

ANNUAL CORPORATE GOVERNANCE REPORT

VISCOFAN SA

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

Year end: 31/12/2012

Tax number: A31065501

Company name: VISCOFAN, S.A.

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 rights	Share capital (euros)	Number of shares	Number of vote change
14/04/2011	32,622,577.40	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:

Name of company name of the shareholder	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
MS MARÍA DEL CARMEN CAREAGA SALAZAR	0	2,366,000	5,077
MARATHON ASSET MANAGEMENT, LLP	0	2,297,473	4,930
GOVERNANCE FOR OWNERS LLP	0	2,236,061	4,798
WILLIAM BLAIR COMPANY LLC	1,700,195	0	3,648
BLACKROCK, INC.	0	1,463,530	3,140
BNP PARIBAS, SOCIETE ANONYME	1,411,837	0	3,029

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
MARATHON ASSET MANAGEMENT, LLP	11/10/2012	Down from 5% of the share capital
GOVERNANCE FOR OWNERS LLP	24/12/2012	Down from 5% of the share capital
GOVERNANCE FOR OWNERS LLP	02/03/2012	Exceeded 5% of the share capital
BNP PARIBAS, SOCIETE ANONYME	21/12/2012	Exceeded 3% of the share capital
BNP PARIBAS, SOCIETE ANONYME	19/12/2012	Down from 3% of the share capital
BNP PARIBAS, SOCIETE ANONYME	02/10/2012	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:

Name or company name of the Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MR JOSE DOMINGO DE AMPUERO Y OSMA	50,000	0	0.107
MR NESTOR BASTERRA LARROUDÉ	212,452	0	0.456
MS AGATHA ECHEVARRÍA CANALES	16,809	0	0.036
MR ALEJANDRO LEGARDA ZARAGÜETA	8,250	0	0.018
MR GREGORIO MARAÑÓN BERTRAN DE LIS	0	0	0.000
MR IGNACIO MARCO-GARDOQUI IBÁÑEZ	30,276	0	
MR JOSE CRUZ PÉREZ LAPAZARÁN	210	0	0.000
MR JOSÉ MARÍA ALDECOA SAGASTOSOLA	0	0	0.000
MS LAURA GONZÁLEZ MOLERO	5	0	0.000 ³

Total % of voting rights of the Board of Directors:	0.682
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Complete the following tables about members of the Board of Directors of the Company who have voting rights attaching to shares of the Company:

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

(*) Through:

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 (thousand euros)	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 23 May 2012 on second call:

The following agreement is adopted by majority:

The proposal is to cancel the authorisation for acquiring own shares that was given to the Board of

Directors at the Company's General Shareholders Meeting of 14 April 2011.

The proposal is to authorise the Board of Directors to buy and sell on the market, through the person, Company or institution that it deems advisable, shares in the Company at the market price on the transaction date, for the maximum number of shares permitted by the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas) and related provisions, with the minimum price being the face value and with a maximum price of 45 euros.

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 Articles 146 and 509 of the Spanish Capital Companies Act (Ley de Sociedades de Capital).

In the event the Board of Directors should need to exercise the authorisation conferred upon it by the General Shareholders Meeting, the Company's treasury shares would be subject to the treasury shares regime set forth in Article 148 of the Spanish Capital 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 can exercise for legal restriction	0
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Indicate whether there are any restrictions in the Articles of Association on the exercise of voting rights:

NO

Maximum percentage of voting rights that a shareholder may exercise due to an statutory restriction	0
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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 Articles of Association:

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 Director	Representing	Director position on the board	Date first elected	Date last elected	Election procedure
MR JOSE DOMINGO DE AMPUERO Y OSMA	-	CHAIRMAN	27/02/2009	03/06/2009	VOTE AT THE GENERAL SHAREHOLDER'S MEETING
MR NESTOR BASTERRA LARROUDÉ	-	1st VICE-CHAIRMAN	27/07/1997	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER'S MEETING
MS AGATHA ECHEVARRÍA CANALES	-	DIRECTOR	24/06/1998	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER'S MEETING
MR ALEJANDRO LEGARDA ZARAGÜETA	-	DIRECTOR	22/05/2006	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER'S MEETING
MR GREGORIO MARAÑÓN BERTRAN DE LIS	-	DIRECTOR	29/01/1999	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER'S MEETING
MR IGNACIO MARCO - GARDUQUI IBAÑEZ	-	DIRECTOR	01/01/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER'S MEETING
MR JOSE CRUZ PÉREZ LAPAZARÁN	-	DIRECTOR	24/06/1998	03/06/2008	VOTE AT THE GENERAL SHAREHOLDER'S MEETING
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA	-	DIRECTOR	23/05/2012	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER'S MEETING

Name or company name of Director	Representing	Director position on the board	Date First elected	Date last elected	Election procedure
MS LAURA GONZALEZ MOLERO	-	DIRECTOR	22/04/2010	01/06/2010	VOTE AT THE GENERAL SHAREHOLDER'S MEETING

Total number of Directors	9
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Indicate any separations from the Board of Directors during the period:

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	Committee that proposed the nomination	Position on the Company's organizational chart
MR JOSE DOMINGO DE AMPUERO Y OSMA	Appointments Committee	Chairman

Total number of Executive Directors	1
% of the entire Board	11.111

EXTERNAL DIRECTORS REPRESENTING A CONTROLLING SHAREHOLDER

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the Director

MR NESTOR BASTERRA LARROUDÉ

Profile

Law degree and Economics graduate from the University of Deusto. He also has an MBA from IESE	<p>He spent most of his career working in corporate banking both internationally and in Spain at management level in capital market and corporate departments in Bank of America and Banco Santander.</p> <p>He is currently Vice-Chairman of Iberpapel Gestion SA, partner and member of the Board of Directors of Amistra SGC, S.A.</p>
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Name or company name of the Director
MS AGATHA ECHEVARRÍA CANALES

Profile

Law degree from ICADE (Universidad Pontificia de Comillas) and is a Business Studies graduate from the same university.	Born in San Sebastián. 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 and Audit Committee.
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Name or company name of the Director
MR ALEJANDRO LEGARDA ZARAGÜETA

Profile

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).	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.
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Name or company name of the Director
MR GREGORIO MARAÑÓN BERTRAN DE LIS

Profile

Marquis of Marañón. Law graduate from the Universidad Complutense in Madrid and completed the Senior Executive Programme at the IESE.	<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, Chairman of its appointments and remuneration committee and member of its corporate governance committee; member of the Board of Directors of Prisa TV, and of its Audit Committee and Chairman of its Appointments and Remuneration 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 cultural sphere he is Presidente of the Teatro Real and the Foundation Greco 2014 and the Royal Tapestry Factory; Vice-president and president of the Executive committee of the Ortega-Marañón Foundation, director of Santillana Foundation, Altadis Foundation, Real Fundación de Toledo, the Armed Forces Museum and Toledo International Centre for Peace. He</p>
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	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. He holds the grand cross of Alfonso X el Sabio and is an officer of the French legion of honour and honorary citizen of Toledo.
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Name or company name of the Director

MR IGNACIO MARCO-GARDOQUI IBAÑEZ

Profile

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

MR JOSÉ CRUZ PÉREZ LAPAZARÁN

Profile

Agricultural Engineering graduate from the Universidad Politécnica of Madrid.	<p>Born in Madrid. 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. 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. Former senator and currently MP, he sits on various parliamentary committees. He holds the Grand Cross for Merit in Agriculture.</p>
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Name or company name of the Director

MR JOSÉ MARÍA ALDECOA SAGASTASOLOA

Graduate in Technical Electronic Engineering from the Polytechnic School of Mondragón. PADE Graduate from the Executive Management Programme at IESE.	<p>. PADE Graduate from the Executive Management Programme at IESE. Throughout his long professional career, he has held various posts at COPRECI (1971-1982). He was Managing Director of FAGOR ELECTRÓNICA and member of the Board</p>
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of Directors of Fagor, S. Coop. (1982-1991). Between 1984 and 1991, he was Vice-Chairman of ANIEL (National Association of Electronic Industries) and Chairman of the Components Board. He was also member of the Board of Directors of the European Electronic Components Association (EECA) between 1986 and 1991. Between 1992 and 2012, he held various positions at MONDRAGÓN CORPORACION and, in 2007, he was appointed Chairman of the General Board, a position he held until July 2012. He has a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong, the integration of the production plants of Orkli, Orbea, Mondragón Automoción in the industrial park of Kunshan, China and the opening of the (industrial Park) of Pune in India. He has sat on the Board of Directors of various automotive and components companies (Copreci-Czech Republic, Copreci-Mexico, Vitorio Luzuriaga, Fagor Ederlan-Brazil, ParanoaCicautxo-Brazil, FPK, Fagor Ederlan-Slovakia), and director (1992-2006) and Chairman (2007-2012) of MONDRAGÓN INVERSIONES. He was also Chairman of the Engineering Faculty of the University of Mondragón (1998-2002). He is currently an independent director and member of the Delegate Executive Committee of Gamesa Corporación Tecnológica, S.A.

Name or company name of the Director

MS LAURA GONZALEZ MOLERO

Profile

Graduate in Pharmaceuticals from the “Universidad Complutense de Madrid”, Executive MBA from the “Instituto de Empresa”, advanced course of management at IMD-Switzerland.

Chairman of the Merck Group in Latin America and CEO of the Merck Group in Spain and independent Director of the Leche Pascual Group. She currently leads the project for integrating Milipore in the Merck Group. She previously led the integration process between the Merck Group and 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 Países Nórdicos and Nordic countries when purchased by the Merck group. She was previously Managing Director of Farmacéutica Essex from the Schering-Plough Group, and Laboratorios Farmacéuticos 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	8
% of total Directors:	88,889

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.

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:

NO

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
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 VISCOFAN GMBH	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA. INC	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SA	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN

Name or company name of the Director	Company name of the Group entity	Title
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 VISCOFAN GMBH	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN URUGUAY S.A.	VICECHAIRMAN
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	VICECHAIRMAN
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 UK LIMITED	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN URUGUAY S.A.	CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN
MR NESTOR BASTERRA LARRO	GAMEX CB S.R.O.	VICE- CHAIRMAN

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 GESTIÓN SA	DIRECTOR
MR ALEJANDRO LEGARDA ZARAGÜETA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES SA	DIRECTOR
MR GREGORIO MARAÑÓN BERTRÁN DE LIS	PROMOTORA DE INFORMACIONES SA	DIRECTOR

Name or company name of the Director	Company name of the Group entity	Title
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	TUBACEX. S.A.	DIRECTOR
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA	GAMESA INCORPORACIÓN TECNOLÓGICA. 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 Regulations

Article 23 of the Regulations of the Board of Directors states that:

The company's directors may not sit on more than ten Boards of Directors besides Viscofan, S.A.

The calculation excludes the following:

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 remuneration 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	Yes

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

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

Compensation	Thousand €
Fixed Compensation	0
Variable Compensation	0
Per diems	173
Payments as per Articles of Association	1,879
Options on shares and/or other financial instruments	0
Other	0
TOTAL	2,052

Other Benefits	Thousand €
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 favour of Directors	0
TOTAL	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	Thousand €
Fixed Compensation	0
Variable Compensation	0
Per diems	0
Payments as per Articles of Association	324
Options on shares and/or other financial instruments	0
Other	0
TOTAL	324

Other Benefits	Thousand €
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 favour of Directors	0
TOTAL	0

c) Total remuneration by type of director:

Breakdown of Directors	By company	By group
EXECUTIVE	488	216
EXTERNAL REPRESENTING A CONTROLLING SHAREHOLDER	0	0
EXTERNAL INDEPENDENT	1,564	108

OTHER EXTERNAL	0	0
TOTAL	2,052	324

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

Total Director remuneration (in thousands €)	2,376
Total Director remuneration/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 remuneration accruing to them during the fiscal year:

Name or company name	Title
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 CÉSAR ARRAIZA ARMENDÁRIZ	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
MR ANDRES DÍAZ ECHEVARRÍA	HEAD OF OPERATIONS VISCOFAN GROUP
MR JUAN JOSÉ ROTA ARRIETA	HEAD OF HUMAN RESOURCES VISCOFAN GROUP
MR MANUEL NADAL MACHÍN	HEAD OF INFORMATION AND SYSTEMS VISCOFAN SA
MR RICARDO ROYO RUIZ	HEAD OF INFORMATION AND SYSTEMS VISCOFAN S.A.
MR MILOSLAV KAMIS	MANAGING DIRECTOR GAMEX CB SRO., MANAGING DIRECTOR VISCOFAN CZ SRO
MR BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH
MR WILFRIED SCHOEBEL	DIRECTOR OF COLLAGEN EXTRUSION VISCOFAN GROUP
MR ALFRED BRUINEKOOL	COMMERCIAL DIRECTOR NATURIN VISCOFAN GMBH.& MANAGING DIRECTOR VISCOFAN UK, LTD.
MR YUNNY SOTO	MANAGING DIRECTOR VISCOFAN CENTROAMERICA COMERCIAL SA
MR OSCAR PONZ TORRECILLAS	MANAGING DIRECTOR VISCOFAN DE MEXICO SRL DE CV
MR LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S.COM E IND. LTDA
MR JOSE MARÍA FERNÁNDEZ MARTÍN	MANAGING DIRECTOR VISCOFAN USA INC.
MR ALEJANDRO MARTÍNEZ CAMPO	MANAGING DIRECTOR INDUSTRIAS ALIMENTARIAS DE NAVARRA SAU
MS MARÍA DEL CARMEN PEÑA RUIZ	FINANCIAL MANAGER VISCOFAN S.A.

MR JUAN NEGRI SAMPER	MANAGING DIRECTOR VISCOFAN TECHNOLOGY SUZHOU INC
MR ANDREJ FILIP	MANAGING DIRECTOR KOTEKS VISCOFAN DO.O.
MR ANGEL MAESTRO ACOSTA	MANAGING DIRECTOR URUGUAY S.A.

Total executive management remuneration (thousand euros)	4,126
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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
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	Board of Directors	General Shareholders' Meeting
Body that authorizes the provisions	YES	NO

Is the General Shareholders' Meeting informed of the clauses?	NO
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B.1.14 Describe the process to set the remuneration of the members of the Board of Directors and the relevant provisions of the Articles of Association with regard thereto.

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

The remuneration of the members of the Board of Directors for 2012 are provided in the company bylaws.

Pursuant to Article 27 of the Articles of Association: The Board's remuneration will consist of one point five (1.5) per cent of the net profits before tax, in accordance with the requirements of articles 217 and 218 of the Capital Companies Act. It will be shared out among the members of the Board in accordance with the resolution adopted by the Board in each case.

In addition, Article 30 sets forth the following on the compensation of the Executive Committee: The Executive Committee's remuneration will consist of one point five (1.5) per cent of net earnings before taxes, subject to the limits set forth in Articles 217 and 218 of the Capital Companies Act.

The distribution of this percentage among the members of the Committee will be carried out pursuant to the resolution adopted by the Committee in each case. The Board of Directors runs an Appointments and Remunerations Committee and one of its missions consists of: f) proposing to the Board of Directors:

- i. The remuneration policy applicable to the Group's directors and senior executives, together with proposals for the distribution of the directors' remuneration.
- ii. The individual remuneration of the executive directors and the other terms and conditions of the contracts.
- iii. The basic terms and conditions of the contracts signed with the Group's senior executives.
- i.v. The remuneration policy applicable to Directors, senior executives and staff in shares and options, where applicable, as well as long-term remuneration policies.

As part of the dynamic policy for adapting best practices in corporate governance, the Board of Directors declared to shareholders at the General Meeting held at second call on 23 May 2012 that, as proposed by the Appointments and Remunerations Committee, it had hired Spencer Stewart as an external expert to review the remunerations of the Board and senior management and draw up a proposal to be submitted to the General Shareholders Meeting of 2013.

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 remuneration of directors and, in the case of executive directors, the additional remuneration 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 remuneration 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 remuneration arising therefrom.	YES
Variable remuneration 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.	YES

B.1.16 State whether the Board submits a report on director remuneration 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 remuneration 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 remuneration 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 remuneration policy

The company's remunerations policy applicable in 2012 was adopted by the Board of Directors at the proposal of the Appointments and Remunerations Committee in accordance with bylaws 27 and 30 on the Board and the Executive Committee, respectively:

Art. 27. The Board's remuneration will consist of one point five (1.5) per cent of the net profits before tax, in accordance with the requirements of articles 217 and 218 of the Capital Companies Act. It will be shared out among the members of the Board in accordance with the resolution adopted by the Board in each case.

Art. 30. The Executive Committee's remuneration will consist of one point five (1.5) per cent of net earnings before taxes, subject to the limits set forth in Articles 217 and 218 of the Capital Companies Act.

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

The remunerations of the Board and its Committees include only those provided in the Company bylaws. No other remuneration is provided for executive directors by virtue of their positions or for the Chairman or Vice-Chairmen of the board and its committees.

No remuneration is planned in the form of shares or share options, pension funds or plans, life insurance or any other contingency plans.
There is no type of guarantee, advance or credit granted in favour of any member of the Board of Directors.

The Report on the Company's Remunerations Policy for the years 2011 and 2012 was submitted to consultation vote and passed by the General Shareholders Meeting of 23 May 2012 as a separate item on the agenda.

At said General Shareholder Meeting, the chairman of the Appointments and Remunerations Committee said that Spencer Stuart had been hired as an external expert to review the remunerations of the Board and senior management and draw up a proposal to be submitted to the General Shareholders Meeting of 2013.

Role of the Compensation Committee

Pursuant to Article 14 of the Board Regulations, the following shall be among the missions of the Appointments and Remuneration Committee:

f) Proposing to the Board of Directors:

- i.- The remuneration policy for Directors and executives, as well the distribution of Directors' remuneration.
- ii.- Executive Directors' individual remuneration 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?	YES
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Name of external advisors

As mentioned earlier, Spencer Stuart has been hired as an external expert to review the remunerations of the Board and senior management and draw up a proposal to be submitted to the General Shareholders Meeting of 2013.

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 included in the previous item, of the members of the Board of Directors linking them to significant shareholders and/or to companies within the Group:

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

YES

Description of amendments

At its meeting of 2 May 2012, the Company's Board of Directors adopted various amendments to its Regulations to progress and consolidate its monitoring of recommendations on good corporate governance, anticipating the implementation of measures that guarantee said monitoring processes to their incorporation in the Company's internal regulations.

With this as the main aim, article 8 of said Regulations was amended in view of recommendation 29, which states:

'Independent directors should not remain as such for a continued period of more than 12 years clause '.

Accordingly, the Board of Directors has adopted the introduction of the following paragraphs, which have been added at the end of article 8 of the Regulations:

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

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

Under no circumstances will the provisions of the foregoing paragraphs limit the power of the company's General Shareholders Meeting or, where applicable, the Board of Directors to re-elect or

appoint a specific candidate as director and, where applicable, it will affect only his/her possible classification as an independent director.

In fulfilment of the duty provided in the Capital Companies Act, the current text of the Board Regulations, after the aforementioned amendment had been made, was notified to the CNMV on 2 May and filed with the Companies Registry of Navarre on 22 May 2012; said registration was also notified to the CNMV.

Said amendments to the Board Regulations were also notified to the Company's General Shareholders Meeting of 23 May 2012.

[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 administration of the Company will be commissioned to a Board of Directors, made up of a minimum of three members and a maximum of nine.

Their appointment will correspond to the General Shareholders meeting in accordance with article 243 of the Capital Companies Act.

And Article 27 sets forth that:

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

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

The General Shareholders Meeting, or 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 will also act as such at the General Shareholders Meeting. The Chairman and any of the Vice-Chairmen appointed by the Board itself must meet the requirements of article 249.3 of the Capital Companies Act for the intents and purposes of article 30 of these Bylaws.

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 will propose to the shareholders at the General Shareholders Meeting the most appropriate number to ensure due representation and the effective operation of the Board based on the changing circumstances of the Company.

And Article 8 provides that:

Article 8. Appointment of Directors

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

The proposals submitted to the shareholders by the Board at the General Shareholders Meeting with respect to elections or re-elections with the limits set down in the company bylaws will rely on proposals by the Appointments and Remunerations Committee for independent Directors and will be based on a prior report by the Appointments and Remunerations Committee for all other Directors. A reasonable number of independent Directors will be included on the Board and there will generally be a majority of external Directors.

The Directors will hold their posts for the term provided in the company bylaws.

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

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

Under no circumstances will the provisions of the foregoing paragraphs limit the power of the company's General Shareholders Meeting or, where applicable, the Board of Directors to re-elect or appoint a specific candidate as director and, where applicable, it will affect only his/her possible classification as an independent director.

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

The mission of the Appointments and Remunerations Committee will 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 re-election of independent Directors,
- c) Report to the Board of Directors the election or re-election of all other Directors.
- d) Report on the appointment and separation of executives 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 remuneration policy applicable to the Group's directors and senior executives, together with proposals for the distribution of the directors' remuneration.
 - ii. The individual remuneration of the executive directors and the other terms and conditions of the contracts.
 - iii. The basic terms and conditions of the contracts signed with the Group's senior executives.
 - iv. The remuneration policy applicable to Directors, senior executives and staff in shares and options, where applicable, as well as long-term remuneration policies.

As already mentioned, article 8 of the Board Regulations was amended in 2012, as reproduced in full in the previous section, in view of recommendation 29, which provides the following:

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

Accordingly, the following paragraphs were added to limit the re-election of independent directors:

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

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

Under no circumstances will the provisions of the foregoing paragraphs limit the power of the company's General Shareholders Meeting or, where applicable, the Board of Directors to re-elect or appoint a specific candidate as director and, where applicable, it will affect only his/her possible classification as an independent director.

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 will evaluate:

- a) the quality and efficiency of the operation of the Board itself;
- b) the performance of their functions by the Chairman of the Board and the company's chief executive, based on the report raised by the Appointments and Remunerations Committee;
- c) the operation of the Board's Committees, based on the report raised by each committee.

In accordance with this article of its Regulations, led by the Appointments and Remunerations Committee and coordinated by the Secretary of the Board, the Board assesses the Board itself and all its Committees on an annual basis, analysing various formal and material issues of the activities carried out by each one, together with the content of the meetings, access to business knowledge, information about issues that are necessary for the development of their functions, the presence of executives at Board meetings and the various Committees, the quality of the discussions and the taking of decisions, the performance of the directors and Chairmen of each committee and the Board itself, the qualification of the directors and the Secretary of the Board, the quality applied to achieve targets, among others. Suggestions are also requested, together with the inclusion of any comment that may help improve the performance of each one.

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

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.

Article 27. Separation of Directors.

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

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

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

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

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

Article 28. Directors' Duties after Separation.

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

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' Regulations on the separation of Directors:

'Directors shall remain at the disposal 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 has created the figure of lead director and awarded said position specific functions to limit the accumulation of powers in one single person.

In particular, in accordance with article 9 of the internal Regulations of the Board of Directors:

If the post of Chairman of the Board of Directors and Chief Executive of the company correspond to the same person, one of the independent directors will be authorised to perform the following functions:

- a) request a Board Meeting or the inclusion of new items on the agenda,
- b) coordinate the external directors and communicate their concerns,
- c) direct the Board's assessment of its 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.

Each year, the Board of Directors will assess:

- b,) the Chairman's and Chief Executive Officer's performance of their duties based on the report submitted to it by the Appointments and Remunerations 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

Explanation of the rules

See Article 9 (above mentioned)

B.1.22. Are qualified majorities, other than 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.

% Quorum: 55.55

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. Therefore, if all the numbers of the board are in attendance in person or by proxy, the vote in favour of five of the members will be necessary, i.e. 55.55%.

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

NO

B.1.24. Indicate whether the Chairman has the casting vote.

YES

Matters on which a casting vote may be made

Pursuant to Article 28 of the Articles of Association:

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

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

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 (no age)
- Age limit for the CEO (no age)
- Age limit for Directors (no age)

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:

YES

Maximum number of years in office	12
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B.1.27. If there are few or no women directors, describe the reasons for this as well as the initiatives adopted to correct this situation.

Description of reasons and initiatives

In recent years, through the Appointments and Remuneration Committee, the company has implemented internal initiatives in the search for possible women candidates who, in line with their experience and training, could be proposed for covering any vacancies arising in the future.

In particular, the company positively values economic and financial training, experience in auditing, knowledge of industry and, more specifically, of the sectors in which the activities of the Viscofan Group take place, and experience as a director.

In each case, the Appointments and Remuneration Committee analyses the profile of the possible candidates and will propose the, taking account of the benefit for the company, with criteria based on objectivity, training and equal opportunities.

Meanwhile, the Appointments and Remunerations Committee analyses the best alternatives for guaranteeing the presence of the current female directors on all the Board's Committees, making proposals in each case as it considers most appropriate for guaranteeing said presence.

In 2012, female directors have sat on the Executive Committee, the Audit Committee and the Appointments and Remunerations Committee.

In particular, state whether the Appointments and Remuneration 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 Board Regulations cover proxy voting at the Board of Directors or delegation in any of its members:

Article 33. Use of Delegated Voting

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

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

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

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

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	12
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	13
Number of Audit Committee Meetings	10
Number of Appointments and Remuneration Committee Meetings	9
Number of Appointments Committee Meetings	0

Number of Remuneration Committee Meetings	0
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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 failing to attend during the fiscal year	2
Failures to attend as a percentage of total votes during the fiscal year	1.980

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:

YES

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
MR JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGER
MR CÉSAR ARRAIZA ARMENDÁRIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MS MARÍA DEL CARMEN PEÑA 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.

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

'D) With respect to the external auditor:

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

In 2012, through the Audit Committee, the Board of Directors put in place mechanisms for the continuous control of the financial information on every level, from commencement to consolidation in the Viscofan group of companies.

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

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

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

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

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

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 Appointments Committee and approved by the full Board.

Procedure for election and separation

Pursuant to Article 11 of the Board Regulations:

'The election and removal 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 Appointments and Remuneration Committee.'

Does the Appointments Committee report the election?	YES
Does the Appointments Committee report the separation?	YES
Does the full Board approve the election?	YES
Does the full Board approve the removal?	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 to the 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 resigns, 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 Shareholders' Meeting exercises the functions attributed to it. At the time the call to meeting is published, the company shall make documentation available to shareholders 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 the public on:

- a) Relevant facts that could materially influence the formation of stock market prices.
- b) Substantial amendments to the Company governance rules.
- c) Treasury share policies that Company may propose to carry out exercising the 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
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If there has been any disagreement with the outgoing auditor, describe the content thereof:

NO

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.

YES

	Company	Group	Total
Amount for work other than audit work (thousands of euros)	17	108	125
Amount for work other than audit work (thousands of euros)	16.000	17.300	17.110

B.1.38 State whether the audit report on the Annual Financial Statements for the previous 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	6	6

	Company	Group
Number of years audited by the current audit firm/Number of years the Company has been audited (as a %)	24.0	37.0

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

According to article 18 of the Board Regulations,

‘Through the Chairman, Directors may request the hiring of such external advisors as they deem necessary for the proper performance of their work as Directors. The full Board is empowered to adopt any relevant resolutions as to whether or not such external advisory services shall be performed, what person or entity shall provide such services, the limitations on access to the

Company's proprietary information that such advisor shall have and the approval, as appropriate, of the relevant expense item'.

As reported by the Board to the shareholders in the General Shareholders Meeting of 23 May 2012, this right has led to the hiring of Spencer Stuart in 2012 as the external expert for drawing up a report on remunerations and its conclusions will be submitted at the General Shareholders Meeting of 2013.

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 will receive the information required to carry out their work in due time and detail 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

Said rules are included in article 22 of the Board Regulations as part of the directors' duty to loyalty:

Directors will 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 Spanish Public Limited Companies Act:

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:

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Title	Category
MR IGNACIO MARCO-GARDOQUI IBÁÑEZ	CHAIRMAN	INDEPENDENT
MR JOSÉ CRUZ PÉREZ LAPAZARÁN	DIRECTOR	INDEPENDENT
MS LAURA GONZÁLEZ MOLERO	DIRECTOR	INDEPENDENT

EXECUTIVE OR DELEGATE COMMITTEE

Name	Title	Category
MR JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR NESTOR BASTERRA LARROUDÉ	DIRECTOR	INDEPENDENT

AUDIT COMMITTEE

Name	Title	Category
MR ALEJANDRO LEGARDA ZARAGÜETA	CHAIRMAN	INDEPENDENT
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	INDEPENDENT
MR GREGORIO MARAÑÓN BERTRÁN LIS	DIRECTOR	INDEPENDENT
MR JOSÉ MARÍA ALDECOA SAGASTOSOLOA	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

- Reviewing the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.

YES

- Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and removal of the head of the internal audit area; propose the budget for this 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, favour 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

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description

Governed by the Board Regulations:

Article 14 - Appointments and Remuneration Committee.

There shall be an Appointments and Remuneration 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 and they shall be no fewer than three in number. Members of the committee shall automatically step down when they cease to serve as company Board members.

The mission of the Appointments and Remuneration Committee shall be as follows:

- a) Ensuring the appropriateness and integrity of the selection of Directors and executive officers.
- b) Proposing to the Board of Directors the election or reelection of independent Directors.
- c) Reporting to the Board of Directors on the election or reelection of all other Directors.
- d) Reporting the appointment and removal of executives that the Chief Executive Officer proposes to the Board.
- e) Reporting to the Board of Directors on matters of gender diversity.
- f) Proposing to the Board of Directors:
 - i.- The remuneration policy for Directors and executives, as well as the distribution of Directors' remuneration.
 - ii.- Executive Directors' individual remuneration as all 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 will be members of the Executive Committee: the Chairman, the First Vice-Chairman, and one to three Directors appointed by the Board itself pursuant to legal requirements.

The Executive Committee will adopt its resolutions by majority vote and the Chairman will have the casting vote. The Chairman of the Board will chair the Committee. As a permanent delegation of the Board of Directors, the Executive Committee will exercise all the powers of the Board, except for the following: sale, 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.

Board Regulations:

Article 12. Executive Committee

The Executive Committee will comprise the number and type of members set down in the company bylaws.

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

The Board of Directors is empowered to appoint and separate its members based on a report by the Appointments and Remunerations Committee. The members of the Executive Committee will automatically cease to sit on the Committee when they cease to serve as Directors of the Company. The Executive Committee will possess such authority and powers as are awarded by the company bylaws and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders Meeting.

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

Committee name

AUDIT COMMITTEE

Short description

Company Articles of Association:

According to article 30 of the Company Bylaws, the Audit Committee will be made up of a minimum of three members appointed by the Board of Directors, who will be automatically removed when they are no longer Company directors or when so resolved by the Board of Directors. One of the members will be elected as Chairman, who will be replaced every four years; the Chairman may be re-elected one year after he/she ceases to serve as Chairman.

The Audit Committee will meet whenever convened by its Chairman, by decision of the Board of Directors, or upon the request of the majority of its members. The meeting will be considered quorate when it is attended by the majority of the directors in person or by proxy. Resolutions will be adopted by simple majority vote of the members attending the meeting and the Chairman will have the casting vote.

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.

Notwithstanding other functions assigned to it by the Board of Directors, the Audit Committee's mission will include the following:

- a) To report to the shareholders at the General Shareholders Meeting on business brought forth by the shareholders with respect to matters within its competence.
- b) To 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 264 of the Capital Companies Act.
- c) To supervise, when appropriate, the internal audit services.

d) To become familiar with the Company's financial reporting process and its internal control systems.

e) To 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 Regulations:

Article 13,- Audit Committee.

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

The composition of the Audit Committee and its operation will be as set down in the company bylaws. The members of the Audit Committee will be appointed by the Board of Directors pursuant to legal requirements based on a report by the Appointments and Remunerations Committee, and they will 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 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 the aforementioned persons will be bound to cooperate and provide access to any information they may have.

The Audit Committee will report to the Board on the business it addresses and on all resolutions adopted at the Board meetings convened for such purpose, and will furnish all Board members with the minutes of its meetings.

Notwithstanding other functions assigned to it by the Board of Directors, the Audit Committee's mission will include the following:

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

B) Proposing the appointment of the financial auditor to the Board of Directors, which will then 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 structures, 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, so that the main risks can be correctly identified, managed and reported.

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

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

(ii) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving regular information on the results of the work performed, including any incidents that may arise. The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;

(iii) ensuring the independence and efficiency of the internal audit function

iv) proposing the budget for this same internal function;

(v) receiving periodic information on its activities, and;

(vi) verifying that the senior management takes into account the conclusions and recommendations set down in its reports.

D) With respect to the external auditor:

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

(2) Overseeing compliance with the audit agreement, ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

(3) Monitoring the decisions of the senior management team regarding any adjustments recommended by the external auditor, and to hear and, where applicable, mediate any disagreements between both parties.

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

(i) the Audit Committee will ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor walks away, the committee will explore the underlying causes;

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

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

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

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

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

(c) Associate transactions.

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

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

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

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

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description

Board Regulations:

Article 14 - Appointments and Remuneration Committee.

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 re-election of independent Directors,
- c) Report to the Board of Directors the election or re-election of all other Directors.
- d) Report on the appointment and separation of executives 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 remuneration policy applicable to the Group's directors and senior executives, together with proposals for the distribution of the directors' remuneration.
 - ii. The individual remuneration of the executive directors and the other terms and conditions of the contracts.
 - iii. The basic terms and conditions of the contracts signed with the Group's senior executives.
 - iv. The remuneration policy applicable to Directors, senior executives and staff in shares and options, where applicable, as well as 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 will be engaged, and if so, what person or entity will provide them. The Board will also address any possible limitations on the chosen advisor's access to the company's confidential information, and will likewise approve, where applicable, the relevant expense entry.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Brief 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 will exercise all the powers of the Board, except 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 will possess such authority and powers as are awarded by the company bylaws and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders Meeting.

The Executive Committee will perform its duties with the utmost transparency before the Board, informing the latter of all business discussed and all resolutions adopted, and furnishing all 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 will 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 be passed 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 regular financial information the company has to publish, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.

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

(c) Associate transactions.

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

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 the aforementioned persons will be bound to cooperate and provide access to any information they may have.

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 the aforementioned persons will 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

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description

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

There have been no changes during the year.

The Committee draws up an annual business report including, among other activities, the preparation and monitoring of the annual assessment of the Board and the Committees, the coordination of the evaluation of senior management, the proposed application of the remunerations policy for the Board and senior management, the preparation of the proposal for the Board on the remunerations policy for the current year, the preparation of the proposed annual remunerations report for subsequent submission to the Company's General Shareholders Meeting, reports and proposals for the appointment of directors, where applicable.

Furthermore, the Committee raises proposals to the Board on activities designed to improve knowledge of the attributions, duties and responsibilities of the various members of the Group's senior management at Viscofan S.A. and the other companies in the Group. It fosters the organisation of training courses on particular business issues for the Board of Directors and analyses any requests for participation in the Company's governing bodies.

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 and with the Companies Registry.

There have been no changes in 2012.

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

Committee name

AUDIT COMMITTEE

Short description

The Audit Committee is governed by Article 30 of the company'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 and with the Companies Registry.

There have been no changes to its regulations in 2012.

The Audit Committee draws up an annual activity report that describes the targets set by the Committee, the activities carried out during the year and the results obtained from said activities. An extract of said report is submitted to the General Shareholders Meeting on an annual basis for information purposes.

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

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 from 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 Section 127 ter of the Spanish Public Limited Companies Act.

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:

In fulfilling their duty of loyalty, the Company's Directors will 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 interests 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 will abstain from voting on matters in which they have an interest.

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

Directors will 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. In this case, the Board will examine the situation. It will monitor the situation closely, before deciding 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 representation or advisory services to such companies.

The various facets of the Director's duty to loyalty also encompasses activities carried out by associates, 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 made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:

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

C.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.

The Company's risk management policy is shown in its internal regulations in the procedure that regulates said management and in the various internal regulations that govern the bodies that are involved, which are mainly the following:

BOARD OF DIRECTORS

In accordance with article 5 of the Company's Board Regulations on 'Powers of exclusive knowledge', the risk management and control policy and the regular monitoring of the internal information and control systems is one of the matters that correspond to the exclusive knowledge of the plenary session of the Board.

AUDIT COMMITTEE

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.

INTERNAL AUDIT

The Internal Audit Department has among its objectives the identification and assessment of any type of risk that the Organization may face and for this purpose it is authorized to examine and assess the systems and procedures for control and mitigation of all risks, as well as the methodologies used.

CORPORATE RESPONSIBILITY AND REGULATORY COMPLIANCE COMMITTEE

The Corporate Responsibility and Regulatory Compliance Committee includes among its duties that of overseeing risks specific to the Company in relation to criminal liability or any other breach of Company regulations (statutory or corporate).

SENIOR MANAGEMENT

Senior management is responsible for identifying and assessing the risks affecting the Group during its business and taking the appropriate measures to prevent them from appearing or, where applicable, reducing or eliminating their impact. It is therefore responsible for the design and implementation of control mechanisms and for ensuring their fulfilment across the organisation. Accordingly, various multi-discipline committees have been set up and they meet on a regular basis to analyse the situation and evolution of the risks and, where applicable, adapt the control mechanisms and adopt the measures that are necessary for their reduction.

EMPLOYEES

Finally, the rest of the Viscofan Group employees shall comply with the measures in place in the risk control and prevention systems and, where applicable, report the conduct they consider as a possible risk for the Viscofan Group.

ETHICS COMMITTEE

The ethics committee is responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may give rise to a situation of risk for the Viscofan Group as a result of breach of the Viscofan Group's internal regulations or any other circumstance. In the exercising of its respective duties, the company has continued to make progress in the identification, classification, organization and update of the risks that exist and in the introduction of control systems and preventive measures to avoid them appearing, as well as in the incorporation of systems that make it possible to reduce their impact as far as possible in the event of them occurring. Independently of all of the risks that could affect the Company and without aiming to give an exhaustive description of them, we have concentrated on describing the risks that the Company has identified as having the highest possibility of occurring or having an impact during 2012, which correspond to those in which we have increased the adoption of measures for their prevention or for the reduction of their consequences in the event that they do actually occur:

FINANCIAL RISKS

A) INTEGRITY OF THE PREPARATION OF THE FINANCIAL INFORMATION

The company and its group of companies should guarantee that the financial information prepared and transmitted to the financial markets provides a true, accurate, exact, complete and consistent

reflection of the financial situation through the establishment of mechanisms that guarantee control in its preparation and consolidation.

Measures adopted

The company has introduced a system for internal control of the financial information in which, in addition to the bodies responsible for risk management described above, the Corporate Finance Division was responsible for its design, start-up and dissemination, with support from the Finance Departments of each of the Viscofan Group companies and the Internal Audit Division. All the areas that take part to a greater or lesser extent in any of the stages of the preparation of financial information have also been involved.

This system is described in detail in the appendix to this Annual Corporate Governance Report. In 2012, the audit committee, in coordination with the internal and corporate financial departments put in place a plan for monitoring and controlling the evolution of the control system, proposing corrective measures where necessary and verifying their effectiveness. The internal audit department has also included the continuous review of said controls in its annual plan for various subsidiaries, where said review will apply to the financial departments and areas that also take part in preparing the information: operations, human resources, purchasing and commercial, etc.

B) PROFITABILITY AND SUCCESS OF THE INVESTMENTS THAT HAVE BEEN MADE

In accordance with the BE MORE 2012-2015 strategy, the Viscofan Group is committed to increasing its operations to obtain a greater market share. During this period, important investments are to be made, such as the new collagen wrapper extrusion plants in China and Uruguay, which require exhaustive control and monitoring to guarantee fulfilment with the targets set for the Viscofan Group.

Measures taken

The company has consolidated the decision-making procedure and monitoring of investments through the Committee created for this purpose. This Committee reviews the investment plans approved for each subsidiary, placing particular emphasis on the most important projects.

In 2012, owing to the special relevance of the investments that were to be made, taking into account the expansion plans in countries such as China and Uruguay, the Group has channelled its coordination through its strategic Projects Division, appropriately planning the construction, installation of machinery and training of the human resources required for starting of the new installations. The Investments Committee has also monitored its preliminary approval, execution, evolution and return to guarantee compliance with key missions in the agreed terms, adapting the corresponding implantation plans as far as possible.

C) EXCHANGE RATE RISK

The company and its group of companies operate internationally and are therefore exposed to exchange rate risk for operations taking place in currencies other than the production or reporting currency, especially the dollar . The exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign business.

The main exposure arises from the difference between sales and purchases in currencies other than the functional currency in the various companies that make up the Group. In this respect, the main risk arises from the differential between sales and expenses in dollars representing approximately 39% and 22% of the total Group sales and expenses, respectively.

Measures adopted

One of the ways of balancing the flows of collections and payments in the same currency is to bring the production centres closer to the main markets from a commercial point of view.

Although there are determining factors when it comes to deciding where to locate the production centres (access to raw materials, labour costs, customer service, logistics optimization), the fact

that the production and the market are both in the same country facilitates natural hedging of the exchange rate risk in the business, leading to purchases and sales taking place in the same currency.

The Group has large production centres in the United States, Brazil, Mexico and the European Union, four of the areas where most sales are generated. The Group is also increasing its production capacity in China, another market with high commercial potential, and Uruguay, setting up the production of collagen wrapping outside the Eurozone for the first time.

As a complement to this natural business hedging, in order to control the exchange rate risk that arises from future commercial transactions, the Group companies use forward exchange contracts, negotiated under the coordination of the corporate Cash Management Division.

The Group's risk management policy is to hedge a part of the net balance between collections and payments in currencies other than the functional currency that present the most net exposure based on expectations of future operating flows and the level of risk that the Group is prepared to take on.

To do this, exchange contracts are formalized during the process of preparation of the annual budget, taking as a basis the expected EBITDA for the coming year, the forecast net level of exposure and the level of risk that the Group is prepared to take on.

D) CREDIT RISK

The risk of customer debts pending collection is characterised by the geographical diversity of the customer base, owing to the fact that the Group's business is carried on in more than 100 countries, which makes it more difficult to chase up payments in the event of delay, especially in markets with lower levels of financial or regulatory development. In whatsoever case, the Group does not have any significant concentrations of credit risk.

In an unfavourable economic climate this situation becomes worse, although it is lessened by the slight probability that adverse financial circumstances are prevalent simultaneously in all geographical areas in which the Viscofan Group markets its products.

Measures adopted

The Company has put in place control, authorisation and follow-up procedures for all the customers to which it sells from any company in the Group to reduce the possibility of risk and, where applicable, minimise impact.

The internal procedure includes the credit risk check for all new customers before starting up the commercial relationship, together with a regular check of the risk cover of each customer and, where applicable, specific revisions each time a customer's circumstances or environment change: increases in demand, changes to its financial situation, corporate transactions (mergers, sales acquisitions) change to the risk rating of the country in which it is located, changes to regulations and delays in payments, etc.

There are also internal procedures in place to ensure that sales are made to customers with an appropriate credit record or, where applicable, sufficient guarantees for payment are required, including payment in advance for sales which, owing to the absence of a record or when there is reasonable doubt, may be problematic. For its part, the Risks Committee regularly monitors customer risks and fulfilment of the policies in place to reduce said risk. It also proposes corrective measures in areas in which opportunities for improvement arise.

The Group has credit risk cover policies that cover most of the balances receivable from customers.

E) LIQUIDITY RISK

The Group has to guarantee the availability of liquidity for its operations, especially in the current economic climate of restrictions on financing.

The Group's world presence makes it possible to obtain finance under more competitive conditions thanks to access to international banks, albeit with low-level presence in Spain.

Measures adopted

Control of financial leverage in recent years and maintenance of streamlined financial statements accompanied by favourable operating results have helped to reduce this risk and its impact in the event of it occurring and have made it possible to carry out careful management of the liquidity risk, based on the maintenance of sufficient cash and negotiable securities, the availability of financing through sufficient committed credit facilities and sufficient capacity for settling market positions.

The current situation enables adequate finance for the investment projects included in the BE MORE Strategy 2012-2015, maintaining satisfactory remuneration for shareholders without the need for any relevant increases to current debt levels.

F) INTEREST RATE RISK IN CASH FLOWS AND REASONABLE VALUE

The company's exposure to the risk of change in interest rates is mainly due to the loans and credits received from financial institutions at variable interest rates.

Measures adopted

The Group does not hold any significant paid assets. The Group formalizes hedging agreements to mitigate part of the risk of a possible rise in interest rates. In any case, the Viscofan Group's leverage percentage is low, which makes the impact of a possible rise in interest rates irrelevant. Financing at variable interest rates is mainly referenced to the Euribor and the Libor-dollar.

OPERATIONAL RISKS

G) SUPPLY OF RAW MATERIALS AND ENERGY

The supply of raw materials of plant origin (cellulose, abaca paper, film, etc.) may be conditioned by adverse weather conditions or natural catastrophes.

Concerning raw materials of animal origin (collagen), disease, the development of other sectors that are consumers of products directly associated with our raw materials and the global increase in consumption of the products manufactured by the Viscofan Group may have an impact on their price or even their availability.

Furthermore, the risks also have to be included that are derived from the supply of energy and due to volatility in gas and electricity prices, which may be increased by the political or economic situation of producer countries and their relations with consumer countries, as well as by extreme weather conditions. The catastrophes that have taken place during recent years (earthquakes, floods in various regions of the world, hurricanes, etc.) and the unstable world economic climate have led to an increase in the sensitivity of the markets, industry and investors to this type of risk. In addition, this risk is reduced by the increasing globalization of the world market, which provides better access to raw materials from other continents, thus reducing the impact of the risk. With regard to energy supplies, the significant effect of geographic location, which prevents reduction of the risk to access to other markets, is partially compensated by the different locations of the Group's production centres on different continents and in very different countries in terms of legislation and resources.

Measures adopted

During 2012, the Viscofan Group has continued to investigate identification and selection of raw materials suppliers of various origins who are located in different geographical areas and make it possible to balance the potential impact in the event of any of the circumstances described arising.

The Viscofan Group continues to promote the approval of new suppliers and the search for suitable technology solutions for the incorporation of alternative raw materials to guarantee continuity of the production level required by the market at times when it is most difficult to obtain supplies.

These measures are enhanced by Viscofan's decision to set up an exclusion plant in China which, together with the existing converting centre, completes the production cycle. They are further enhanced by its decision to build the first collagen wrapping preparation plant in America in Uruguay.

In addition, with respect to the energy supply, in recent years, cover was arranged to partially cover the above-mentioned volatility. As part of an energy optimisation plan in place at the Group's plants, investments have also been made to allow optimum energy use and reduce dependence on the supply. Viscofan has also intensified monitoring of price changes and flexibility of supply by searching for suppliers that enable it to adapt more quickly to changing market circumstances.

H) MATERIAL DAMAGES AND PRODUCTION CONTINUITY

The Viscofan Group has to guarantee business continuity at times when exceptional circumstances may arise that the Group's assets and its production capacity.

Measures adopted

Following the engineering project carried out with the help of external experts at the Group's plants to identify possible improvements to reduce this type of risk, there have been significant improvements at all the Group's production plants thanks to the recommendations included in the final report. Furthermore, there has been a complete review of the policy on material damages and machinery breakdowns to adapt their conditions and the cover of risks to the Group's evolution in recent years and the current circumstances of the Viscofan Group.

Additional policies have also been taken out to cover the risks associated with the construction and assembly of the new production installations until they are in full operation.

The Viscofan Group is continuing its strategy of implementation in different countries, which favours diversification and the subsequent reduction of risk by increasing production alternatives in the hypothetical case of material damage that affects continuity of production.

I) LABOUR CONFLICTS

The Viscofan Group employs more than 4000 people across the world at production centres in eight countries. On this scenario, it has complex labour relations that may give rise to different kinds of conflicts, where the concept of labour conflict refers to legal disputes or interests arising between employers and employees.

In certain cases of labour conflict, workers may decide to go on strike. A long strike at any of the Group's production centres affects the capacity for supplying certain customers or markets.

Measures adopted

Labour conflicts are solved after negotiations between the workers' trade union representatives and the representatives of the companies in the Viscofan Group. The purpose of the negotiations is to reach an agreement on the labour conditions applicable to all the workers in the area covered by the talks.

In the hypothetical case of a strike caused by labour conflict, as described for the business continuity risk, the implantation in different countries favours diversification and increases alternatives for production.

STRATEGIC RISKS

J) COMPETITIVE SECTOR ENVIRONMENT

The incorporation in the sector of casings from new geographical areas in which consumption of products manufactured by the Viscofan Group operates in a market that has undergone significant growth in recent years with the appearance of has encouraged the entry of new competitors, some of which have important material and financial resources.

Furthermore, the change in demand in a climate of global recession has led to the search for lower cost alternatives and technology requirements that are perceived as a business opportunity to offer replacement products that satisfy the least demanding sectors.

In the vegetable canning sector, the economic crisis that affects Europe and the conditions imposed on the market by large customers that concentrate demand have modified manufacturers' strategy when adapting to new adverse circumstances as far as possible.

The evolution of this competitive environment may affect sector profitability, especially with regard to companies with lower equity levels.

Measures adopted

Viscofan has continued with its strategy as a global producer in the casings sector, consolidating its offer throughout the range of products currently existing on the market and increasing its operations with production plants in Asia and America to guarantee supply from all geographical areas to customers worldwide with a criterion of closer proximity that encourages a more local service and better adaptation to the needs of each market.

In the canned vegetables sector, Viscofan has maintained its presence in China for the production of canned asparagus and, in 2012, it extended its business in the country to the local production of other canned vegetables, maintaining compliance with quality standards in accordance with Spanish market requirements in an environment of cost control and resource maximisation to guarantee its leadership in Spain.

Furthermore, IAN, S.A.U. has continued its expansion in the ready meal sector through development of new products prepared using methods to conserve their organoleptic properties in accordance with the new requirements for quality products.

IAN, S.A.U. has also developed a plan to defend the industrial property developed to protect some of its products to achieve a competitive advantage in the canned food sector as provided by said industrial property.

K) COUNTRY RISK

Viscofan has wrapper production centres in Spain, Germany, Brazil, China, United States, Mexico, Czech Republic and Serbia and vegetable food production centres under the IAN Group brands in Spain and China, together with 14 commercial offices. Viscofan also commercialises its products in more than 100 countries.

Political or social instability, economic cycles, currency devaluations, risk of terrorism, etc. in the countries with which Viscofan has production or commercial relations is a country risk that may affect Viscofan's commercial relations and lead to a loss of a direct investment.

Measures adopted

The geographical dispersion of the wrappings market helps mitigate this risk and compensate the negative cycles of some countries with the positive cycles of others. It also provides complementary production bases which, in the case of the more important lines of business, make it possible to supply the same country from more than one centre. Accordingly, the main efforts focus on controlling credit risks in high-risk countries and foster the exchangeability of production processes between different production plants.

L) ENVIRONMENTAL RISK

As a result of its production process and the use of its installations, the Viscofan Group's business generates waste, discharges and emissions that may affect the environment and lead to claims for damages, disciplinary procedures and damages that affect its image and reputation.

Measures adopted

The risk policies include environmental risks so that they can be identified and controlled. Accordingly, based on the environmental management systems and monitoring work at the production facilities, investments and maintenance expenses are repeatedly made to reduce the environmental impact of our business. The Viscofan Group also continues to work on dialogue channels and is in permanent collaboration with the regulating bodies and players that are affected. It also takes out the corresponding insurance policies.

LEGAL RISKS

M) TEMPORARY AMENDMENTS TO LEGISLATION

The current circumstances of the Spanish economy have led to the approval of temporary measures to help economic recovery and revitalisation.

However, the provisional nature of said measures, together with their clear purpose of providing immediate partial solutions in a specific environment and the absence of subsequent legislative development for their interpretation and application hinder compliance and, where applicable, use when they may work in the Company's favour. All this also leads to a climate of legal uncertainty and volatility that may complicate the taking of strategic decisions.

Furthermore, the approval of measures to increase private contribution to re-establishing the economic balance, mainly in the area of taxation and business subsidies, may have an impact on the company's results.

Measures adopted

In the case of Viscofan, owing to its international presence and the relative weight of the business in Spain in the Group's results, the effect of this risk is reduced.

However, measures have been implemented for the appropriate monitoring of the modifications that may arise and experts are consulted in each of the areas that may be affected. The behaviour of other affected parties are observed and the Company's actions are coordinated, where applicable, with the decisions that are considered the most appropriate in accordance with the information that is available at any given time.

N) LEGISLATIVE PROTECTIONISM

The world instability caused largely by the economic crisis has led to a desire for protectionism by national legislators that has brought about the implantation of legal measures to favour local economies, hindering access by foreign investment or the commercialisation of products from other countries. The specifications of the products made by the Viscofan Group and the difficulties involved in finding alternatives for their replacement reduce the influence of this risk on the Viscofan Group's business.

Measures adopted

The Viscofan Group continuously monitors legislative amendments in the countries in which it operates and in the main countries in which it carries on its commercial business to ensure the actions that are required to adapt to said changes to the preparation of new products, local implantation or the intensification of commercial actions that help remove barriers.

N) CRIMINAL LIABILITY OF BODIES CORPORATE

The amendment of the Spanish Criminal Code in 2010 whose main modification consisted of the possibility of attributing criminal liability to companies as a result of the conduct of their executives, directors or employees, has increased the risk of legal non-compliance due to the possible penalties that a company may have to face.

Measures adopted

After implanting and disseminating the measures for preventing and detecting criminal liability in all the companies in the Viscofan Group, it has been disseminated through publication on the corporate intranet and the publication of news on specific related issues. Control actions have also been taken in coordination with the internal audits department to check compliance with the various policies, manuals and procedures in different areas, fostering the implantation of improvement measures, where applicable.

Furthermore, at least two local managers have been appointed and trained at each of the Group's companies and their responsibilities consist of the local monitoring of knowledge and compliance with the Group's internal regulations. This includes measures for preventing and detecting the criminal liability of all their company's employees and acting as a link with the Corporate Responsibility and Regulatory Compliance Committee.

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.

YES

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

Risks occurred during the year

Credit risk

Causes of risks

Customer default

Operation of control systems

Impact has been low-level owing to the credit insurance cover. In particular, 0.85 per thousand of sales. In absolute terms, it has not been relevant because the default volume has been kept at very low levels.

Risks occurred during the year

Legal risks

Causes of risks

Legislative amendments to the fiscal system of the Spanish energy sector

Operation of control systems

The measures that have been adopted have allowed Viscofan to carry out actions which, under current circumstances, may make it possible to reduce this risk. At the present time, the impact of these measures cannot be known as some of them are still pending.

Risks occurred during the year

Operational risks

Causes of risks

Increase in raw material prices

Operation of control systems

The approval of new suppliers and the search for alternatives in different geographical locations have helped reduce the impact of this effect.

Risks occurred during the year

Material damages and continuity of production

Causes of risks

Losses occurring at production plants.

Operation of control systems

Owing to the improvements that have been put in place, losses have not been particularly important and their economic impact has been low-level thanks to the cover from the insurance policies taken out by the Group. In 2012, Viscofan has benefited from the share in profits due to the low level of losses registered.

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

INTERNAL AUDIT

Description of functions

The Internal Audit Department has among its objectives the identification and assessment of any type of risk that the Organization may face and for this purpose it is authorized to examine and assess the systems and procedures for control and mitigation of all risks, as well as the methodologies used.

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 Regulations.

The Audit Committee also has the following functions related to the control of financial information in particular and the internal control and risk management systems in general, as provided in article 13 of the Company's Board Regulations:

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 structures, 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, so that the main risks can be correctly identified, managed and reported.

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.

In 2012, the Viscofan Group has intensified its relations with external legal advisers in countries in which the Viscofan Group's presence is greater, as well as in countries in which new production plants are being implanted.

All with the purpose of obtaining more knowledge about specific issues of local legislation that has been amended or, in the case of China and Uruguay, to gain better knowledge of the legislation that is applicable to our business.

Internal procedures have also been put in place to ensure a higher level of control of compliance with the various regulations and the monitoring of amendments to Spanish legislation has also been intensified owing to its particular circumstances.

Furthermore, a code on travel and accommodation abroad has been brought into the Group's internal regulations to verify compliance with the legislation of the destination countries by all the Group's employees during their temporary or permanent displacements.

Finally, at least two local managers have been appointed and trained at each of the Group's companies and their responsibilities consist of the local monitoring of knowledge and compliance with the Group's internal regulations. This includes measures for preventing and detecting the criminal liability of all their company's employees and acting as a link with the Corporate Responsibility and Regulatory Compliance Committee.

E. GENERAL SHAREHOLDERS' MEETING

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

NO

	% Quorum differing from that set forth in Section 102 of the Spanish Public Limited Companies Act for	% Quorum differing from that set forth in Section 103 of the Spanish Public Limited Companies Act for

	general circumstances	the special circumstances set forth in Section 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 Spanish Public Limited Companies Act for the adoption of corporate resolutions.

NO

Describe the differences with the rules provided by the Spanish Public Limited Companies Act.

E.3. Explain the rights of the shareholders regarding general shareholders' meetings which are different from the rights provided in the Spanish Public Limited Companies Act.

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 with at least 1000 shares in the Company filed with the corresponding registry five days prior to the date scheduled for the Meeting will have the right to attend the General Shareholders Meeting.

The Securities Clearing and Liquidation Service or, where applicable, the entities associated therewith, must provide them with the corresponding certificates so that they may exercise the rights that assist them as shareholders.

Shareholders who do not hold the number of shares required to attend the meeting may pool their shares for said purpose.

Art. 23. All shareholders entitled to attend may be represented at the General Shareholders Meeting by another individual.

Said proxy will be awarded in writing or by remote means of communication, as long as the identity of the individual exercising the right to vote is duly guaranteed.

Said proxy must be awarded specially for each Shareholders Meeting.

Art. 24: The resolutions will 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 carries one vote.

Shareholders who 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: In reference to shareholders' rights to information, challenge, procedures, the adoption of minutes and other circumstances related to the Shareholders Meetings, the rules provided in the Capital Companies Act and other applicable provisions will apply.

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

CHAPTER IV

Article 11.- Right to access to information.

The Company will 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 discussed 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 will send said information to shareholders by whom it is requested at no cost.

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 will provide such information immediately or in writing unless it is prejudicial to the Company's interests.

CHAPTER V

Article 14. Right to Attend

The right to attend (pursuant to article 22 of the articles of association) shall be for shareholders who hold at least 1000 shares in the Company and who have them entered in the corresponding register at least five days before the Meeting. Shareholders who do not hold the number of shares required to attend may form groups for such purpose.

Article 15. Shareholder Accreditation

The Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) or, as appropriate, the entity or entities competent to perform such function or Iberclear member entities will 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 entitled to attend may be represented at the General Shareholders Meeting by another individual. Such proxy will 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 is usual practice in the call to the General Shareholders Meeting in recent years, in order to encourage participation by shareholders, the Board resolved to distribute an attendance premium of €0.006 per share for the shares in attendance in person or by proxy that have duly certified their attendance or representation at the General Shareholders Meeting of 23 May 2012. 35,300,083 shares of the 46,603,682 shares in the share capital attended the meeting, taking the participation of said capital to 75.75%.

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 will take place in the order in which they are called upon by the Panel. Shareholders will initially have a maximum of five minutes for each intervention, notwithstanding the Chairman'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 will 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. Furthermore, as is usual practice, the Board required the presence of a notary for the General Meeting held on 23 May 2012 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.

There have been no changes to its regulations in 2012.

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	% physical attendance	% represented	% voting remotely		Total
			Electronic voting	Other	
23/05/12	6.740	46.131	0.000	22.879	75.750

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 23 May 2012, adopted the following resolutions:

1) The meeting adopted the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Equity, the Cash Flow Statement, the Memorandum, the Management Report, including the Annual Social Management and Corporate Governance Report of the trading company Viscofan, S.A., as well as the Consolidated Statement on the Financial Situation, the Consolidated Results Account, the Statement on the Consolidated Overall Result, the Consolidated Statement on Changes in Net Equity, the Consolidated Cash Flow Statement, the Memorandum, the Consolidated Social and Ordinary Management of the group of companies of which said trading company is the parent, all corresponding to the year closed at 31 December 2011.

As a result of the resolution, in the individual balance sheet of Viscofan, €46,324,059.91 are allocated to the distribution of dividends on account of the results for the year 2011, the amount of 3,589,477.20 is allocated to the legal reserve as a result of the increase in capital adopted at the General Shareholders Meeting of 14 April 2011, and the amount of €6,191,426.16 is allocated to voluntary reserves. Consequently, the resolution was adopted to distribute a complementary dividend of €0.634 per share, which represents a total figure of €29,546,734.39, which will be shared out to the shareholders as from 5 June 2012.

Taking into account the dividend shared out on account on 22 December 2011, which was €0.360 per share, representing a total figure of €60,777,325.52, the proposed total remuneration per share, including the premium for attendance at the General Shareholders Meeting of €0.006 per share, is €1 per share, which gives a total of €46,603,682.

Votes in favour: 99.85%.

There were no votes against.

Abstentions: 0.15%.

2) 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: 99.83%.
Votes against: 0.02%.
Abstentions: 0.15%.

3) The meeting agreed to appoint José María Aldecoa Sagastasoloa as independent director for a six-year term of office running from the date of the resolution.

Votes in favour: 99.84%.
Votes against: 0.01%.
Abstentions: 0.15%.

4) The meeting agreed to appoint Alejandro Legarda Zaragüeta as independent director for a six-year term of office running from the date of the resolution.

Votes in favour: 99.84%.
Votes against: 0.01%.
Abstentions: 0.15%.

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 Capital Companies Act (Ley de Sociedades Anónimas) and related legal provisions, with the minimum price being the par value and a maximum of €45.

Votes in favour: 99.82%.
Votes against: 1.03%.
Abstentions: 0.15%.

6) 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: 99.75%.
Votes against: 0.10%.
Abstentions: 0.15%.

7) 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: 69.93%.
Votes against: 28.89%.
Abstentions: 1.18%.

The Board also informed of the shareholders of the amendments included in the Board Regulations, which consisted of the amendment to article 8 to adapt it to recommendation 29 of the Unifi Code of Good Governance.

E.9. Indicate whether there are any restrictions in the Articles of Association requiring a minimum number of shares to attend the General Shareholders' Meeting.

YES

Number of shares required to attend the General Shareholders' meeting:	1,000
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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. All shareholders entitled to attend may be represented at the General Shareholders Meeting by another individual. 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. Said proxy will be awarded in writing or by remote means of communication, as long as the identity of the individual exercising the right to vote is duly guaranteed. 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, adopted by the plenary session of the Board of Directors for any shareholders wishing to exercise this option:

1. REMOTE VOTING

The shareholders of the Company with the right to attend and vote may exercise their vote in relation to the items on the agenda of the General Shareholders Meeting through the remote channels of communication before the Shareholders Meeting in accordance with the Capital Companies Act, article 24 of the Company Bylaws and article 22 of the General Shareholders

Meeting Regulations.

1.1 Channels for remote voting

The channels accepted for remote voting are as follows:

(I) Electronic channels:

For remote voting on electronic channels connected to the Company, shareholders must complete the form placed at their disposal for the corresponding General Shareholders Meeting on the Company's website at www.viscofan.com.

The form must be attached to an email signed digitally with a recognised and advanced electronic signature in accordance with section [3.1]; the email must be sent to the email address provided by the Company.

(II) By post:

For remote voting by regular post, shareholders shall fill out and sign the 'Remote Voting by Post' 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). After they have completed and signed the attendance, proxy and voting card and attached a photocopy of their national identity document or passport, if the shareholder is an individual and a document certifying the proxy, if the shareholder is a body corporate, it must be sent or delivered in a closed envelope to the Company's place of business and for the attention of the Secretary of the Board.

Should the attendance, proxy and voting card provided by the depositary entity not include the 'Remote Voting by Post' box, the shareholder wishing to vote by post must download the Voting Card from the Company's website or print it out on paper, completing and signing it, together with the attendance card issued on paper as obtained from the corresponding participating entity of the Spanish Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima (Iberclear). After both cards have been completed and signed and a photocopy of the national identity document or passport has been attached, if the shareholder is an individual and a document certifying the proxy, if the shareholder is a body corporate, it must be sent or delivered in a closed envelope to the Company's place of business and for the attention of the Secretary of the Board.

2. PROXY

The shareholders of the Company may award proxy in writing, personally or through the remote channels of communication before the Shareholders Meeting in accordance with the Capital Companies Act, article 23 of the Company Bylaws and article 16 of the General Shareholders Meeting Regulations.

2.1 Remote channels for awarding proxy

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 at www.viscofan.com and access the on-line section set up for such purpose.

To award proxy electronically, the shareholder must have a digital signature that meets the requirements provided in section [3.1] of these regulations. Shareholders must complete the electronic form made available by the Company for each General Shareholders Meeting and sign it with his/her electronic signature and send it to the Company. A copy must also be sent to the appointed proxy to the email address provided for said intent and purpose in the term set in section 3 of these Regulations. The representative must accept the proxy awarded by making a copy of the electronic document signed by the shareholder who is being represented so that it can be submitted to the Company at the shareholders entry registration desk in the place and on the date specified for the General Shareholders Meeting.

When the proxy is conferred upon any director and/or the Chairman and/or the Secretary of the Board of Directors, this communication of the award of the proxy and its acceptance 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.

(i) By post:

In order to grant proxies by regular post, shareholders shall fill out and sign 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) and send it by regular post to the place of business in the term set in section 3 of these Regulations, also signed by the appointed proxy in acceptance of the award.

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, for the intents and purposes of notification of the proxy and acceptance thereof by the representative's 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.

When the shareholder awarding proxy does so with no express instructions on the vote, it will be understood that the representative has been instructed to vote in favour of the proposals put by the Board of Directors.

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 compliance with 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 to 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 on behalf 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 objectives and annual budgets;
- ii) The investment and financing policy;
- iii) The definition of the structure of the corporate group;
- iv) The corporate governance policy;
- v) The corporate social responsibility policy;
- vi) The policy for remuneration 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, as well the treasury stock policy 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 remuneration of directors and, in the case of executive directors, the additional remuneration for their executive duties and other terms and conditions that must be included in 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 favourable 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 the circumstances and the links this director maintains with the company or its managers or with its shareholders.

See section: B.1.3

Not applicable

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 such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Appointments Committee. This 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 Appointments 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.
- 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 that 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 Appointments 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 Appointments 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 Appointments 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 Appointments Committee, in the case of independent directors.
 - b) Subject to a prior report from the Appointments 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*

Explain

At its meeting of 2 May 2012, the Board of Directors of the Company approved a modification to its Regulations to progress in and consolidate the monitoring of this recommendation, consisting of including the following paragraphs at the end of article 8 of the Regulations:

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

The independent directors who reach the limit of twelve (12) years provided in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office. Under no circumstances will the provisions of the foregoing paragraphs limit the power of the company's General Shareholders Meeting or, where applicable, the Board of Directors to re-elect or appoint a specific candidate as director and, where applicable, it will affect only his/her possible classification as an independent director.

The Board of Directors of the company considered that the application of this recommendation must not affect the appointments that have already been made by the General Shareholders Meeting for a specific period of time since the removal of independent directors before completion of their statutory term of office when they have not failed to fulfil any of their duties or when there is no just cause would be a breach of recommendation 31 of the Unified Code of Good Governance.

The recommendations on good governance set a period of twelve (12) years as a suggested maximum term of office for the post of independent director, which must not determine the

automatic loss of the director's status as independent and is not a determining factor; however, it must correspond to the circumstances applicable in the company and the career and profile of the director under analysis.

Accordingly, the board provides that, if none of the circumstances that may justify the application of this time limit for the loss of status as an independent director arise, as used as a basis for the recommendation, said limit must not necessarily affect the category of the director during the current term of office, obviously without prejudice to the power of the Appointments and Remunerations Committee to change the category of any director at any time in accordance with other current circumstances, applicable legislation and the best practices of corporate governance. In accordance with this criterion, the independent directors who have remained as such for more than 12 years and whose term of office ends in 2014 maintain their category until that time.

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 Appointments 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 regulations 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 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 Spanish Public Limited Companies Act, 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 may 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, this 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

Not Applicable

35. The remuneration 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 remuneration they give rise to;

b) Variable remuneration 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 remuneration items.

ii) Performance evaluation criteria used to calculate entitlement to remuneration 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 remuneration arising from the proposed remuneration plan, in accordance with 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 remuneration 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 remuneration 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 remuneration linked to company earnings takes into account any qualifications included in the external auditor's report that reduce such earnings.

Complies

39. In the case of variable remuneration, remuneration policies include technical safeguards to ensure that such remuneration 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 remuneration 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.

This report shall focus especially on the remuneration 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 remuneration policy was applied in this previous fiscal year.

The Board also reports on the role played by the Remuneration Committee in the preparation of the remuneration 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' remuneration during the fiscal year, including:

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

i) Attendance fees or other fixed remuneration received as a director;

ii) The additional remuneration received as chairman or member of a Board committee;

iii) Any remuneration 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 remuneration 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 remuneration 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 remuneration 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 the previous fiscal year, between the remuneration received by executive directors and the profits or other measures of performance of the company.

Complies

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 Appointments and Remuneration Committee as a separate committee of the Board, or a Appointments Committee and a Remuneration Committee.

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remuneration 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 carried out.
- 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 is sent to all Board members.

See paragraphs: B.2.1 and B.2.3

Complies

45. Overseeing compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Appointments 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, ensures 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 activity 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;

d) 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 paragraph: D

Complies

50. The Audit Committee's role is:

1. With respect to internal control and reporting systems:

a) To 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.

b) To periodically review the internal control and risk-management systems, in order for the main risks to be properly identified, managed and communicated.

c) To ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and removal of the head of the internal audit area; propose the budget for this area; receive periodic information regarding its activities; and verify that senior management takes into account the conclusions and recommendations contained in 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 favours 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 Appointments Committee –or of the Appointments and Remuneration Committee, if one and the same– are independent directors.

See paragraph: B.2.1

Complies

55. The Appointments 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

Complies

56. The Appointments Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors. And any board member may request that the Appointments 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 remuneration policy for directors and senior managers;
 - ii) The individual remuneration 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 remuneration 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 earlier 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

Date and signature:

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

28/02/2013

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

NO



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

REPORT THAT COMPLEMENTS THE ANNUAL CORPORATE GOVERNANCE REPORT ON THE CONTENT OF THE IAGC PROVIDED BY ARTICLE 61 BIS OF THE SECURITIES MARKET ACT

INFORMATION FOR THE YEAR CLOSED AT 31 DECEMBER 2012

1. Securities that are not negotiated in an EU-regulated market

All securities issued are negotiated in EU-regulated markets.

2. Regulations that apply to the amendment of the articles of association of the Company

There is no specific regulation for amending the articles of association other than that provided for by the regulation that applies concerning the requirements established by art. 194 of the Capital Company Act for a reinforced quorum and for the provisions of title VIII therein.

The requirements for adopting agreements contained in art. 18 of the Rules of Procedure of the General Meeting coincide with those mentioned.

3. Powers of the members of the Board of Directors and, in particular, those related to the possibility of issuing or buying back shares.

Pursuant to Article 29 of the Company Bylaws:

“The Board of Directors is invested with the widest powers to direct, administer and represent the Company in all matters related to its dealings or traffic and they include, but are not limited to, the following powers:

To represent the company in and out of court.

To use or delegate the corporate signature.

To open and use current and credit accounts at any bank, including the Bank of Spain and its branches; to arrange all types of banking and credit transactions, even with the Bank of Spain, its branches or any other national or foreign Bank.

To purchase, sell, exchange, hire and encumber chattel and fixed assets, industrial or commercial premises and all types of businesses.

To constitute, amend and cancel real rights associated therewith.

To attend and take part in all types of tenders and auctions and to arrange supply agreements and the execution of works or services.

To constitute and cancel provisional or definitive sureties, to collect and pay sums the Company has to receive or pay, including sums receivable or payable at Tax Offices, Collection Offices and Administrative Agencies, Central, Autonomous Community, Provincial or Local.

To undertake all types of acts and contracts of administration, conveyance, disposal, ownership and encumbrance of tangible and intangible assets; to award all kinds of general or special, commercial, legal or administrative powers of attorney and, in general, whatsoever business necessary for the Company's development and progress.

To acquire, by any legitimate means, all kinds of machinery, instruments or equipment intended for the following: public works, all kinds of construction, and industrial and commercial operations.

To hire or assign the use of said machinery or industry, with or without the option to purchase, to any national or foreign, public or private body corporate or individual.

To act as a broker for the sale or purchase of said assets.

To import, export, develop and take part in said activity in relation to the assets mentioned in the foregoing sections.

To provide general finance for any operation for the above-mentioned purpose.

To draft studies and reports on all types of legal, economic and financial issues, and to give advice accordingly.

To sign financial, industrial or commercial projects and, generally, all kinds of similar operations, and to take part therein.

To purchase all kinds of credits and bills for trading.

The guaranteeing or consolidation in any other way, both in civil and trading matters, of legal entities and private persons as deemed appropriate and, before any persons or institutions, in the operations or obligations that they undertake or contract, signing any private or public documents as required, of any type whatsoever, including bills of exchange."

The Rules of Procedure of the Board also provide the following:

"Article 5. Powers of exclusive knowledge

In addition to matters reserved exclusively for the Board in full by law, the following matters fall exclusively to the Board of Directors:

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

i) the strategic or business plan, as well as management targets and annual budgets;

ii) investment and financing policy;

iii) defining the structure of the corporate group;

- iv) corporate governance policy;*
- v) corporate social responsibility policy;*
- vi) policy on the remuneration and assessment of the performance of senior managers;*
- vii) risk control and management policy, as well as the regular monitoring of internal information and control systems;*
- viii) policy on dividends and treasury stock and, especially, the limits thereto.*

b) The following decisions:

- i) at the proposal of the Company's chief executive, the appointment and, where applicable, separation of senior managers, together with their severance clauses;*
- ii) the remuneration of directors and, in the case of executive directors, the additional remuneration to be paid for their executive duties and other terms and conditions of their contracts;*
- iii) the financial information the Company is required to report regularly as a listed company;*
- iv) all kinds of investments or transactions whose significant amounts or special characteristics render them of a strategic nature, unless approval thereof corresponds to the General Shareholders Meeting;*
- v) the creation or acquisition of interests in special purpose vehicles 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, major shareholders or shareholders with Board representation, or with other persons related thereto ("associate transactions").

However, the Board's authorisation need not be required in connection with associate transactions that simultaneously meet the following three conditions:

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

The Board will approve associate transactions following a favourable report from the Audit Committee.

d) Definition of the policy on reporting to shareholders, markets and public opinion.

The organisational powers of the Board of Directors and amendment of these regulations.

f) Deciding on the contents of the company's website.

g) Delegating powers to any of its members pursuant to applicable law and the company bylaws, 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 the next General Shareholders 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.

Finally, in relation to the powers regarding the possibility of buying back shares, the Annual General Meeting of Shareholders of the Company, at its meeting held on 23 May 2012, adopted the following agreement:

"It is hereby resolved to revoke the authorisation to acquire treasury shares that was conferred upon the Board of Directors at the Company's General Shareholders Meeting held on 14 April 2011.

It is hereby resolved to authorise the Board of Directors to buy and sell on the market, through the person, Company or institution that it deems advisable, shares in the Company at the market price on the transaction date, for the maximum number of shares permitted by the Spanish Capital Companies Act (Ley de Sociedades de Capital) and related provisions, with the minimum price being the face value and with a maximum price of 45 euros.

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 Articles 146 and 509 of the Spanish Capital Companies Act (Ley de Sociedades de Capital).

In the event the Board of Directors should need to exercise the authorisation conferred upon it by the General Shareholders Meeting, the Company's treasury shares would be subject to the treasury shares regime set forth in Article 148 of the Spanish Capital Companies Act".

4. Significant agreements that the Company has made and that come into force, are modified or end in the event of a change of control of the company as a result of a takeover bid and its effects, except when their disclosure would cause serious harm to the company. This exception shall not apply when the company is legally obliged to provide this information.

No agreements have been made with these characteristics.

5. Description of the main characteristics of the internal control and risk management systems in relation to the process of disclosing financial information.

5.1. Control environment of the institution

5.1.1. Bodies and/or functions responsible for: (i) The existence and maintenance of an appropriate and effective financial information internal control system (FIICS); (ii) its implementation; and (iii) its supervision.

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

“vii) Risk control and management policy, as well as the periodic monitoring of internal information and control systems.”

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

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

“Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (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 structures, special purpose vehicles or instrumental entities, and the correct application of accounting standards”.

In turn, the Internal Audit Division has assigned the general function of examining and assessing the systems and procedures for the control and mitigation of all risks, and the methodologies used.

Specifically, with respect to the control of financial information, it examines and assesses the reliability of the financial information, both accounting and management information, checking that it is complete and correct. It also reviews the procedures for recording it and the information, accounting and data processing systems.

In addition, the Internal Audit Division liaises with the Audit Committee and, where applicable, also with the Divisions involved, keeping them informed about the results of all audit, investigation and consultancy activities.

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

- the design, start-up and dissemination of the financial information internal control system (hereinafter, FIICS).

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

Finally, all other Group Departments are to cooperate in the dissemination of the FIICS within their area of responsibility.

Furthermore, each Department shall be responsible for the application of the controls corresponding to its area and coordination with other departments in the application of the FIICS, with the supervision of the corporate departments, and for correcting any deficiencies identified by the Internal Audit Department in its duty of supervision of the system.

5.1.2 If they exist, especially regarding the process of preparing financial information, the following elements:

Departments and/or mechanisms responsible: (i) For the design and review of the organisational structure; (ii) for clearly defining the lines of responsibility and authority, with appropriate distribution of tasks and roles; and (iii) for there being sufficient procedures for their correct dissemination within the company.

The General Management and the Corporate Human Resources Division are responsible for the design and review of the organisational structure and for the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Human Resources Division has procedures for updating corporate-level organisational structures and those of each of the Group subsidiaries. Dissemination takes place via the corporate Intranet, with publication of the current organisational flowcharts of each company and the most relevant changes that take place in them.

The Corporate Finance Division supervises the composition of the Financial Departments, each subsidiary and the tasks allocated to each member. Each team has a person responsible for the FIICS at local level, responsible for disseminating it to the rest of the departments involved, checking that each one of them carries out the checks allocated and regularly reporting on the operation of the system.

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

Code of conduct, approving body, level of dissemination and instruction, principles and values included (indicating whether there are specific mentions in the register of operations and preparation of financial information), body responsible for analysing non-compliance and for proposing corrective actions and disciplinary measures.

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

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

Specifically, the Group has implemented a Policy on the Internal Control of Financial Information, with the specific aim of establishing the guidelines necessary to guarantee appropriate preparation and subsequent dissemination of financial information, which establishes the principles that should govern it and describes the roles and responsibilities of each one of the Departments, financial or otherwise, both at Group level and at local level.

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

Article 13 of the Board Regulations allocates the following role to the Audit Committee:

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

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

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

The Audit Committee has delegated the creation and management of this Ethics Office to the Ethics Committee, which is made up of the corporate areas of Internal Audit, Legal, Investor Relations and Communication, and the Board Secretariat.

Regular training and refresher programmes for personnel involved in the preparation and review of financial information, as well as in the evaluation of the FIICS, to cover at least accounting standards, audit, internal control and risk management.

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

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

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

5.2. Financial information risk assessment report

5.2.1. The main characteristics of the risk identification process, including those of error or fraud, in terms of:

Whether the process exists and is documented.

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

Subsequently the Internal Audit Division, in its quarterly report, informs the Audit Committee of the main risks identified in the period, and the monitoring carried out on the corrective actions established in previous periods.

Whether the process covers all of the objectives of the financial information (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.

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

- Description of the existing control objectives to meet the business targets defined by the Company and guarantee the reliability of the financial information.
- Possibility of the occurrence of an error risk, according to its impact on the financial statements, being categorised as follows:
 - Validity: All transactions generated in the period are valid.
 - Integrity: All transactions have been recorded correctly.
 - Registry: All transactions have been accurately entered into the accounts.
 - Cut-off: All transactions recorded represent economic events that occurred during the period in question; transactions are recorded in the corresponding period.
 - Assessment: Assets and liabilities are correctly valued (they appropriately reflect the existing circumstances of the business and its financial conditions).
 - Presentation: The financial statements are appropriately presented and disclosed.

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

The existence of a process for identifying the scope of consolidation, taking into account, amongst other aspects, the possible existence of complex company structures, instrumental entities or special purpose vehicles.

In accordance with the Board Regulations, the definition of the structure of the group of companies is the exclusive remit of the Board of Directors, and in turn the Audit Committee's role is to supervise the appropriate delimitation of the scope of consolidation, considering, amongst other aspects, the possible existence of complex company structures, instrumental entities or special purpose vehicles.

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

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

Accordingly, at present the Group's parent company, Viscofan, S.A. is the owner of all of the capital in Group companies, either directly or indirectly, and in this latter case, the holding in all cases is through other Group companies.

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

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

In this respect, the Viscofan Group does not currently own or have an interest in any company in the territories listed by the OECD or by the Spanish Government that could be defined as tax havens.

If the process takes account of the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

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

Specifically, control of risks covers three risk categories:

1. Concerning the risks of reliability of the financial information, as described above.
2. Concerning criminal risks. The Corporate Responsibility and Regulatory Compliance Committee is responsible for monitoring all matters related to risk prevention and the identification of measures for detecting possible crimes, fraud or conduct contrary to Group policy in relation to the criminal liability of companies.
3. Concerning general risks. The responsibility is shared between the General Risks Committee, which identifies the risks map and implements the control policies that are designed to reduce them, and the Audit Committee, which supervises the adaptation of the control policies and procedures in place and reviews the risk management systems so that the main risks are identified, reported and suitably managed.

Among these, in addition to those of a financial nature, the risk map that is monitored takes account of operational, technological, legal, reputational and environmental risks, etc.

Which governing body of the company supervises the process?

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

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

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

5.3 Control activities

5.3.1. Procedures for the review and authorisation of financial information and the description of the FIICS, to be published in the securities markets, listing those responsible for them and the documentation describing the flow of activities and controls (including those related to fraud risk) of the different types of transactions that could materially affect the financial statements, including the book closing procedure and the specific review of the relevant opinions, estimates, appraisals and forecasts.

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

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

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

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

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

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

In 2012, approximately 3900 controls were carried out, involving 235 employees from the Commercial, Production, Finance, Human Resources, Purchasing and Computer departments.

The main control targets for each department focused on the following:

- Production/Inventories: validation of productions on SAP, consumption of materials on SAP, validation of the inventory information on SAP, obsolesces policy.
- Commercial: computer profiles and accesses, customer risk coverage procedure, approval of commercial payments, approval of claims, approval of changes to price lists, monitoring of samples sent.
- Purchasing: computer profiles and accesses, hiring of suppliers, approval of purchase orders, payment authorisations, fulfilment of payment terms with suppliers, identification of stocks in transit.
- Human Resources: computer profiles and accesses, information on masters, hiring and firing of employees, salary calculations, fulfilment of payment terms for salaries and related taxes.
- Financial: coordination of the monthly close, validation of the information sent for consolidation, analysis of the monthly evolution of financial statements, exchange rates applied, monitoring of real production costs, stock valuation.
- Treasury: bank balances, cash balances, impact on coverage instruments, approval of financial agreements, authorisation of bank transactions.

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

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

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

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

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

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

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

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

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

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

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

5.3.2. Policies and procedures for internal control over the information systems (amongst others, secure access, monitoring of changes, their implementation, operational continuity and separation of roles) that support the relevant company processes in relation to the preparation and publication of financial information.

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

- Computer systems and networks user manual
- Authorisation policy on computer access and profiles
- Password policy
- Computer systems and networks management policy

These manuals develop the following aspects:

- The control systems should record and limit access to all Group computer systems and networks, establishing at least the creation of a username for each authorised user and the need for a password associated with it in accordance with *Password Policy*.
- Management of access to any computer system or network shall comply with the provisions of *Authorisation policy on computer access and profiles*. Thus, the person responsible for managing profiles and access should keep a record that justifies the authorisation of each action or modification of profiles and each access made.
- Maintenance of the computer systems and networks should include periodic measures that guarantee the copying and the possibility of backup and recovery of the data and information contained in the different Viscofan Group computer systems and networks in each case. Access to these copying and backup resources or mechanisms should be limited, protecting their content in all cases and establishing mechanisms for safekeeping and custody that guarantee their security.
- Any development or modification made by the computer departments to the Viscofan Group computer systems and networks shall be carried out with as much coordination as possible, requesting the authorisations necessary for its implementation or for performing any test process and, in any case, establishing at least the same measures in terms of security and limitation of access to the data as at the start.
- The security, policy, change management, maintenance and handling of incidents should guarantee rapid recovery of the Viscofan Group computer systems and networks in the event of any contingency that could have an impact on their availability.

The Internal Audit Plan includes a review of the existing procedures and pays special attention to the separation of roles and to the user access profile existing in the information systems

that support the relevant processes in relation to the preparation and publication of financial information.

5.3.3. Internal control policies and procedures intended for supervising the management of activities sub-contracted to third parties, as well as aspects of assessment, calculation or valuation assigned to independent experts, which could materially affect the financial statements.

The most relevant services that the Viscofan Group sub-contracts to third parties are actuarial calculations of labour costs and the calculation of the Company Tax for certain Group companies.

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

5.4. Information and communication

5.4.1. A specific role responsible for defining and reviewing accounting policies (accounting policies area or department) and resolving any queries or conflicts derived from their interpretation, maintaining smooth communication with those responsible for the organisation's operations, as well as an accounting policy manual that is updated and sent to all units through which the company operates.

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

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

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

5.4.2. Mechanisms for capturing and preparing the financial information with standard formats for application and use by all units of the institution or group, which support the main financial statements and the notes, as well as the information detailed about the FIICS.

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

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

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

As an additional control measure, the data from the financial modules of each subsidiary and from the consolidation system are exported to a data analysis module in order to check consistency between the original and the final information.

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

5.5. Supervising the system's operation

5.5.1. Activities for supervising the FIICS carried out by the Audit Committee, and whether the institution has an internal audit system whose responsibilities include supporting the committee in its task of supervising the internal control system, including the FIICS.

Furthermore, information is provided about the scope of the evaluation of the FIICS made during the financial year and the procedure used by the person responsible for carrying out the evaluation to report their findings, whether the institution has an action plan containing details of any corrective measures and whether their impact on the financial information has been considered.

In accordance with Board Regulations. The Audit Committee is responsible for the following:

"Overseeing the internal auditing services, including in particular:

(i) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;

(ii) ensuring the independence and efficiency of the internal audit function

(iii) proposing the budget for this same internal function

(iv) receiving periodic information on its activities, and

(v) verifying that senior management takes into account the conclusions and recommendations set forth in its reports.

The Viscofan Group has an Internal Audit Division, which reports functionally to the Audit Committee. The members of this Division are dedicated exclusively to this work.

The objectives set forth in the Internal Audit Statute are:

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

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

- a) Multi-annual plans.
- b) Annual plans.

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

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

"It communicates with the Audit Committee and also, where applicable, the Divisions involved, keeping them informed about the results of all audit, investigation and consultancy activities. It also regularly reports to the Audit Committee on the application of audit plans and other relevant activities.

It drafts the results of the work and subsequently discusses them with the managers of the Divisions concerned before the reports are finally issued.

It assesses the level of implementation and efficiency of the recommendations by virtue of the reports issued, and reports on this to the Audit Commission."

The Audit Committee holds regular meetings at which it coordinates the actions of the Internal Audit Division, prepares the action plans, reports on and monitors the progress of each of

these plans and analyses the level of implementation of the recommendations that have arisen as a result of its actions.

In 2012, the Internal Audit work plan concentrated especially on:

- Monitoring the activity of the Investment Committee, and in particular the proper supervision of the Annual Investment Plan in China and Uruguay as the Viscofan Group's main expansion projects.

In 2012, the Investment Committee has met five times and four of the meetings were held after the quarterly financial closes. The other meeting was held as an extraordinary meeting on the monitoring of investments in China and Uruguay.

The investments in all the subsidiaries are monitored very closely. A report is issued each fortnight and sent to the members of the Committee to enable the rapid detection of deviations so that the group can proceed accordingly.

- Monitoring the activity of the Credit Risk Committee, particularly concerning the levels of cover of credit risk and the main balances to be collected.

The Credit Risk Committee has met four times over the year. Its main aim is to report on the agreements signed with credit insurers, compliance with the procedures that are in place and the added risk resulting from selling in certain countries. It also makes a detailed analysis of actual customer risk, especially for those with high amounts due.

Although the economic situation is not healthy, the Committee's monitoring process has made it possible to stabilise the amount of debt covered at 70%. In 2012, the loss rate was 0.85 per thousand.

- The consolidation of the FIICS platform for the execution and supervision of the controls in place, monitoring their implementation in all the Group's subsidiaries.
- The review of the controls that were carried out and the quality of the evidence found.
- The review of the processes carried out by the Human Resources Department at Viscofan, S.A. to check the compliance of the employee selection, welcome, training and firing processes with the policies in place at the Viscofan Group for the adoption of the Crime Detection and Prevention System.
- Checking the effectiveness of the corrective measures established after each action.
- Promotion of the Viscofan Group's internal control philosophy throughout the different companies and functional areas.

The main incidents detected were related to the application of group accounting criteria for the management of spares, customer discounts, claims and charges, with the appropriate separation of roles in specific processes and the reconciliation of information on productions between the financial and plant systems.

The Internal Audit activity is considered satisfactory, mainly due to the high level of application of the improvements and recommendations made to deal with the incidents detected.

5.5.2. Whether there is a procedure for discussion through which the account auditor (in accordance with what is stated in Spain's Technical Auditing Standards), the internal audit team and other experts can report to Senior Management and the Audit Committee or administrators of the institution any significant weaknesses in internal control identified during the annual account review processes or any others assigned to them.

Furthermore, whether there is an action plan to correct or mitigate any weaknesses observed.

In addition to the roles of the Internal Audit Division described in the previous point, the Board Regulations authorise the Audit Committee to request the presence of the external auditors whenever they consider it appropriate:

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

In practice, the Audit Committee holds a minimum of three annual meetings with the external auditors, one of which coincides with the pre-audit carried out at the end of October each year and the other two with the year-end audit. In particular, five meetings were held with the auditors in 2012.

At said meetings, the auditors report any weaknesses in internal control that may have been detected. The Committee monitors them during the year, in coordination with the Internal Audit Division and the Corporate Finance Division, to identify and implement, where applicable, any measures that may be deemed advisable.