which Viscofan, S.A. directly or indirectly holds a controlling interest.
 - Posts held on the boards of holding companies owned by the director or his/her close relatives.
- Directors shall inform the Appointments and Remuneration Committee of any other professional duties that could interfere with the levels of dedication required of them.

B.1.10. In connection with recommendation number 8 of the Unified Code, indicate the Company's general policies and strategies reserved for approval by the full Board:

The investment and financing policy: YES

The definition of the structure of the group of companies: YES

The corporate governance policy: YES

The corporate social responsibility policy: YES

The strategic or business plan, as well as management objectives and annual budgets: YES

The policy regarding compensation and evaluation of performance of senior management: YES

The risk control and management policy, as well as the periodic monitoring of the internal information and control systems

YES

The dividend policy, as well the treasury stock policy and, especially, the limits thereto: SI

B.1.11. Complete the following tables regarding the aggregate compensation of Directors accrued during the fiscal year:

a) In the Company which is the subject matter of this report:

Compensation

in thousands of euros

Fixed Compensation 0

Variable Compensation 0

Per diems 150
 Payments as per Articles of Association 1,923
 Options on shares and/or other financial instruments 0
 Other 0
Total 2,073

Other Benefits

in thousands of euros

Advances 0
 Loans extended 0
 Pension Funds and Plans: Contributions 0
 Pension Funds and Plans: Obligations undertaken 0
 Life insurance premiums 0
 Guarantees established by the company in favor of Directors 0

b) On account of membership by the Company's directors on other boards of directors and/or in the top management of Group companies:**Compensation**

in thousands of euros

Fixed Compensation 0
 Variable Compensation 0
 Per diems 0
 Payments as per Articles of Association 245
 Options on shares and/or other financial instruments 0
 Other 0
Total 245

Other Benefits

in thousands of euros

Advances 0
 Loans extended 0
 Pension Funds and Plans: Contributions 0
 Pension Funds and Plans: Obligations undertaken 0
 Life insurance premiums 0
 Guarantees established by the company in favor of Directors 0

c) Total compensation by type of director:

Breakdown of Directors	By company	By group
EXECUTIVE	470	163
EXTERNAL REPRESENTING A CONTROLLING SHAREHOLDER	0	0
EXTERNAL INDEPENDENT	1,603	82
OTHER EXTERNAL	0	0
Total	2,073	245

d) As a percentage of the profits attributable to the controlling company:

Total Director compensation (in thousands of euros) 2,318
Total Director compensation/earnings attributed to parent company equity holders (stated as a %) 3,0

B.1.12. Identify the members of the Company's senior management who are not executive directors and state the total compensation accruing to them during the fiscal year:

Name or company name	Title
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MR. JOSE ANTONIO CANALES GARCIA	MANAGING DIRECTOR VISCOFAN GROUP
MS. ELENA CIORDIA CORCUERA	HEAD OF LEGAL VISCOFAN GROUP
MR. GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR. CESAR ARRAIZA ARMENDARIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR. ARMANDO ARES MATEOS	HEAD OF INVESTOR RELATIONS AND
COMMUNICATIONS VISCOFAN GROUP	
MR. PEDRO ERASO ZABALZA	HEAD OF CELLULOSE AND FIBROUS
EXTRUSION VISCOFAN GROUP	
MR. JOSE VICENTE SENDIN AZANZA	HEAD OF STRATEGIC PROJECTS VISCOFAN
GROUP	
MR. JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH AND DEVELOPMENT
VISCOFAN GROUP	
R. ANDRES DIAZ ECHEVARRIA	HEAD OF OPERATIONS VISCOFAN GROUP
MR. JUAN JOSE ROTA ARRIETA	HEAD OF HUMAN RESOURCES VISCOFAN
GROUP	
MR. MANUEL NADAL MACHIN	HEAD OF INFORMATION AND SYSTEMS
VISCOFAN S.A.	
MR. RICARDO ROYO RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.
MR. MILOSLAV KAMIS MANAGING	MANAGING DIRECTOR GAMEX CB SRO.,
VISCOFAN CZ, S.R.O.	
MR. ALFRED BRUINEKOOL	HEAD OF SALES NATURIN VISCOFAN GMBH.
	& MANAGING DIRECTOR NATURIN UK, LTD.
	MANAGING DIRECTOR VISCOFAN
MR. YUNNY SOTO	
CENTROAMERICA COMERCIAL S.A.	
MR. OSCAR PONZ TORRECILLAS	MANAGING DIRECTOR VISCOFAN DE MEXICO
S.R.L. DE C.V.	
MR. LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL
S. COM. E IND. LTDA.	
MR. JOSE MARIA FERNANDEZ MARTIN	MANAGING DIRECTOR VISCOFAN USA INC.
MR. ALEJANDRO MARTINEZ CAMPO	MANAGING DIRECTOR INDUSTRIAS
ALIMENTARIAS DE NAVARRA S.A.U.	
MR. JESÚS CALAVIA COLLAZOS	HEAD OF PRODUCTION VISCOFAN SA.
MR. JUAN NEGRI SAMPER	MANAGING DIRECTOR VISCOFAN
TECHNOLOGY SUZHOU INC.	
MR BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN
GMBH.	
MR. WILFRIED SCHOEBEL	HEAD OF PRODUCTION NATURIN VISCOFAN
GMBH.	
MR. JUAN CARLOS GARCIA DE LA RASILLA PINEDA	MANAGING DIRECTOR KOTEKS
VISCOFAN D.O.O.(Until August 2010)	

Total executive management compensation (in thousands of euros) 3,244

B.1.13. Identify, on an aggregate basis, if there are indemnity or “golden parachute” provisions for the benefit of senior management, including executive directors, of the Company or its Group in the event of dismissals or changes of control.

Indicate whether such agreements must be reported to and/or approved by the decision-making bodies of the Company or its Group:

Number of beneficiaries 2

Board of Directors

General Shareholders Meeting

Body that authorizes the provisions YES NO

Is the General Shareholders Meeting informed of the provisions? NO

B.1.14. Describe the process to set the compensation of the members of the Board of Directors and the relevant provisions of the Articles of Association with regard thereto.

Process to set the compensation of the members of the Board of Directors and provisions of the Articles of Association

Pursuant to Article 27 of the Articles of Association:

'Board compensation shall consist of 1.5% of net earnings before taxes, subject to the requirements set forth in Article 130 of the Spanish Public Limited Companies Act. The distribution of this percentage among the members of the Board shall be carried out pursuant to the resolution in this respect adopted by the Board of Directors in each case'.

In addition, Article 30 sets forth the following on the compensation of the Executive Committee:

'Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Public Limited Companies Act. The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case'.

Moreover, an Nominating and Compensation Committee operates within the Board of Directors; one of its missions consists of:

'f) Proposing to the Board of Directors:

- i.- the compensation policy for Directors and executives, as well the distribution of Directors' compensation,
- ii.- executive Directors' individual compensation and all other terms of their contracts.
- iii.- the basic terms of executives' contracts.'
- iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies. Over the course of 2010, remuneration was distributed equally among Board and committee members.

In fiscal year 2010, the distribution of compensation for the Board and the Committee has been governed by the principle of equal distribution among its members.

State whether the full Board has reserved the right to approve the following decisions:

At the proposal of the Company's chief executive, the appointment and, if applicable, the removal of senior managers, as well as their indemnity provisions. YES.

The compensation of directors and, in the case of executive directors, the additional compensation for their executive duties and other terms and conditions that must be included in their contracts.

YES

B.1.15. State whether the Board of Directors approves a detailed compensation policy and specify the matters covered thereby:

YES

Amount of fixed components, with a breakdown, if applicable, of fees payable for attendance at meetings of the Board and its Committees and estimated annual fixed compensation arising therefrom

YES

Variable compensation items YES

Main characteristics of the social security systems, with an estimate of the amount thereof or equivalent annual cost.

YES

Terms and conditions that must be included in the contracts with executive directors performing senior management duties, which will include

YES

B.1.16. State whether the Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting for consultative purposes. If so, describe the relevant portions of the report regarding the compensation policy approved by the Board for the following years and the most significant changes experienced by such policies vis-à-vis the policy applied during the fiscal year, and provide an outline of the manner in which the compensation policy was applied during the fiscal year. Describe the role of the Compensation Committee and, if external advice has been provided, state the name of the external advisors that have given such advice:

YES

Matters covered by the report on compensation policy

The Report submitted to the General Shareholders' Meeting of 1 June 2010 explains the functions of the various corporate bodies and the internal rules governing the remuneration policy.

POWERS IN RELATION TO THE REMUNERATION POLICY

In accordance with Article 14 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee is charged with the following duties, among others: f) To forward proposals to the Board of Directors on:

- i. The remuneration policy for Board members and senior executive officers of the group, and the proposed apportionment of remuneration payable to Board members.
- ii. The individual remuneration of executive Board members and other terms of their contracts of employment.
- iii. The basic terms and conditions of contracts of employment with senior executives of the group.
- iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Moreover, in accordance with Article 5 of the Regulations of the Board of Directors: In addition to those matters reserved solely for the Board by law, the following matters are the sole province of the Board of Directors sitting in full session:

b) The following decisions:

- ii) The remuneration of Board members, and, in the case of executive members, additional pay for their executive duties and other conditions envisaged in their contracts of employment.

Furthermore, the company's Articles of Association state:

Article 27 of the Articles of Association

"Board remuneration shall amount to 1.5% of net earnings before tax, subject to the limits set forth in Article 130 of the Spanish Public Limited Companies Act. It shall be distributed among Board members in accordance with the resolution adopted in this respect by the Board on a case-by-case basis".

Article 30 of the Articles of Association

"Executive Committee remuneration shall amount to 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Public Limited Companies Act. The distribution of

this percentage among members of the committee shall be carried out pursuant to the resolution in this respect adopted by the committee in each case".

REMUNERATION POLICY PAY ITEMS

The remuneration policy of Board members has not changed since it was first adopted by the company's Board of Directors at a meeting held on 18 April 2008, and embraces the following pay items:

1. Payments to the Board and Executive Committee under Articles 27 and 30 of the company's Articles of Association:

a) Board of Directors: 1.5% of net earnings before taxes, subject to the limitations prescribed by Art. 130 of the Spanish Public Limited Companies Act. Allocation: to be decided by the Board of Directors.

b) Executive Committee: 1.5% of net earnings before taxes, subject to the limitations prescribed by Art. 130 of the Spanish Public Limited Companies Act.

Allocation: to be decided by the Executive Committee.

2. Remuneration of executive Board members.

Executive directors receive the same remuneration as non-executive directors for their seat on the Board.

3. Remuneration of members of the Audit Committee and Appointments and Remuneration Committee.

Board members that sit on the Audit Committee or Appointments and Remuneration Committee do not receive any remuneration for their seat on such committees.

4. Remuneration of the Chairmen and Vice-Chairmen of the Board of Directors and its component committees. The Chairmen and, where applicable, the Vice-Chairmen of the company's Board of Directors, Executive Committee, Audit Committee and Appointments and Remuneration Committee do not receive any additional remuneration by virtue of their position.

5. Other items

There are no further pay items other than those described in the preceding points.

Any amendment, extension, reduction or alteration of the aforementioned pay items or their allocation must be approved beforehand by the company's Board of Directors sitting in full session, upon a proposal submitted by the Appointments and Remuneration Committee, except when approval by the company's General Shareholders' Meeting is required.

REMUNERATION 2009. ALLOCATION.

Net pre-tax earnings of Viscofan, S.A. and subsidiaries for 2009 and 2008 totalled 85,961,669.97 and 60,281,170.48 euros, respectively, while net pre-tax earnings of Viscofan, S.A. for 2009 and 2008 amounted to 42,469,170 and 33,599,556 euros, respectively. The Board of Directors shall receive 1.5% of the parent company's pre-tax profit, which for 2009 and 2008 stood at 656,739.74 and 519,582 euros, respectively, while the Executive Committee shall also receive 1.5% of the parent company's pre-tax profit for 2009 and 2008, specifically 656,739.74 and 519,582 euros, respectively.

Furthermore, the sum of 238,620 euros was paid in accordance with the Articles of Association of subsidiary companies.

The total remuneration paid to Board members in 2009 is detailed in the company's Annual Report for 2010. The company did not award any type of advance or loan to Board members, nor has it assumed any obligations in terms of pension schemes or life assurance. The group did not post any kind of guarantee or security in favour of any member of its Board of Directors, nor is there any

system of remuneration pegged to the company's share price. No other remuneration was paid other than that envisaged in the company's Articles of Association.

Role of the Compensation Committee

Pursuant to Article 14 of the Board Rules, the following shall be among the missions of the Nominating and Compensation Committee:

'f) Proposing to the Board of Directors:

- i.-the compensation policy for Directors and executives, as well the distribution of Directors' compensation,
- ii.-executive Directors' individual compensation and all other terms of their contracts.'
- iii. The basic terms and conditions set forth in the contracts of employment of the group's senior executive officers.
- iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Has external advice been provided?

NO

Name of external advisors

B.1.17. Indicate the identity of the members of the Board of Directors, if any, who are also members of the board of directors, managers or employees of companies that hold a significant interest in the listed company and/or in companies within its Group:

Describe, if applicable, any significant relationships other than the ones contemplated in the prior item, of the members of the Board of Directors linking them to significant shareholders and/or at companies within the Group:

B.1.18. State whether the Regulations of the Board of Directors have been amended during the fiscal year:

si

Description of amendments

The Board of Directors, at a meeting held on 27 January 2011, approved a number of amendments to the Regulations of the Board of Directors, which can be summarised as follows:

The exclusive powers vested in the Board of Directors sitting in full session have been extended to encompass the following:

- f) Deciding on the contents of the company's website.
- g) Delegating powers to any of its members pursuant to applicable law and the Articles of Association, and revocation of such powers.
- h) Appointing directors should vacancies arise, following a proposal to such effect from the Appointments and Remuneration Committee, and until such time as the next General Meeting is held.
- i) Accepting resignations tendered by Board members.
- j) Any other exclusive powers conferred by applicable law, the current Articles of Association or these Regulations.

The Regulations also envisage that if the posts of Chairman to the Board and CEO of the company are vested in the same person, one of the independent directors will be charged with the following duties:

- a) to request that a Board meeting be convened, or for new items to be added to the agenda;
- b) to act as coordinator for the non-executive directors and to voice their concerns;
- c) to head the process whereby the Board assesses the performance of the Chairman.

The duties of the Secretary to the Board have also been extended to encompass the following:

g) Ensuring that the good governance recommendations assumed by the company are implemented.

h) Ensuring that the actions of Board members:

- abide by the letter and the spirit of applicable laws and regulations;
- comply with the company's Articles of Association and internal regulations;
- reflect recommendations on good corporate governance.

The Executive Committee and Audit Committee are now required to furnish the minutes for their meetings to all Board members, while the Appointments and Remuneration Committee must now report on any business it addresses and all resolutions carried.

Information has also been added in relation to the qualifications that members of the Audit Committee should possess, and the make-up of the committee in terms of director type (independent, executive, etc.).

The Regulations now include an improved framework for and definition of the duties of the Audit Committee, which now include:

- coordination and supervision of the internal control and reporting systems;
- supervision of internal audit services

- coordinating, supervising and safeguarding the independence of the external auditor;
- reporting to the Board of Directors before it decides upon:
 - (a) The periodic financial information that the company is required to disclose publicly;
 - b) the creation or acquisition of holdings in special-purpose entities or those domiciled in countries or territories classified as tax havens;
 - (c) related-party transactions.

- supervision of the internal codes of conduct and rules on corporate governance.

The duties of the Appointments and Remuneration Committee have also been refined and extended.

The Regulations now envisage a confidential whistle-blowing channel whereby employees may report possible irregular and potentially significant practices to the Audit Committee, particularly those relating to accounting, finances and auditing.

The Regulations now address the steps to be taken in the case of directors that could damage the company's image and reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof.

The Regulations now impose a limit on the number of boards on which the company's directors may sit, following a Board resolution to such effect.

The Regulations now dictate that the Board of Directors may not propose the removal of independent Board members before the end of their term of office, unless the Board deems just cause to exist following a report to such effect from the Appointments and Remuneration Committee.

Further information has been added on the situations in which directors may be removed from office, including limitations and transparent disclosure of the grounds for the removal.

The Regulations also usher in the electronic shareholders' forum.

B.1.19. Indicate the procedures for the appointment, reelection, evaluation and removal of Directors. List the competent bodies, the procedures to be followed and the criteria applied in each of such procedures.

Pursuant to Article 26 of the Articles of Association:

‘The representation and management of the Company shall be vested in the Board of Directors, which shall comprise a minimum of three and a maximum of nine members.

The Board shall be elected by the shareholders at the General Shareholders Meeting, in compliance with the provisions set forth in Article 137 of the Spanish Public Limited Companies Act.’

And Article 27 sets forth that:

‘Directors need not be shareholders. The term of office for Directors is six years from the date they are elected.

The appointment of Directors shall 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 elapsed.

The General Shareholders Meeting, or in its stead the Board of Directors itself, may appoint from among the Directors a Chairman, a First Vice Chairman, a Second Vice Chairman, a Third Vice Chairman and a Secretary (who need not be a Director) of the Board of Directors; they shall also serve as such at the General Shareholders Meeting. The appointment of the Chairman and any of the Vice Chairmen by the Board of Directors itself shall comply with the requirements set forth in Article 141.2 of the Spanish Public Limited Companies Act for the purposes of Article 30 of these Articles of Association.’

In this respect, Article 6 of the Board Rules sets forth:

‘The Board of Directors shall comprise the number of Directors determined by the shareholders at the General Shareholders Meeting within the limits set forth in the Articles of Association.

The Board shall propose to the shareholders at the General Shareholders Meeting the number that based on the changing circumstances of the Company is the most appropriate to ensure due representativity and effective functioning of the Board.’

And Article 8 sets forth that:

‘The shareholders at the General Shareholders Meeting or the Board of Directors itself shall elect the Directors in the circumstances set forth in the law. The proposals submitted to the shareholders at the General Shareholders Meeting by the Board with respect to elections or reelections with the limits set forth in the Articles of Association shall rely on proposals by the Nominating and Compensation Committee for independent Directors and be based on a prior report by the Nominating and Compensation Committee for all other Directors. A reasonable number of independent Directors shall be included on the Board and there shall generally be a majority of external Directors. Directors shall serve for the terms of office set forth in the Articles of Association.’

Furthermore, Article 14 of the Board of Directors’ Rules includes the Nominating and Compensation Committee and sets forth:

The mission of the Nominating and Compensation Committee shall be as follows:

- a) Ensure the appropriateness and integrity of the selection of Directors and executive officers.
- b) Propose to the Board of Directors the election or reelection of independent Directors.

- b) Report to the Board of Directors on the election or reelection of all other Directors.
- d) Report the appointment and separation of executives that the Chief Executive Officer proposes to the Board.
- e) Report to the Board of Directors on matters of gender diversity.
- f) Propose to the Board of Directors:
 - i.- the compensation policy for Directors and executives, as well the distribution of Directors' compensation,
 - ii.-executive Directors' individual compensation as all other terms of their contracts,
 - iii.- the basic terms of executives' contracts.'
 - iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Pursuant to Article 16 of the Board Rules, relating to the Appraisal of the Board of Directors and the Committees:

Each year the Board of Directors shall appraise:

- a) the quality and effectiveness of the functioning of the Board itself;
- b) the Chairman's and Chief Executive Officer's performance of their duties based on the report submitted to it by the Nominating and Compensation Committee; and
- c) the operation of the Board Committees, based on the report forwarded to it by each of these.

The removal of directors is governed by the following articles of the Regulations of the Board of Directors, pursuant to the drafting thereof approved at a Board meeting held on 27 January 2011.

Pursuant to Article 27 of the Board of Directors' Rules on the separation of Directors:

'Directors shall serve at the pleasure of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:

- a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.
- 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 shall 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 deems just cause to exist 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 shall be reported to the Spanish CNMV as a material event, and the reason for the departure shall be reported in the Annual Corporate Governance Report.

Article 28, - Duties of Directors 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.

B.1.20. Indicate the circumstances under which the resignation of Directors is mandatory.

Pursuant to Article 22 of the Regulations of the Board of Directors, relating to the duty of loyalty: Company directors, in fulfilling their duty of loyalty, must report to the Board, prior to the occurrence, or as soon as they become aware of any conflict of interest with the company or its business group. This includes the obligation to step down immediately should the same conflict persist or if their presence on the Board could negatively affect the company's interests.

Furthermore, directors shall abstain from voting on matters in which they have an interest.

Any conflicts of interest in which directors find themselves shall be reported in the Annual Corporate Governance Report.

Directors shall report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. Should this situation arise, the Board shall examine the case in question, monitor it closely and then decide on whether the director in question should stand down.

Directors may not hold any kind of office or post, either on their own or through a representative, in companies that compete with Viscofan and its business group, nor may they represent such companies or offer them advisory services.

In its various facets, this duty of loyalty of directors also encompasses activities engaged in by related parties, as defined in these regulations.

Pursuant to Article 27 of the Board of Directors' Rules on the separation of Directors:

'Directors shall serve at the pleasure of the Board of Directors and if the Board so deems advisable shall tender their resignation in the following cases:

- a) When they become subject to any of the circumstances set forth in the law disqualifying or banning their service.
- 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 shall 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 deems just cause to exist 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 shall be reported to the Spanish CNMV as a material event, and the reason for the departure shall be reported in the Annual Corporate Governance Report.

B.1.21. Explain whether the powers of the top executive of the Company are vested in the Chairman of the Board. If so, indicate the measures that have been taken to mitigate the risks of accumulation of powers in a single person:

YES

Measures to mitigate risks

The company's Board of Directors, at a meeting held on 27 January 2011, approved and introduced a new measure into its internal regulations to limit the risk of concentration of powers, in the form of the following paragraph added to Art. 9 (Chairman of the Board):

If the posts of Chairman to the Board and CEO of the company are vested in the same person, one of the independent directors will be charged with the following duties:

- a) to request that a Board meeting be convened, or for new items to be added to the agenda;
- b) to act as coordinator for the non-executive directors and to voice their concerns;
- c) to head the process whereby the Board assesses the performance of the Chairman. Moreover, both the Chairman and the CEO will be assessed by the Board of Directors in accordance with Article 16 of the Regulations of the Board of Directors.

Pursuant to Article 16 of the Board of Directors' Rules:

'Each year the Board of Directors shall evaluate:

b) the Chairman's and Chief Executive Officer's performance based on the report submitted to it by the Nominating and Compensation Committee.'

Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the Board of Directors.

YES

See article 9 (above mentioned)

B.1.22. Are qualified majorities, different from the statutory majorities, required to adopt any type of decision?

NO

Describe the method used by the Board of Directors to adopt resolutions, including at least the minimum quorum required to hold a valid meeting and the majorities required to adopt resolutions:

Description of the resolution:

ALL

Quorum %

The Board of Directors has a quorum with the presence or representation of one half plus one of the Directors.

62.50

Percentage required for majority

Resolutions are adopted by simple majority vote of the Directors attending the meeting and the Chairman shall have the tie-breaking vote.

51.00

B.1.23. Explain whether there are specific requirements, other than the requirements relating to Directors, to be appointed Chairman.

NO

B.1.24. Does the Chairman have a tie-breaking vote?

YES

Matters on which a tie-breaking vote may be cast

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 tie-breaking vote.

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

B.1.25 Indicate whether the Articles of Association or the Regulations of the Board of Directors set forth any age limit for directors:

NO

Age limit for the Chairman

Age limit for the CEO

Age limit for Directors

0 0 0

B.1.26. Indicate whether the Articles of Association or the Regulations of the Board of Directors establish any limit on the term of office for independent directors:

NO

Maximum number of years in office 0

B.1.27. If the number of women directors is scant or nil, describe the reasons therefore as well as the initiatives adopted to correct such situation.

Description of reasons and initiatives

The company has been steadily increasing the number of women directors and has also been actively looking for opportunities to recruit more female directors, provided the profile of the candidates allows for this.

Furthermore, the company has increased the proportion of female directors sitting on the various committees attached to the Board of Directors, thus increasing their involvement in and contributions to such committees and, as a result, in and to the Board of Directors. The following qualifications required to carry out such functions are invariably taken into account: economic and financial track record, knowledge of the sector, know-how and experience in corporate governance, internal and external auditing and control of financial information.

In particular, state whether the Nominating and Compensation Committee has established procedures which ensure that selection processes are free from any implied bias hindering the selection of women directors and which allow for the free search for women candidates that meet the required profile:

NO

B.1.28. Indicate whether there are formal procedures for proxy-voting at meetings of the Board of Directors. If so, briefly describe them.

The company's Articles of Association set forth the following:

Art. 23: All shareholders with the right to attend may be represented at the General Meeting by another person.

Such proxy authority shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising the voting rights.

Such proxy authority shall be conferred specially for each Shareholders' Meeting.

Art. 24: Resolutions shall be adopted by majority vote and recorded in the minute book of the Company.

Shareholders may delegate voting on proposals for items on the agenda or exercise their vote via postal or electronic correspondence or any other remote means of communication that duly ensure the identity of the individual exercising the voting rights.

Each share entitles to one vote.

Shareholders voting remotely must be considered as present for the purposes of the constitution of Meeting.

Pursuant to Article 16 of the Regulations of the General Meeting:

All shareholders with the right to attend may be represented at the General Shareholders' Meeting by another person.

Such proxy authority shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, on a separate basis for each Meeting.

In addition, Article 22 of the same Regulations establishes the main rules for absentee voting.

Furthermore, at its meeting on May 9, 2005, the Company's Board of Directors approved the Rules on Remote Voting and Proxy; these include the detailed procedures for delegating votes to the Board of Directors, all in accordance with the company's Articles of Association and Regulations of the General Meeting.

The procedure contemplates the possibility of exercising the delegation of authority:

a) By means of electronic communication through the Company's website. The guarantees of authenticity and identification of the shareholder exercising the vote that, under Article 22 of the Regulations of the General Meeting, the Board of Directors considers appropriate for ensuring the authenticity and identification of the shareholder exercising their vote are the advanced recognised electronic signature in accordance with Spain's Electronic Signature Act 59/2003 of December 19, 2003 (Ley de Firma Electrónica), provided it is based on a valid recognised electronic certificate issued by the Spanish Certification Authority (Autoridad Pública de Certificación Española, hereinafter "CERES") reporting to the Spanish Currency and Stamp Mint (Fábrica Nacional de Moneda y Timbre).

b) By post, completing and signing the section relating to delegating the attendance card issued in paper form by the corresponding member institution in la Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima (Iberclear). The proxy shall accept the proxy authority, to such end signing the attendance card and proxy form sent to it by the shareholder. The proxy may only exercise it by attending the Shareholders' Meeting in person.

In order for it to be valid and comply with the provisions of the General Shareholders' Meeting Rules, the Company must receive both the remote delegation of authority and remote votes — whether electronic or by post — 24 hours before the day and time planned for the Meeting to be held on first call. Otherwise, the delegation of authority shall not be considered granted, unless it is received afterwards but before the General Meeting is held and it does not raise significant problems for the computations and verifications that are necessary in preparing and holding the Meeting.

B.1.29. Indicate the number of meetings that the Board of Directors has held during the fiscal year. In addition, specify the number of meetings, if any, at which the Chairman was not in attendance:

Number of Board Meetings 11

Number of Board Meetings the Chairman did not attend 0

Indicate the number of meetings held by the different committees of the Board of Directors during the fiscal year:

Number of Executive or Delegate Committee Meetings 16

Number of Audit Committee Meetings 8

Number of Nominating and Compensation Committee Meetings 6

Number of Nominating Committee Meetings 0

Number of Compensation Committee Meetings 0

B.1.30. Indicate the number of meetings held by the Board of Directors during the fiscal year at which not all of its members have been in attendance. Proxies granted without specific instructions must be counted as absences:

Number of Directors' failures to attend during the fiscal year 4

Failures to attend as a percentage of total votes during the fiscal year 4.760

B.1.31. Indicate whether the annual individual financial statements and the annual consolidated financial statements that are submitted to the Board of Directors for approval have been previously certified:

SI

Identify, if applicable, the person/persons that has/have certified the annual individual and consolidated financial statements of the Company for their preparation by the Board:

Name	Title
DON JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGER
DON CESAR ARRAIZA ARMENDARIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
DON RICARDO ROYO RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.

B.1.32. Explain the mechanisms, if any, adopted by the Board of Directors to avoid any qualifications in the audit report on the annual individual and consolidated financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting.

With a view to ensuring that the accounts prepared by the Board of Directors are put before the General Meeting without any qualification in the audit report, the Board has implemented a process of reviewing, analysing and internally controlling the financial information (which also extends to subsidiary companies), following to such effect the recommendations formulated by the expert working group. This new system improves upon, standardises and systemises the various measures previously in place.

The following duties, among others, have also been entrusted to the Audit Committee (Art. 14 of the Regulations of the Board of Directors):

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 (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structurings, special purpose vehicles, and the correct application of accounting standards.

(b) Overseeing the process devised by the 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, in order for the main risks to be properly identified, managed and communicated.

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

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

(ii) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee shall 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 the 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 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.

(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 shall 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 shall explore the underlying causes;

ii) the Audit Committee shall 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.

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

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

(a) the periodic financial information that the company must publicly disclose, 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.

The company also pre-closes the year on 31 October so as to anticipate and correct any incidents that may have arisen over the year.

B.1.33. Is the Secretary of the Board of Directors a Director?

NO

B.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Nominating Committee and approved by the full Board.**Procedure for election and separation**

Pursuant to Article 11 of the Board Rules:

'The election and separation of the Secretary of the Board and, as appropriate, of the Assistant Secretary, shall be approved by the full Board, based on a report by the Nominating and Compensation Committee.'

Does the Nominating Committee report the election? YES**Does the Nominating Committee report the separation? YES****¿Does the full Board approve the election? YES****¿Does the full Board approve the separation? YES****Is the secretary of the Board responsible for specially ensuring compliance with good governance recommendations?**

YES

B.1.35. Indicate the mechanisms, if any, used by the Company to preserve the independence of the auditors, the financial analysts, the investment banks and the rating agencies.

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

D) With respect with to internal 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 shall 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 shall explore the underlying causes;

ii) the Audit Committee shall 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.

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:

d) Definition of the information policy relating to shareholders, markets and public opinion.

In relation to dialogue with shareholders, Article 32 of the Regulations of the Board of Directors reads as follows:

The Board of Directors shall adopt such measures as it deems appropriate to ensure that the General Meeting exercises the functions attributed to it. At the time the notice of meeting is published, the company shall make available to shareholders documentation on all items to be addressed at the General Shareholders' Meeting as included on the agenda. This documentation shall be available in hard copy from the company's registered office and in digital copy from the company's website. In addition, the company shall send such information to interested shareholders at no cost.

It shall also set up an Electronic Shareholders' Forum on the company's website. This forum will be available to individual shareholders and to any voluntary associations that may be set up and is intended to facilitate communication and dialogue ahead of the General Meeting.

Furthermore, up to seven days prior to the scheduled date for the General Shareholders' Meeting, and during the meeting itself, shareholders may ask directors for information or further clarifications, and may likewise pose questions on the information provided, as well as any other information accessible to the public and provided by the company since the date of the last General Meeting. Company directors shall provide such information immediately or in writing, unless such disclosure could harm the company's interests.

With regard to analysts and investment banks, the mechanisms envisaged under Article 34 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 34,-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's Articles of Association, 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 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 authorizations 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.

B.1.36. Indicate whether the Company has changed the external auditor during the fiscal year. If so, identify the incoming and the outgoing auditor:

NO

Outgoing auditor

Incoming auditor

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

YES

B.1.37. Indicate whether the audit firm performs other non-audit work for the Company and/or its Group. If so, state the amount of the fees paid for such work and the percentage they represent of the aggregate fees charged to the Company and/or its Group.

SI

Company

Group

Total

Amount for work other than audit work (thousands of euros)

24 113 137

Amount for work other than audit work/Total amount invoices by the audit firm (as a %)

21.910 18.720 19.210

B.1.38. State whether the audit report on the Annual Financial Statements for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications.

NO

B.1.39. Indicate the consecutive number of years for which the current audit firm has been auditing the annual financial statements of the Company and/or its Group. In addition, state the percentage represented by such number of years with respect to the total number of years in which the annual financial statements have been audited:

Company

Group

Number of consecutive years 4 4

Company

Group

Number of years audited by the current audit firm/Number of years the Company has been audited (as a %)

16 25.0

B.1.40. Indicate the interests of members of the Board of Directors in the share capital of companies that engage in the same, similar or complementary activities, both with respect to the company and its group, and which have been reported to the company. In addition, state the position or duties of such Directors in such companies:

B.1.41. Indicate whether there is any procedure for Directors to hire external advisory services, and if so, describe it:

YES

Description of procedure

Pursuant to Article 18 of Viscofan's Board Rules:

'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'.

B.1.42. Indicate whether there is any procedure for Directors to obtain sufficiently in advance the information required to prepare for meetings of management-level decision-making bodies and, if so, describe it:

YES

Description of procedure

Article 17 of the Board of Directors' Rules sets forth the following:

The Board members shall receive the information required to carry out their work in due time and depth with respect to the matters in question. They may obtain additional information should they see fit; such information shall be channelled through the Secretary of the Board of Directors.

The usual practice will be that, before each meeting of the Board of Directors or the respective committees, the Board members will receive the most relevant information about the agenda items to be discussed, as far in advance as necessary for correct analysis and studying of that information.

B.1.43. State whether the Company has established any rules requiring Directors to inform the Company -and, if applicable, resign from their position- in cases in which the credit and reputation of the Company may be damaged. If so, describe such rules:

YES

Description of rules

Board Rules:

Pursuant to Art. 22 of the Regulations of the Board of Directors, relating to the duty of loyalty: Directors shall report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. Should such a situation arise, the Board of Directors shall examine and monitor it closely, before deciding on whether the director in question should stand down.

B.1.44. State whether any member of the Board of Directors has informed the Company that he has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of an oral trial has been issued against him for the commission of any of the crimes contemplated in Section 124 of the Companies Law:

NO

Indicate whether the Board of Directors has analyzed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the Director should remain in office.

NO

Decision made

Substantiated explanation

B.2. Committees of the Board of Directors

B.2.1. List all the committees of the Board of Directors and the members thereof:

NOMINATING AND COMPENSATION COMMITTEE

Name

Title

Category

MR. JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MR. AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR. JOSE CRUZ PEREZ LAPAZARÁN	DIRECTOR	INDEPENDENT

EXECUTIVE OR DELEGATE COMMITTEE

Name

Title

Category

MR. JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MR. AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR. NESTOR BASTERRA LARROUDÉ	DIRECTOR	INDEPENDENT

AUDIT COMMITTEE

Name

Title

Category

MR. JOSE CRUZ PEREZ LAPAZARAN	CHAIRMAN	INDEPENDENT
MS. AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR. ALEJANDRO LEGARDA ZARAGÜETA	DIRECTOR	INDEPENDENT
MR. GREGORIO MARAÑÓN BERTRAN DE LIS	DIRECTOR	INDEPENDENT

B.2.2. State whether the Audit Committee has the following duties:

Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.

YES

Periodically review the internal control and risk management systems, in order for the main risks to be properly identified, managed and made known.

YES

Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit area; propose the budget for such area; receive periodic information regarding its activities; and verify that senior management takes into account the conclusions and recommendations contained in its reports.

YES

Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.

YES

Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.

YES

Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.

YES

Ensure the independence of the external auditor.

YES

In the case of groups of companies, favor the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.

YES

B.2.3. Describe the rules of organization and operation of, and the duties assigned to, each of the Board committees.**Committee name**

NOMINATING AND COMPENSATION COMMITTEE

Short description

Governed by the Board Rules:

Article 14,- Nominating and Compensation Committee.

There shall be an Nominating and Compensation Committee of the Board of Directors.

The Board of Directors sitting in full session is responsible for appointing and removing the members of the committee. Members of the committee shall automatically step down when they cease to serve as company Board members.

The mission of the Nominating and Compensation Committee shall be as follows:

- a) Ensure the appropriateness and integrity of the selection of Directors and executive officers.
- b) Propose to the Board of Directors the election or reelection of independent Directors.
- c) Report to the Board of Directors on the election or reelection of all other Directors.
- d) Report the appointment and separation of executives that the Chief Executive Officer proposes to the Board,
- e) Report to the Board of Directors on matters of gender diversity.

f) Propose to the Board of Directors:

- i.- the compensation policy for Directors and executives, as well as the distribution of Directors' compensation,
- ii.- executive Directors' individual compensation as well as other terms of their contracts.
- iii.- the basic terms of executives' contracts.
- iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

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

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Short description

Company Articles of Association:

Article 30:

1.- The Executive Committee shall comprise a minimum of three and a maximum of five members. The following shall 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 shall adopt its resolutions by majority vote and the Chairman shall have the tie-breaking vote. The Chairman of the Board shall chair the Committee. All powers except the following shall be vested in the Executive Committee as a permanent delegation by the Board of Directors: Sale, swap and encumbrance of real property, industrial or commercial premises and businesses of all kinds, establishment and modification of interests on such real property, premises and businesses, transfer, disposal, ownership and encumbrance of real property, establishment and modification of real estate mortgages, submitting issues to private arbitration and such powers as cannot legally be delegated.

Executive Committee compensation shall consist of 1.5% of net earnings before taxes, subject to the limits set forth in Article 130 of the Spanish Public Limited Companies Act.

The distribution of this percentage among the members of the Committee shall be carried out pursuant to the resolution in this respect adopted by the Committee in each case.

Board Rules:

Article 12,- Executive Committee.

The Executive Committee shall comprise the number and type of members set forth in the Articles of Association.

The Secretary to the Board of Directors will also serve as secretary to the Executive Committee.

The Board of Directors is empowered to appoint its members as well as to remove them, based on a report by the Nominating and Compensation Committee. The members of the Executive Committee shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company.

The Executive Committee shall have the authorities and powers conferred upon it by the Articles of Association and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders Meeting.

The Executive Committee shall exercise its powers with the utmost transparency vis-a-vis the Board, informing it of the matters discussed and any resolutions adopted, and furnishing all Board members with the minutes of its meetings.

Committee name
AUDIT COMMITTEE
Short description

Company Articles of Association:
Article 30:

2- The Audit Committee shall comprise a minimum of three members appointed by the Board of Directors pursuant to legal requirements.

The members of the Committee shall automatically cease to serve on the Committee when they cease to serve as Directors or based on a decision by the Board of Directors.

The members of the Audit Committee shall elect from among their number a Chairman, who shall be replaced every four years; the Chairman may be reelected one year after he/she ceases to serve as Chairman.

The Audit Committee shall meet whenever convened by its Chairman, by decision of the Board of Directors, or upon the request of the majority of its members.

The Audit Committee shall have a quorum with the presence or representation of the majority of its members.

Resolutions shall be adopted by simple majority vote of the members attending the meeting and the Chairman shall have the tie-breaking vote.

Resolutions shall be recorded in the Audit Committee's Minutes Book, and shall be signed by the Chairman of the Committee, as shall any certifications of resolutions adopted that may be issued.

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.

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors:

- a) Report the shareholders at the General Shareholders Meeting on matters brought forth by the shareholders with respect to matters within its competence.
- b) Propose to the Board of Directors for submittal to the shareholders at the General Shareholders Meeting the appointment of the Auditor referred to in Article 204 of the Spanish Public Limited Companies Act.
- c) Supervise, when appropriate, the internal audit services.
- d) Become familiar with the Company's financial reporting process and its internal control systems.
- e) Maintain a relationship with the Auditor to receive information on matters that may threaten the Auditor's independence and any other matters related to the process of performing the audit, as well as to receive information from and maintain with the Auditor the communications set forth in audit law and in technical audit standards.

Board Rules:

Article 13,- Audit Committee.

There shall be an Audit Committee of the Board of Directors.

The composition of the Audit Committee and its functioning shall be as set forth in the Company's Articles of Association. The members of the Audit Committee shall be appointed by the Board of Directors pursuant to legal requirements based on a report by the Nominating and Compensation

Committee, and they shall automatically cease to serve on the Committee when they cease to serve as Directors of the Company or by decision of the Board of Directors.

All members of the Audit Committee will be non-executive directors, and the Chairman must necessarily be an independent director.

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 shall report to the Board on the business it addresses and on all resolutions adopted at the Board meetings convened for such purpose, and shall furnish all Board members with the minutes of its meetings. Notwithstanding the above, 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.

At minimum, the mission of the Audit Committee, notwithstanding other functions assigned to it by the Board of Directors, is as follows:

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 be passed on to the General Meeting.

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 (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structurings, special purpose vehicles, and the correct application of accounting standards.

(b) Overseeing the process devised by the 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, in order for the main risks to be properly identified, managed and communicated.

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

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

(ii) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee shall 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 the 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 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.

(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 shall 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 shall explore the underlying causes;

ii) the Audit Committee shall 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.

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

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

(a) the periodic financial information that the company must publicly disclose, 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.

The company also pre-closes the year on 31 October so as to anticipate and correct any incidents that may have arisen over the year.

(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-party transactions

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

(G) Set up and oversee a whistle-blowing mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding p [sic - incomplete].

B.2.4. Indicate the advisory and consulting powers as well as the delegated powers, if any, of each of the committees:

Committee name

NOMINATING AND COMPENSATION COMMITTEE

Short description

Board Rules:

Article 14,- Appointments and Compensation Committee.

There shall be a Nominating and Compensation Committee of the Board of Directors.

The committee is primarily charged with making proposals and providing information to the Board of Directors in relation to appointments of managers and Board members and the remuneration policy. Duties in these areas are purely advisory in nature.

Duties of the Appointments and Remuneration Committee include:

b) Propose to the Board of Directors the election or reelection of independent Directors,

c) Report to the Board of Directors the election or reelection of all other Directors.

d) Report on the appointment and separation of executives that the Chief Executive Officer proposes to the Board.

- e) Report to the Board of Directors on matters of gender diversity.
- f) Propose to the Board of Directors:
- i.- the compensation policy for Directors and executives, as well the distribution of Directors' compensation,
 - ii.-executive Directors' individual compensation as all other terms of their contracts,
 - iii.- the basic terms of executives' contracts.
- The full Board of Directors is empowered to appoint its members as well as to remove them, and there shall be no fewer than three members of the Committee.
- iv. The remuneration policy for company directors, senior executive officers and employees in relation to shares and options, as and when applicable, including any long-term remuneration policies.

Article 18 of the Regulations of the Board of Directors envisages the general right of all directors to procure external advice in order to help them discharge their duties:

Acting through the Chairman, directors may request the engagement of any such external advisors as deemed necessary for the proper performance of their work as directors.

The Board sitting in full session is entitled to adopt any resolutions as to whether or not such external advisory services shall be engaged, and if so, what person or entity shall provide them. The Board shall also address any possible limitations on the chosen advisor's access to the company's confidential information, and shall likewise approve, where applicable, the relevant expense entry.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Short description

The Executive Committee is governed by Article 30 of the Articles of Association and by Article 12 of the Regulations of the Board of Directors.

Its advisory role to the Board of Directors stems from its advisory nature and from the powers conferred by the Articles of Association and the Regulations of the Board of Directors.

Articles of Association

Article 30

As a permanent delegation of the Board of Directors, the Executive Committee shall exercise all the powers of the Board, save for the following: sale, swap and encumbrance of property, industrial or commercial premises and all manner of businesses; creation and modification of real rights over said property, premises and businesses; conveyance, disposal, ownership and encumbrance of property; creation and modification of property mortgages; submission of disputes to private arbitration; and those powers that may not be delegated in accordance with applicable law.

Article 12 of the Regulations of the Board of Directors

The Executive Committee shall possess such authority and powers as are conferred on it by the Articles of Association and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Meeting.

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

Article 30 of the Articles of Association has the following to say on the creation of delegated bodies attached to the different committees:

In addition to the Executive Committee and the Audit Committee, the Board of Directors may appoint other commissions or committees whose powers and obligations shall be established by the Board on a case-by-case basis.

Committee name

AUDIT COMMITTEE

Short description

As regards the advisory and consultative powers vested in the Audit Committee, as set forth in the Regulations of the Board of Directors, the following are of particular note, and specifically concern the committee's advisory role before the Board of Directors and its duties to resolve issues raised by shareholders:

B) Proposing the appointment of the financial auditor to the Board of Directors, which will then pass the matter on to the General Meeting.

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

(a) The periodic financial information that the company must publicly disclose, 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-party transactions

(F) Addressing and, where appropriate, responding 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.

Article 13 of the Board Regulations relating to the Audit Committee envisages the possibility of seeking external advice or external information in order to help the committee discharge its functions.

The Audit Committee will be entitled to request the presence of any member of the management team or any company employee at its meetings, including the presence of the company's independent auditors or any company advisor whose presence is deemed desirable. All of the aforementioned persons shall be bound to cooperate and provide access to any information they may have.

B.2.5. Indicate, if applicable, the existence of regulations of the Board committees, where such regulations may be consulted and the amendments made during the fiscal year. Also indicate if any annual report of the activities performed by each committee has been voluntarily prepared.

Committee name

NOMINATING AND COMPENSATION COMMITTEE

Short description

It is governed by the Board Rules available on the Company's web page and which has been submitted to the CNMV. The committee is currently being registered with the Commercial Registry following the recent modifications approved by the Board of Directors at its meeting held on 27 January 2011.

The main change to the committee is essentially that it must now report to the Board on all business addressed and all resolutions adopted.

In accordance with Article 16 of the Regulations, relating to assessment of the Board and the committees:

Each year the Board of Directors shall evaluate: c) the functioning of the Board's committees, based on a report drawn up by each committee."

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Short description

The Executive 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. The

committee is currently being filed with the Commercial Registry following the latest modifications thereto approved by the Board of Directors at its meeting held on 27 January 2011. The main modification made to the Executive Committee is essentially that it must now furnish all Board members with copies of the minutes of its meetings.

Committee name

AUDIT COMMITTEE

Short description

The Audit Committee is governed by Article 30 of the company's Articles of Association, 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, although it is yet to be recorded with the pertinent Commercial Registry following the latest modifications approved at the Board meeting held on 27 January 2011.

The modifications made to the committee mainly involved improving the functioning and definition of the duties of the Audit Committee, particularly in relation to:

- coordination and supervision of the internal control and reporting systems;
- supervision in relation to internal audit services;
- coordination, supervision and safeguarding the independence of the external auditor:

Reporting to the Board of Directors before the latter decides upon:

- (a) The periodic financial information that the company is required to disclose publicly.
- b) The creation or acquisition of holdings in special-purpose entities or those domiciled in countries or territories classified as tax havens.
- (c) Related-party transactions.

Supervision of the internal codes of conduct and rules on corporate governance.

A whistle-blowing mechanism has also been set up, enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices with the company, particularly those relating to accounting, finances and auditing.

B.2.6. Indicate whether the composition of the Executive Committee reflects the participation of the different directors in the Board of Directors based on their category:

yes

If not, explain the composition of your Executive Committee

C. RELATED-PARTY TRANSACTIONS

C.1. State whether the Board as a full body has reserved for itself the power to approve, after a favourable report of the Audit Committee or any other committee entrusted with such duty, transactions carried out by the Company with Directors, with significant shareholders or shareholders represented on the Board, or with persons related thereto:

YES

C.2. Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the Company's significant shareholders:

C.3. Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the directors or managers of the Company:

C.4. Describe the relevant transactions made by the Company with other companies belonging to the same group, provided they are not eliminated in the preparation of the consolidated financial statements and they are not part of the ordinary course of business of the Company as to their purpose and conditions:

C.5. State whether the members of the Board of Directors have been subject to any conflict of interest situation during the fiscal year pursuant to the provisions of Article 127 ter of the Companies Law.

NO

C.6. Describe the mechanisms used to detect, determine and resolve potential conflicts of interest between the company and/or its Group, and its directors, managers or significant shareholders. Board Rules in the Article 22, related to the duty of loyalty, sets forth the following:

The Company's Directors, in fulfilling their duty of loyalty, shall be bound to report to the Board, prior to occurrence or as soon as they are aware of the existence, of any situation of conflict of interest with the Company and its group of companies. This includes the obligation to resign immediately in the event of the persistence of such conflict or if their presence on the Board is contrary to the Company's interests.

Furthermore, Directors shall abstain from voting on matters in which they have an interest.

Any situations of conflict of interest in which Directors find themselves shall be included in the annual corporate governance report.

Directors shall report to the company and, where appropriate, stand down in situations that could harm the company's image or reputation, including, in particular, any criminal proceedings brought against them and the outcome thereof. Should this situation arise, the Board shall examine the case in question, monitor it closely and then decide on whether the director in question should stand down.

Directors may not hold positions either on their own or through a representative, positions of any type in companies that are competitors of Viscofan and its group of companies, nor may they render to such companies representation or advisory services.

In its various facets this Director's duty of loyalty also encompasses activities engaged in by related persons, as defined in these rules.

Furthermore, Article 33 of the Regulations of the Board of Directors, regulating the use of voting by proxy, reads as follows: Directors who have formulated public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to those items on the agenda in which they have a conflict of interest and, in all cases, in relation to:

- a) their appointment, ratification or removal as director;
- b) the decision on whether to pursue derivative suits against the director in question;
- c) approval or ratification of transactions with the company in relation to which the director has a conflict of interest.

C.7. Is more than one company of the Group listed in Spain?

NO

Identify the subsidiaries listed in Spain:

D. RISK CONTROL SYSTEMS

D.1. General description of the risk control policy adopted by the Company and/or its Group, describing and assessing the risks covered by the system and a justification for the adjustment of such system to the profile of each kind of risk.

In accordance with Art. 5 of the Regulations of the Board of Directors of the Company, relating to

“Exclusive powers”, the risk-control and management policy and the periodic monitoring of internal information and control systems constitute one of the matters that may only be heard and addressed by the Board of Directors sitting in full session.

Likewise, the Audit Committee, by virtue of the duties conferred on it in relation to internal information and control systems, is responsible for overseeing the preparation and control of financial information in general and all procedures implemented for such purposes, and overseeing the internal audit function and relations with the external auditor in order to safeguard its independence and help ensure that it issues an unqualified audit report, among other duties.

The Audit Committee is also specifically charged with monitoring the suitability of the control policies and procedures in place, and with reviewing the internal control and risk management systems, so as to ensure that the main risks are identified, managed and communicated accordingly.

In furtherance of these duties, the Audit Committee has pressed on with the process of identifying, classifying, ordering and updating existing risks by incorporating the new risks that the company has identified. It is likewise monitoring the suitability of the various measures proposed to mitigate such risks, and is also implementing, communicating and overseeing such measures.

Over the course of 2010, the company identified and sought to mitigate the following risks:

FINANCIAL RISKS:

A) INTEGRITY OF THE PREPARATION OF THE FINANCIAL INFORMATION

The Group's financial information is generated locally by each subsidiary's financial team. Following the acquisitions undertaken, it was necessary to guarantee the integrity of the financial information to be reported by the new subsidiaries to the parent company, where the information presented to the financial markets is consolidated.

Measures taken:

The company, following the recommendations of the group of experts entrusted with the internal control of financial information for listed companies, has commissioned a diagnostic with a view to establishing an improvement plan and implementing the financial information internal control system (FIICS), which is currently being carried out and is intended to bolster the measures that the company has already been implementing over recent years, encompassing its training policy, information standardisation, enhancement, monitoring and control, and the implementation of a consolidation tool.

B) PROFITABILITY AND SUCCESS OF THE INVESTMENTS UNDERTAKEN

The choice of projects in which the company's financial resources are invested should be based on criteria that generate an increase in the value of the company. In addition, the investments undertaken must be appropriately monitored.

Measures taken:

Following on from the measures already adopted in 2009, the company has consolidated the role of the Investment Committee by improving and extending its duties. It has also finished communicating and implementing the investment authorisation and follow-up procedure, the aim being to ensure the best possible allocation and application of resources and funds.

C) CUSTOMER ARREARS

The risk of outstanding customer debts is rising within the Viscofan Group due to the geographic relocation of customers, making it more difficult to pursue payment in the event of arrears.

Although an unfavourable economic climate exacerbates this situation, it is eased by the unlikelihood of adverse financial circumstances occurring simultaneously in all the geographic regions in which the Viscofan Group markets its products.

Measures taken:

Default risk improved in 2010, thanks to an improved perception of the state of the global economy following the economic fall-out of 2009.

Despite this improvement, Viscofan continued to apply its existing default policy through its Risk Committee, and continued to follow existing internal procedures.

The company has also been seeking out the best ways of hedging risk on the insurance market, with a view to cushioning the effects of the risk should it arise.

OPERATIONAL RISKS:

D) SHORTAGE OF RAW MATERIALS

Access to raw materials such as cellulose, manila hemp and hides may be temporarily affected as they are also used by other larger industrial sectors which process them differently to our sector. A shortage of these raw materials could lead to an excessive increase in prices or a limitation of supply, which would affect the Group's production rate.

Moreover, the growth of the market makes greater availability of raw materials necessary.

In particular, the vegetable food division depends on seasonal factors related to asparagus and tomato harvests.

Measures taken:

Over 2010, the company consolidated its corporate procurement procedure and made further progress in endorsing suppliers for some of the most important raw materials for the group's productive processes.

Viscofan also implemented general terms and conditions of procurement throughout the entire group so as to ensure the terms and conditions under which products are purchased.

E) RISKS OF PROPERTY DAMAGE AND CONTINUITY OF PRODUCTION

The economic protection of the Group's assets, as well as the capacity to continue production in the event of damage or production stoppages due to accidents, negligence or unforeseen circumstances.

Measures taken:

Over the course of 2010, the group pressed on with the global risk-engineering service first contracted in 2009, enabling it to identify the most significant risks for each of its production centres in the field of cellulose casings. It similarly prepared an improvement and action plan to mitigate such risks, which is currently being implemented and is scheduled for completion in 2011. The engineering service is allowing the company to analyse the centres that produce collagen casings and other products.

STRATEGIC RISKS:

F) COMPETITIVE ENVIRONMENT OF THE SECTOR

Current and potential players in the competitive environment and their competitive strategies can affect the success of the Group.

In addition, certain conditions of the competitive environment can be conducive to the appearance of substitute products. Periods of economic crisis or a context of rising prices can increase the attractiveness of substitute products, both within and outside of the sector.

Measures taken:

The company has made significant progress with its cost-analysis process and in establishing an information standardisation and control system, which will enable it to optimise its information. The company is complementing this process by making immediate improvements to any areas it considers necessary.

G) MEDIA RISK IN THE EVENT OF EPIDEMICS AND OTHER HEALTH DISASTERS

The media effect of global epidemics is difficult to control and constitutes a risk that cannot be insured by the market. Bearing in mind that part of the products marketed by the Group are of animal origin, mainly bovine, this risk exists and has materialised on several occasions over the years.

In the case of local epidemics, the risk is smaller, thanks to the Group's global presence and the versatility and flexibility of its production centres.

This risk is increasing in the case of IAN, S.A.U., whose products go straight to the end consumers without any further processing.

Measures taken:

As part of its commitment to improving product-removal processes, the company has been working to standardise them throughout each of its main areas of activity: vegetable foodstuffs and casings. The company has also started to implement a coordinated drill system within the group, which will enable it to control and monitor the procedures that involve various companies during different stages of the production and marketing process.

H) EXCHANGE RATE / INTEREST RATE

The Group has unmatched currency positions, therefore, significant exchange rate variations in relation to the Group's currency, the euro, can affect not only the Group results, but also the recoverability of assets and bond ratings.

In addition, the Group has an external debt, the cost of which is indexed to changes in the interest rates of international markets.

Measures taken:

Thanks to the continuous risk analysis undertaken through the Value at Risk technique, which aims to monitor exposure to the risk at all times, the company has been entering into the hedge agreements best suited to this kind of risk, provided that prevailing circumstances dictate the need for such agreements.

I) ENERGY MARKET

Since the expansion activities carried out in 2008 and 2009, there has been an increase in the Group's dependence on the supply price of gas and the sale price per kilowatt in the electricity market. Moreover, the weight of energy in the extrusion process is quite significant.

Measures taken:

. The Group went to the futures market to secure its operating margins in the sale of the energy produced at the Cáseda cogeneration plant.

. The company has enhanced the process of measuring energy costs by production centre in order to improve decision-making processes regarding investments geared towards energy savings, by prioritising those that will have the greatest impact. As a result of this, investments to date in group facilities are expected to provide immediate returns.

LEGAL RISKS

J) COMPLIANCE WITH EXISTING REGULATIONS

The group's presence in different countries and the fact that its products are sold in over one hundred countries worldwide poses certain problems, in that the group must familiarise itself with each of the different legal systems and their own unique peculiarities.

In light of the group's production and marketing activities, legal risk is most apparent when it comes to compliance with environmental, food-safety and health-and-safety legislation.

The sheer diversity of existing international laws and regulations is often exacerbated further by the fact that different countries react differently to similar events, which can lead to different restrictions among countries.

Measures adopted

The company has increased the internal resources assigned to the group's Legal Department in order to step up its roles of internal advice, training and legal-risk awareness, in order to help pinpoint and mitigate such risks.

The company has likewise started to seek out internal experts specialising in specific areas of law, irrespective of training, in order to raise awareness of these areas and support the creation of a benchmarking process that will enable the company to meet the most demanding regulatory requirements.

H) CRIMINAL LIABILITY FOR BODIES CORPORATE

The legislative changes that often occur in countries in which the group operates can either improve or worsen the environment in which the group conducts its business.

For the most part, these changes are immaterial and have no major impact, and are not even tagged as a risk for the company or the group.

Yet in exceptional situations, these changes may increase the company or group's exposure to factors that entail a greater associated risk.

In 2010, the Spanish government ushered in a raft of amendments to the Criminal Code (Código Penal), with the main change being that bodies corporate can now be held criminally liable, whereas before only natural persons could incur criminal liability.

Measures adopted

In line with legal recommendations, the company has sought external expert advice in order to conduct a diagnostic of the situation and identify the measures that can be adopted to mitigate the risk.

The company has also strengthened internal resources on the path to establishing a system of effective measures for preventing and detecting criminal liability, reducing the risk of it arising and cushioning its impact should it eventually materialise.

D.2. Indicate whether any of the various types of risks (operational, technological, financial, legal, reputational, tax-related, etc.) affecting the Company and/or its Group materialized during the fiscal year.

NO

If so, indicate the circumstances giving rise to them and whether the established control systems have worked:

D.3. Indicate whether there is any committee or other decision-making body in charge of establishing and supervising these control mechanisms.

YES

If so, describe its duties:

Name of the committee or body

AUDIT COMMITTEE

Description of functions

Ultimate responsibility for the risk control and management policy lies with the Board of Directors, as established in Article 5 of the Board Rules.

The Audit Committee is similarly charged with the following functions relating to the control of financial information in particular, and to internal control and risk-management systems in general, pursuant to Art. 13 of the Regulations of the Board of Directors:

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 (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structurings, special purpose vehicles, and the correct application of accounting standards.

(b) Overseeing the process devised by the 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, in order for the main risks to be properly identified, managed and communicated.

The Audit Committee is likewise responsible for overseeing the internal audit function and relations with the external auditor, the aim being to safeguard its independence and ensure that an unqualified audit report is issued.

D.4. Identification and description of the procedures for compliance with the various regulations that affect the Company and/or its Group.

LEGAL RISKS

J) COMPLIANCE WITH EXISTING REGULATIONS

The group's presence in different countries and the fact that its products are sold in over one hundred countries worldwide poses certain problems, in that the group must familiarise itself with each of the different legal systems and their own unique peculiarities.

In light of the group's production and marketing activities, legal risk is most apparent when it comes to compliance with environmental, food-safety and health-and-safety legislation.

The sheer diversity of existing international laws and regulations is often exacerbated further by the fact that different countries react differently to similar events, which can lead to different restrictions among countries.

Measures adopted

The company has increased the internal resources assigned to the group's Legal Department in order to step up its roles of internal advice, training and legal-risk awareness, in order to help pinpoint and mitigate such risks.

The company has likewise started to seek out internal experts specialising in specific areas of law, irrespective of training, in order to raise awareness of these areas and support the creation of a benchmarking process that will enable the company to meet the most demanding regulatory requirements.

H) CRIMINAL LIABILITY FOR BODIES CORPORATE

The legislative changes that often occur in countries in which the group operates can either improve or worsen the environment in which the group conducts its business.

For the most part, these changes are immaterial and have no major impact, and are not even tagged as a risk for the company or the group.

Yet in exceptional situations, these changes may increase the company or group's exposure to factors that entail a greater associated risk.

In 2010, the Spanish government ushered in a raft of amendments to the Criminal Code (Código Penal), with the main change being that bodies corporate can now be held criminally liable, whereas before only natural persons could incur criminal liability.

Measures adopted

In line with legal recommendations, the company has sought external expert advice in order to conduct a diagnostic of the situation and identify the measures that can be adopted to mitigate the risk.

The company has also strengthened internal resources on the path to establishing a system of effective measures for preventing and detecting criminal liability, reducing the risk of it arising and cushioning its impact should it eventually materialise.

For the most part, these changes are immaterial and have no major impact, and are not even tagged as a risk for the company or the group.

Yet in exceptional situations, these changes may increase the company or group's exposure to factors that entail a greater associated risk.

In 2010, the Spanish government ushered in a raft of amendments to the Criminal Code (Código Penal), with the main change being that bodies corporate can now be held criminally liable, whereas previously only natural persons could incur criminal liability.

E. GENERAL SHAREHOLDERS' MEETING

E.1. Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Companies Law in connection with the quorum needed to hold a valid General Shareholders' Meeting.

NO

%Quorum differing from that set forth in Article 102 of the Spanish Public Limited Companies Act for general circumstances

%Quorum differing from that set forth in Article 103 of the Spanish Public Limited Companies Act for the special circumstances set forth in Article 103

Quorum required on first call 0 0

Quorum required on second call 0 0

E.2. Indicate and, if applicable, explain whether there are differences with the rules provided by the Companies Law for the adoption of corporate resolutions.

NO

Describe the differences with the rules provided by the Companies Law.

E.3. Explain the rights of the shareholders regarding general shareholders' meetings which are different from the rights provided in the Companies Law.

Shareholder rights relating to attendance, proxies, voting, delegation, information, dissent, procedure, approval of minutes, and all other issues relating to the General Meeting, are set forth in the company's Articles of Association (Articles 22 to 25) and in the Regulations of the General Meeting of Viscofan, S.A.. Any matters not expressly envisaged in these internal documents will be governed by the Spanish Enterprise Act (Ley de Sociedades de Capital) and other applicable law.

The aforementioned provisions of the company's Articles of Association read as follows:

Article 22: Shareholders holding shares with a total par value of at least €450 and who have them registered in the pertinent stock ledger at least five days before the General Meeting will have the right to attend. The securities clearing and liquidation office or member entities of the same must provide to shareholders the pertinent certificates to allow the exercise of rights inherent to the condition of shareholders. Shareholders that do not hold the number of shares required to attend may pool their shares for such purpose.

Art. 23: All shareholders with the right to attend may be represented at the General Shareholders' Meeting by another person. Such proxy shall be conferred in writing or by remote means of communication, provided that the identity of the individual exercising voting rights is duly verifiable.

Such proxy must be conferred specially for each General Meeting.

Art. 24: Resolutions shall be carried by majority vote and will be recorded in the company's minutes book. Shareholders may vote directly or by proxy on motions included on the agenda for the meeting by post, electronic channels, or any other means of remote communication, provided that the identity of the individual exercising their voting rights is duly verifiable.

Each share confers one vote. Shareholders that cast their votes remotely must be treated as present when calculating the quorum for the meeting.

The minutes will be signed by the chairman and the secretary and any certificates that may be issued of such minutes must bear the signatures of both persons.

Art. 25: Shareholders rights relating to information, dissent, procedure, approval of minutes and other matters related to the General Meeting shall be governed by the provisions of the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas).

The Regulations of the General Shareholders' Meetings specifically govern the following shareholder rights:

CHAPTER IV

Article 11.- Right to access to information.

The Company shall use all means at its disposal to ensure access to information for the Company's shareholders.

Article 12.- Shareholders Meeting documentation.

At the time to Notice of Meeting is published, the Company shall make available to the shareholders the documentation on the times to be discusses at the General Shareholders Meeting included on the Agenda. This documentation shall be available in hard copy at the corporate domicile as well as in digital form on the Company's web page. In addition, the Company shall send at no cost such information to the shareholders so requesting,.

Article 13.- Request for information.

Up to seven days prior to the date set for the holding of the General Shareholders Meeting, and during the Meeting, with respect to the items included on the Agenda, shareholders may also ask Management for information or clarifications and may ask questions about the information provided, as well as any other information accessible to the public provided by the Company since the last General Shareholders Meeting. Management shall provide such information immediately or in writing unless it is prejudicial to the Company's interests.

CHAPTER V

Article 14.- Right to attend.

Shareholders holding shares with a total par value of at least €450 who at least five days before the Shareholders Meeting have them registered in the pertinent stock ledger shall have the right to attend (pursuant to Article 22 of the Articles of Association). Shareholders who do not hold the number of shares required to attend may form groups for such purpose.

Article 15.- Shareholder accreditation.

Sociedad de Gestion de los Sistemas de Registro, Compensacion y Liquidacion de Valores, S.A. (Iberclear) or, as appropriate, the entity or entities competent to perform such function or Iberclear member entities shall provide to the shareholders the pertinent certificates or any other document evidencing ownership of the shares after publication of the Notice of Meeting.

Article 16.- Proxy Voting.

All shareholders with the right to attend by proxy at the General Shareholders Meeting .

Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, as a special power for each Shareholders Meeting.

E.4. Indicate, if applicable, the measures adopted to encourage the participation of shareholders at General Shareholders' Meetings.

As has been the practice for Notices of General Shareholders Meetings in recent years, in order to encourage shareholders participation, the Board resolved to distribute an attendance fee of 0.006 euros per share to all shares present or represented by proxy at the General Shareholders Meeting whose holders have duly evidenced their attendance or representation thereat at the General Shareholders Meeting held on June 1, 2010.

E.5. Indicate whether the chairman of the General Shareholders' Meeting is also the chairman of the Board of Directors. Describe, if applicable, the measures adopted to ensure independence and proper operation of the General Shareholders' Meeting:

YES

Description of measures

The General Shareholders' Meeting is chaired by the Chair of the Board of Directors.

In addition to the existing regulations to guarantee the rights of shareholders during the General Meeting, Article 23 of the Rules for General Shareholders' Meetings specifically establishes detailed measures to ensure independence and proper functioning during the General Meeting and ensure that any shareholders that so wish are given the opportunity to take part in the discussions and receive any information requested.

''B,-) Interventions and information

1. Shareholder interventions shall take place in the order in which they are called upon by the Chair. Shareholders shall initially have a maximum of five minutes for each intervention, notwithstanding the Chair's power to extend such time. Nonetheless, where the number of interventions requested or other circumstances so dictated, the Chair may set a maximum duration for interventions of less than five minutes, in all cases treating all shareholders requesting interventions equally and respecting the principle of non-discrimination.

2. Directors shall be bound to provide the information requested, except under the circumstances set forth in Article 13 above or when the information requested is not available at the Shareholders Meeting. In such case, such information shall be provided in writing within seven days following the adjournment of the Shareholders Meeting, to which end the shareholder shall indicate the domicile or address to which to send the information.

3. The information or clarification requested shall be provided by the Chair or, as appropriate and at the Chair's request, by the chairman of the Audit Committee, the Secretary, a Director or, if appropriate, any employee or expert in the matter who is present.

4. In exercising his/her powers of running the Shareholders Meeting and notwithstanding other actions the Chair may:

(i) ask those wishing to take the floor to clarify issues that were not understood or were not sufficiently explained during the intervention;

(ii) call to order shareholders who take the floor so that they limit their intervention to matters that may properly come before the Shareholders Meeting and refrain from making improper statements or from exercising their rights in any way that may be deemed abusive;

(iii) announce to shareholders taking the floor that their time limit is about to run out so that they can adjust their intervention accordingly. When the time allotted for their intervention has run out or if they persist in the behaviors described in sub-paragraph (ii) above, the floor may be taken from them.''

Furthermore, the presence of a notary was required for the General Meeting held on 1 June 2010 for the purpose of drawing up the minutes and ensuring that the meeting was held in compliance with applicable law and internal regulations to protect all shareholder rights.

E.6. Indicate the amendments, if any, made to the Regulations for the General Shareholders' Meeting during the fiscal year.

No changes have been made

E.7. Indicate the data on attendance at the general shareholders' meetings held during the fiscal year referred to in this report:

Attendance information

Date of the General Shareholders Meeting

% of physical presence

% represented

% voting remotely

Total

Electronic voting

Other

Datos de asistencia					
Fecha Junta General	% de presencia física	% en representación	% voto a distancia		Total
			Voto electrónico		
01/06/2010	4,680	49,600	0,000	21,300	75,580

E.8. Briefly describe the resolutions adopted by the shareholders acting at the general shareholders' meetings held during the fiscal year referred to in this report and the percentage of votes by which each resolution was passed.

On second call, the shareholders at Viscofan, S.A.'s General Shareholders Meeting held on June 01, 2010, adopted the following resolutions:

1.- The Balance Sheet, Income Statement, Notes, Management Report and the corporate management performed during the fiscal year ended December 31, 2009, of the company Viscofan, S.A. as well as the Balance Sheet, Income Statement, Notes, Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Shareholders Equity, the consolidated Management Report and corporate management performed during the fiscal year ended December 31, 2009, for the companies of which Viscofan is the parent company were approved.

In relation to the non-consolidated balance sheet of Viscofan, shareholders agreed to allocate €12,116,957.32 of earnings for 2009 to dividend payouts, and €27,179,019.57 to voluntary reserves. It was therefore agreed to declare the €0.260 per share dividend paid on 22 December 2009 as the sole dividend to be charged against 2009 profit.

The company likewise agreed to effect a partial return of the share premium in the amount of €0.357 per share, representing a total of €16,637,514.47, effective for shareholders from 23 June 2010.

Votes in favour totalled thirty-five million one hundred thousand, six hundred and seventeen (35,100,617) shares. Shareholders representing one hundred and five thousand, four hundred and twenty (105,420) shares abstained from voting. Votes against totalled fourteen thousand four hundred and forty-five (14,445) shares.

2. Shareholders were presented with the following explanatory reports by the Board of Directors, for information purposes:

a) Explanatory report prepared pursuant to Art. 116 bis of the Spanish Securities Market Law (Ley del Mercado de Valores).

b) Annual Corporate Governance Report.

3. The meeting agreed to appoint Ernst & Young, S.L. as auditors to review the financial statements of Viscofan, S.A. and the consolidated annual accounts of the business group of which Viscofan is the parent, for the fiscal year closing on 31 December 2011.

Votes in favour totalled thirty five million one hundred and five thousand, four hundred and fifty-eight (35,105,458) shares. Shareholders representing eighty-two thousand, seven hundred and ninety-eight (82,798) shares abstained from voting. Votes against totalled thirty-two thousand, two hundred and twenty-six (32,226) shares.

4. The meeting agreed to appoint Ignacio Marco-Gardoqui Ibáñez and Laura González Molero as independent directors for a six-year term of office running from the date of the resolution, in substitution of Jaime Echevarría Abona and Iñigo Solaun Garteiz-Goxeascoa, respectively, who tendered their resignations with effect from 31 December 2009.

As regards the appointment of Mr. Marco-Gardoqui, shareholders representing thirty-four million fifty-seven thousand, six hundred and fifty-three (34,057,653) shares voted in favour. Shareholders representing eighty-three thousand, two hundred and twenty (83,220) shares abstained from voting. Votes against totalled one million seventy-nine thousand, six hundred and nine (1,079,609) shares.

In relation to the appointment of Ms. Laura González Molero, votes in favour totalled thirty-four million thirty thousand, one hundred and fifty-three (34,030,153) shares. Shareholders representing eighty-three thousand, two hundred and twenty (83,220) shares abstained from voting. Votes against totalled one million one hundred and seven thousand, one hundred and nine (1,107,109) shares.

5. The meeting agreed to renew, for the maximum term envisaged by law, and running from the date of the resolution, the authorisation for the Board of Directors to buy and sell treasury shares on the market at the listed share price for the day of the transaction, subject to the maximum number of shares permitted by the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas) and related legal provisions, with the minimum price being the par value and the maximum being 125 times the par value.

Votes in favour totalled twenty-five million two hundred and ninety-one thousand, six hundred and thirty-two (25,291,632) shares. Shareholders representing three hundred and forty-six thousand, five hundred and thirty (346,530) shares abstained from voting. Votes against totalled nine million five hundred and eighty-two thousand, three hundred and twenty (9,582,320) shares.

6. The meeting approved, by advisory vote, the report on directors' remuneration policy pursuant to recommendation 40 of the Unified Good Governance Code.

Votes in favour totalled thirty-four million five hundred and forty thousand, one hundred and eighty-nine (34,540,189) shares. Shareholders representing one hundred and forty thousand, six hundred and thirty-nine (140,639) shares abstained from voting. Votes against totalled five hundred and thirty-nine thousand, six hundred and fifty-four (539,654) shares.

7. Lastly, it was agreed to vest powers in the Board of Directors to interpret, rectify, apply, expand upon, develop and execute the resolutions adopted, and to vest powers in José Domingo de Ampuero y Osma and José Antonio Canales García, authorising them, jointly, severally and indistinctly, to notarise in public instrument those resolutions that require notarisation, and to file the accounts and request registration of those documents prescribed by law.

Votes in favour totalled thirty five million one hundred and nineteen thousand, four hundred and sixty-nine (35,119,469) shares. Shareholders representing ninety-six thousand, two hundred and thirteen (96,213) shares abstained from voting. Votes against totalled four thousand eight hundred (4,800) shares.

E.9. Indicate whether there are any by-law restrictions requiring a minimum number of shares to attend the General Shareholders' Meeting.

YES

Number of shares required to attend the General Shareholders' meeting 1,500

E.10. Indicate and justify the policies followed by the company with respect to proxy-voting at the General Shareholders' Meeting.

Chapter V - Article 16 of the Rules for the General Shareholders Meeting sets forth:

'Proxy Voting. Any shareholder entitled to attend may be represented by proxy at the General Shareholders Meeting. Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, as a special power for each Shareholders Meeting.'

Article 23 of the Company's Articles of Association is worded along the same lines:

'Any shareholder entitled to attend may be represented by proxy at the General Shareholders Meeting. Such proxy shall be conferred in writing or by remote means of communication that duly ensure the identity of the individual exercising voting rights, provided that the identity of the individual exercising voting rights is duly ensured. Such proxy shall be conferred specially for each Shareholders Meeting'.

Moreover, when it publishes notice of the General Shareholders' Meeting, the company provides the relevant forms and the rules for appointing a proxy and voting remotely, either electronically or by post, for any shareholders wishing to exercise this option:

2.1. Procedure for granting proxies

The following remote channels of communication may be used to confer proxies:

(I) Electronic channels:

In order to confer proxies electronically, company shareholders must visit the company's website and access the on-line section set up for such purpose. In accordance with the Articles of Association and the Regulations of the General Meeting, the procedure for granting proxies electronically must have the requisite security measures in place to guarantee the authenticity and identity of the shareholder conferring the proxy. Pursuant to Article 16 of the Regulations of the General Meeting, the Board of Directors, for the purpose of ensuring the authenticity and identity of the shareholder granting the proxy, has implemented a sophisticated and widely recognised electronic signature system in accordance with the provisions of the Spanish Electronic Signatures Act of 19 December 2003 (Ley 59/2003), which dictates that such system must be based on a recognised and valid and current electronic certificate issued by the Spanish Public Certification Authority (Autoridad Pública de Certificación Española, CERES) attached to the Spanish National Mint and Stamp Factory (Fábrica Nacional de Moneda y Timbre).

All shareholders with electronic signature that meet the aforementioned requirements and identify themselves accordingly through their signature may grant proxies through the company's website by following the procedure in effect at the relevant time. Shareholders wishing to confer a proxy electronically undertake to notify their chosen representative of the proxy in question. The representative must accept the proxy by signing a print out of the electronic form available from the company's website, which the principal shareholder must have previously completed and signed with his/her recognised electronic signature and duly sent to both the representative and the company, at the address designated by the latter. The representative shall make a copy of the completed and signed electronic form and deliver it to the company at the shareholder reception desk on the date and at the venue of the General Meeting in question.

When the proxy is conferred upon any director and/or the Chairman and/or the Secretary of the Board of Directors, this communication will take effect from the time the company receives the electronic proxy.

Representatives may only exercise their principal's voting rights by attending the meeting in person.

(II) By post:

In order to grant proxies by regular post, shareholders shall fill out and sign the proxy box on the attendance card issued in hard copy by the corresponding member entity of the Spanish Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima (Iberclear). The representative must accept the proxy, to this end signing the attendance and proxy card sent to it by the shareholder. The person to whom the vote is delegated may only exercise such voting rights by attending the General Meeting in person.

On the date of the General Meeting, representatives must bring their national identity document or passport to the meeting so that the company can verify the conferred proxy, along with a copy of the proxy where appropriate.

When representation is conferred upon any director and/or the Chairman and/or the Secretary of the Board of Directors, receipt by the company of said delegation shall suffice.

In the event that the attendance card does not include the name of the representative, it shall be understood that the representation is conferred upon the Board of Directors or the person designated by the Board.

3. BASIC RULES ON PROXIES AND ABSENTEE VOTING

3.1. Timeframe in which to send the company proxies and absentee voting requests

In order to be held valid, and in accordance with the Regulations of the General Meeting, the company must receive proxies and absentee voting requests (whether electronic or by post) twenty-four hours before the scheduled date and start time of the meeting on first call. Otherwise, proxies will be deemed ineffective and votes as not cast, unless receipt by the company after this cut-off point but before the date and time of the General meeting does not cause the company any significant problems in carrying out the necessary checks and calculations ahead of the meeting.

3.2 Rules governing preference between proxies, absentee voting and personal attendance at the General Meeting

3.2.1 Priorities among proxies, absentee voting and personal attendance

Shareholders casting their votes remotely as set forth in this article shall be deemed present for the purpose of achieving a quorum at the General Meeting in question. Accordingly, any proxies they may have previously conferred shall be deemed revoked and those that they subsequently confer shall be deemed not to have been conferred.

Votes cast remotely may only be cancelled: By subsequent express revocation effected via the same channel used to cast the vote, within the deadline set for this purpose.

If the shareholder who cast the vote attends the meeting in person.

Through the sale of the shares whose holding confers the voting right, provided the company is informed of this at least five days prior to the scheduled date of the General Meeting.

3.2.2 Priorities between proxies

In the event that a shareholder confers several valid proxies, the last one received by the company shall take precedence.

E.11. Indicate whether the Company is aware of any policy of institutional investors as to participating or not in the decisions of the Company:

NO

E.12. Indicate the address and manner for accessing corporate governance content on your website.

This content is available to the general public and shareholders alike via the company's website (www.viscofan.com) and can be accessed through the Corporate Responsibility section or through the Investor Relations section, subsequently clicking on the Corporate Governance tab. The information also forms part of the documentation relating to the General Meeting and is similarly included in the Annual Report, both of which can also be accessed directly from the home page.

F. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of conformance to the recommendations of the Unified Good Governance Code.

If the company does not comply with any of such recommendations, please explain the recommendations, standards, practices or criteria applied by the company.

1. The Articles of Association of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

See sections: A.9, B.1.22, B.1.23, E.1 and E.2

Complies

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:

a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;

b) The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: C.4 and C.7

Not Applicable

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:

a) The transformation of listed companies into holding companies through "subsidiarization," i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;

b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;

c) Transactions whose effect is tantamount to the liquidation of the company.

Complies

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.

Complies

5. Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

a) To the appointment or ratification of directors, which shall be voted on individually;

b) In the event of amendments of the Articles of Association, to each article or group of articles that are substantially independent of one another.

See section: E.8

Complies

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for the account of different clients can divide their votes in accordance with the instructions given by such clients.

See section: E.4

Complies

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.

It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it carries on its business, and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies

8. The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the objectives set while pursuing the company's interest and corporate purpose. As such, the full Board reserves for itself the right to approve:

a) The company's policies and general lines of strategy, and in particular:

- i) The strategic or business Plan as well as the management targets and annual budgets;**
- ii) The investment and financing policy;**
- iii) The design of the structure of the corporate group;**
- iv) The corporate governance policy;**
- v) The corporate social responsibility policy;**
- vi) The policy for compensation and assessment of the performance of senior managers;**
- vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.**
- viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.**

See paragraphs: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.

See section: B.1.14

ii) The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.

See section: B.1.14

iii) The financial information that the Company must periodically make public due to its status as listed company.

iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Shareholders' Meeting.

v) The creation or acquisition of interests in special purpose entities or entities 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.

c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").

However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:

- 1. They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;**
- 2. They are conducted at prices or rates generally set 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 revenues.**

It is recommended that related-party transactions only be approved by the Board upon the prior favorable report of the Audit Committee or such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for

urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the full Board.

See sections: C.1 and C.6

Complies

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no few than five and no more than fifteen members.

See section: B.1.1

Complies

10. External directors, proprietary and independent, occupy an ample majority of the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.

See sections: A.2, A.3, B.1.3 and B.1.14.

Complies

11. If there is an external director who cannot be deemed either proprietary or independent, the company explains such circumstance and the links such director maintains with the company or its managers or with its shareholders.

See section: B.1.3

Complies

12. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

2. Companies where there is more than one shareholder represented on the Board and these are not linked between themselves

See section: B.1.3, A.2 and A.3

Complies

13. The number of independent directors represents at least one-third of the total number of directors.

See section: B.1.3,

Complies

14. The status of each director is explained by the Board at the General Shareholders' Meeting at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Nominating Committee. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

See sections: B.1.3 and B.1.4

Complies

15. When women directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it; and in particular, the Nominating Committee takes steps to ensure that, when new vacancies are filled:

a) Selection procedures do not have an implied bias that hinders the selection of women directors; proprietary directors and the rest of its capital.

b) The company deliberately looks for women with the target professional profile and includes them among the potential candidates.

See sections: B.1.2, B.1.27 and B.2.3.

Complies

16. The Chairman, as the person responsible for the effective operation of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular evaluations of the Board and, where appropriate, the Chief Executive Officer.

See section: B.1.42

Complies

17. When the Chairman of the Board is also the chief executive of the company, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new business on the agenda; to coordinate and hear the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See section: B.1.21

Complies

18. The Secretary of the Board takes particular care to ensure that the Board's actions:

a) Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;

b) Comply with the company's Articles of Association and the Regulations for the General Shareholders' Meeting, the Regulations of the Board and other regulations of the company;

c) Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal are reported by the Nominating Committee and approved by the full Board; and that such appointment and removal procedures are set forth in the Regulations of the Board.

See section: B.1.34

Complies

19. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.

See section: B.1.29

Complies

20. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.

See sections: B.1.28 and B.1.30

Complies

21. When directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved

at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.

Complies

22. The full Board evaluates the following on a yearly basis:

- a) The quality and efficiency of the Board's operation;**
- b) On the basis of a report submitted to it by the Nominating Committee, how well the Chairman and chief executive of the company have carried out their duties;**
- c) The performance of its Committees, on the basis of the reports furnished by them.**

See section: B.1.19

Complies

23. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the Articles of Association or the Regulations of the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.

See section: B.1.42

Complies

24. All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.

See section: B.1.41

Complies

25. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules.

Directors are also offered refresher training programs when circumstances so advise.

Complies

26. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:

- a) Directors apprise the Nominating Committee of their other professional duties, in case they might detract from the necessary dedication;**
- b) Companies lay down rules about the number of boards on which their directors may sit.**

See sections: B.1.8, B.1.9 and B.1.17

Complies

27. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Shareholders' Meeting, as well as the interim appointment of directors to fill vacancies, are approved by the Board:

- a) On the proposal of the Nominating Committee, in the case of independent directors.**
- b) Subject to a prior report from the Nominating Committee, in the case of other directors.**

See section: B.1.2

Complies

28. Companies post the following director information on their websites, and keep such information updated:

- a) Professional and biographical profile;**
- b) Other Boards of Directors of listed or unlisted companies on which they sit;**
- c) Indication of the director's classification, specifying, for proprietary directors, the shareholder they represent or to whom they are related.**
- d) Date of their first and subsequent appointments as a company director; and**
- e) Shares held in the company and options thereon held by them.**

Complies

29. Independent directors do not hold office as such for a continuous period of more than 12 years.

See section: B.1.2

Complies.

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them do likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.

See paragraphs: A.2, A.3 and B.1.2

Complies

31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the Articles of Association, for which he was appointed, except for good cause is found by the Board upon a prior report of the Nominating Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.

The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the equity structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.

See paragraphs: B.1.2, B.1.5 and B.1.26

Complies

32. Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes described in Section 124 of the Companies Law, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.

See paragraphs: B.1.43 and B.1.44

Complies

33. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.

When the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusions and, if he chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.

This Recommendation also applies to the Secretary of the Board, even if he is not a director.

Complies

34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board.

Without prejudice to such withdrawal being communicated as a significant event, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

See paragraph: B.1.5

Complies

35. The compensation policy approved by the Board specifies at least the following points:

- a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed compensation they give rise to;
- b) Variable compensation items, including, in particular:
 - i) The classes of directors to which they apply, as well as an explanation of the relative weight of variable to fixed compensation items.
 - ii) Performance evaluation criteria used to calculate entitlement to compensation in shares, share options or any other variable component;
 - iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
 - iv) An estimate of the absolute amount of variable compensation arising from the proposed compensation plan, as a function of the degree of compliance with benchmark assumptions or targets.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.
- d) Terms and conditions that must be included in the contracts of executive directors performing senior management duties, which will include:
 - i) Duration;
 - ii) Notice periods; and
 - iii) Any other provisions relating to hiring bonuses, as well as indemnity or “golden parachute” provisions in the event of early or other termination of the contractual relationship between the company and the executive director.

See paragraph: B.1.15

Complies

36. Compensation paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company’s performance or pension schemes is confined to executive directors.

This recommendation shall not apply to the delivery of shares when such delivery is subjected to the condition that the directors hold the shares until they cease to hold office as directors.

See paragraphs: A.3 and B.1.3

Complies

37. The compensation of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to compromise their independence.

Complies

38. The compensation linked to company earnings takes into account any qualifications included in the external auditor’s report that reduce such earnings.

Not Applicable

39. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Not Applicable

40. The Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders’ Meeting, as a separate item on the agenda and for advisory purposes. This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.

Such report shall focus especially on the compensation policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the compensation policy was applied in such prior fiscal year.

The Board also reports on the role played by the Compensation Committee in the preparation of the compensation policy and, if external advice was provided, it states the name of the external advisors that have given such advice.

See paragraph: B.1.16

Complies

41. The Notes to the Financial Statements list the individual directors' compensation during the fiscal year, including:

a) A breakdown of the compensation of each director, to include where appropriate:

- i) Attendance fees or other fixed compensation received as a director;**
- ii) The additional compensation received as chairman or member of a Board committee;**
- iii) Any compensation received under profit-sharing or bonus schemes, and the reason for the accrual thereof;**
- iv) Contributions on the director's behalf to defined contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans;**
- v) Any severance package agreed or paid;**
- vi) Any compensation received as a director of other companies in the group;**
- vii) Compensation for the performance of senior management duties by executive directors;**
- viii) Any item of compensation other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from a true and fair view of the total compensation received by the director.**

b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:

- i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;**
- ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;**
- iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;**
- iv) Any change during the year in the terms for the exercise of previously-awarded options.**

c) Information on the relationship, in such past fiscal year, between the compensation received by executive directors and the profits or other measures of performance of the company.

Complies in part

Partially compliant

Both the Annual Report and the report on compensation policy submitted to the advisory vote of shareholders at the company's General Shareholders' Meeting contain detailed information on all pay items received by directors, along with the total amount of remuneration paid out in accordance with Articles 27 and 30 of the Articles of Association, and the distribution of remuneration among those members of the Board and the committees that are entitled to such pay.

Total remuneration payable to directors amounts solely to 1.5% of net earnings before tax for the Board, and the same amount for the Executive Committee.

42. When there is an Executive Committee (hereinafter, "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.

See paragraphs: B.2.1 and B.2.6

Complies

43. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.

Complies

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors forms a single Nominating and Compensation Committee as a separate committee of the Board, or a Nominating Committee and a Compensation Committee.

The rules governing the make-up and operation of the Audit Committee and the Nominating and Compensation Committee or committees are set forth in the Regulations of the Board, and include the following:

a) The Board appoints the members of such Committees, taking into account the background knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work.

b) These Committees are formed exclusively of external directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.

c) Committee Chairmen are independent directors.

d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.

e) Minutes are prepared of their meetings, and a copy sent to all Board members.

See paragraphs: B.2.1 and B.2.3

Compiles in part

The Chairman of the Nominating and Compensation Committee is the Chairman of the Board and is executive director.

45. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Nominating Committee or, if they exist separately, to the Compliance or Corporate Governance Committee.

Complies

46. The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their background knowledge and experience in accounting, auditing and risk management matters.

Complies

47. Listed companies have an internal audit function which, under the supervision of the Audit Committee, to ensure the smooth operation of the information and internal control systems.

Complies

48. The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.

Complies

49. Risk control and management policy specifies at least:

- a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;
- e) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.

See paragraphs :D

Complies

50. The Audit Committee's role is:

1. With respect to the internal control and reporting systems:

- a) To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.
- b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.
- c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.
- d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.

2. With respect to the external auditor:

- a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.
- b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.
- c) To monitor the independence of the external auditor, to which end:
 - i) The company reports a change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.
 - ii) The Committee ensures that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;
 - iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.
- d) In the case of groups, the Committee favors the auditor of the group assuming responsibility for the audits of the companies that form part thereof.

See paragraphs: B.1.35, B.2.2, B.2.3 and D.3

Complies

51. The Audit Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.

Complies

52. The Audit Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:

- a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements

are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.

b) The creation or acquisition of interests in special purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

See paragraphs: B.2.2 and B.2.3

Complies.

53. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See paragraph: B.1.38

Complies

54. The majority of the members of the Nominating Committee –or of the Nominating and Compensation Committee, if one and the same– are independent directors.

See paragraph: B.2.1

Complies

55. The Nominating Committee has the following duties, in addition to those stated in the earlier Recommendations:

a) To assess the qualifications, background knowledge and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.

c) To report on senior manager appointments and removals that the chief executive proposes to the Board.

d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See paragraph: B.2.3

Partially Complies

The Articles of Association envisage the appointment of a First Vice-Chairman, a Second Vice-Chairman and also a Third Vice-Chairman to prepare the company for any possible absences that may arise.

Art. 10 of the Regulations of the Board of Directors, on the Chairmanship, states that:

The First Vice-Chairman shall replace the Chairman in the event of illness, absence or death affecting the latter. In such cases, and for as long as the circumstances in question persist, the Vice-Chairman will be entitled to convene Board meetings and chair proceedings.

The Second Vice-Chairman and Third Vice-Chairman, if indeed such offices exist, shall exercise the same functions in relation to the First Chairman and the Second Vice-Chairman, respectively.

The First Vice-Chairman has likewise been authorised, in his/her capacity as independent director, to exercise the following functions in accordance with Art. 9 of the Regulations of the Board of Directors:

a) to request that a Board meeting be convened, or for new items to be added to the agenda;

b) to act as coordinator for the non-executive directors and to voice their concerns;

c) to head the process whereby the Board assesses the performance of the Chairman.

Moreover, the Appointments and Remuneration Committee is responsible for ensuring suitability and integrity when selecting directors and senior executives, and for proposing or reporting on the appointment of directors, both such duties as set forth in Art. 14 of the Regulations of the Board of Directors.

As a result, existing internal rules and regulations allow the company to organise the rotation of directors accordingly, including in cases of sudden or unforeseen absences.

56. The Nominating Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors. And that any board member may request that the Nominating Committee consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.

Complies

57. The Compensation Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:

a) To propose to the Board of Directors:

- i) The compensation policy for directors and senior managers;**
- ii) The individual compensation of executive directors and other terms of their contracts.**
- iii) The basic terms and conditions of the contracts with senior managers.**

b) To ensure compliance with the compensation policy set by the company.

See paragraphs: B.1.14 and B.2.3

Complies

58. The Compensation Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.

Complies

G. OTHER INFORMATION OF INTEREST

If you believe that there is any relevant principle or aspect regarding the corporate governance practices applied by your company that has not been discussed in this Report, please mention it and explain it below.

In this section, you may include any other information, clarification or comment relating to the prior sections of this report.

Specifically, indicate whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this Report.

Binding definition of independent director:

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in subsection 5 of the Unified Good Governance Code:

NO

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of
02/28/2011

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

NO