



**APPOINTMENTS, REMUNERATION  
AND SUSTAINABILITY COMMITTEE  
VISCOFAN S.A.**

**2021 ANNUAL REPORT OF  
ACTIVITIES**

(This is a free translation of the original Spanish document. In the event of any discrepancy between this translation and the original Spanish document, the original Spanish version shall prevail.)

## A.- INTRODUCTION

The Appointments, Remunerations and Sustainability Committee (the "Committee") of Viscofan S.A. was created by agreement of the Board of Directors as a specialist body with the authority to provide information and advice and put forward proposals, facilitating performance of the general function of oversight and control that corresponds to the Board of Directors. The existence of a Committee specialised in the area is currently required under article 529.16 of the Corporate Enterprises Act, recommended by the supervisory bodies and best corporate governance practices.

The rules for the organisation and functioning of the Committee are contained, in the implementation of the Board of Directors Regulations, in its Regulations, whose entire wording is available on Viscofan's corporate web page ([www.viscofan.com](http://www.viscofan.com)) within the Corporate Governance section.

The Committee prepares this 2021 Annual Report of Activities to be approved by the Board of Directors, pursuant to article 25 of the Committee Regulations to be provided to the General Shareholders' Meeting.

## B.- COMMITTEE FUNCTIONS AND SCOPE

Chapter II of the Committee Regulations, (articles 5 to 10) includes the scope and functions of the Committee, which incorporates those relating to ESG matters in the terms envisaged in the CNMV's Code of Good Governance.

## C.- COMPOSITION OF THE COMMITTEE

All the Committee members have the status of external directors appointed as members in line with their experience, training and professionalism, and those qualified as "independent" fulfil the independence requirements set out in the legal regulations.

The breakdown of the Appointments, Remunerations and Sustainability Committee did not vary in 2021 and was as follows:

Name	Position	Type
Jaime Real de Asúa Arteche	Chairman	External Independent
José María Aldecoa Sagastasoloa	Member	External Independent
Néstor Basterra Larroudé	Member	Other External Directors
Juan March de la Lastra	Member	External Nominee
Ignacio Marco-Gardoqui Ibañez	Member	External Independent <sup>1</sup>
José Antonio Cortajarena Manchado	Non-member Secretary	N/A

<sup>1</sup> Effective from 1 January 2022, Mr Ignacio Marco-Gardoqui Ibañez passed to the category of "other external director" since he had held the post of director for 12 uninterrupted years.

Notwithstanding the functions that legally correspond to the Committee Secretary in relation to the advice and support to the members in exercising and better performing their corresponding functions, the Committee regularly seeks the collaboration of other members of the management team in the terms provided for in article 27 of the Appointments, Remunerations and Sustainability Committee Regulations. Likewise, for the best performance of its functions, the Committee may request the advice of external professionals. This power has been used under the terms set forth in this Report.

The CVs of the Committee members can be found on Viscofan's corporate website.

## **D.- ACTIVITIES DURING 2021**

The Committee held eight (8) sessions during 2021.

In relation to the work plan drawn up, it is worth highlighting:

- **Resolutions without holding a meeting**

In 2021, the Committee did not adopt any resolution without holding a meeting.

- **Attendance of the members**

All Committee members attended all the sessions held, except on one occasion on which one director delegated its representation to another director of the same category. Five (5) of the meetings held in the year were held in person, attended by all directors, and on three (3) occasions, some directors connected through telematic means (video-conference), in which the legal and regulatory requirements were met for the necessary identification of the Committee members by the Secretary and the availability of the adequate technical means.

- **Announcement and preparation of meetings**

All meetings were convened by the Secretary, upon the instructions of the Committee Chairman, sufficiently in advance, in line with the Agenda.

The Committee members have had, in due time and form, the documentation and presentations necessary for them to form an opinion.

- **Information to the Board of Directors**

The Committee Chairman, in accordance with article 26 (1) of the Regulations, has informed the Board of Directors at each of its meetings held subsequent to the Committee meetings of the issues dealt with thereat.

- **Minutes**

The corresponding minutes were drafted from all the meetings, which were approved by the Committee members and signed by the Secretary with the Chairman's approval. These minutes were made available to all directors once they were approved.

- **Attendance of the Chairman, Managing Director and executives of the**

## **Company**

The Chairman of the Company, the Director Managing Director and executives of the Company and the Group attended the Committee on the different occasions when this was so required to address various items on the agenda.

### **- Support of external services**

The Committee has also sought external advice from independent firms, when deemed necessary. In particular, in 2021, advisory services were requested from the following consultancy firms:

- Russell Reynolds, with respect to the renewal of the composition of the Board of Directors, which is submitted to the 2022 General Shareholders' Meeting.
- Willis Towers Watson, in relation to the preparation of a new Directors' Remuneration Policy which, although the engagements mainly took place in 2020, was completed and submitted to the approval of the 2021 General Shareholders' Meeting.
- Korn Ferry, with respect to the study and update of the senior management remuneration framework of the Company and the Group, whose work, although commenced in 2020, concluded in 2021.
- Deloitte, with regard to the follow-up, novelties and update of competences in the area of sustainability.

### **- Tasks undertaken**

As indicated, the Committee, without affecting the tasks related with its organisation and operations, provides informational and advisory powers to the Board of Directors as a Committee specialised in specific areas of activity that mainly deal with the composition and remuneration systems of the governing bodies and senior management, and the promotion and supervision of corporate governance and other sustainability matters (ESG) and other activities related to the General Shareholders' Meeting.

The main issues that have been dealt with and analysed by the Committee in 2021 and that have shaped its main areas of supervision, can be grouped into the following areas:

- Organisation and internal operations:
  - Session schedule and Engagement Plan: in two sessions.
  - Annual Report on Activities: in one session.
- Corporate Governance:
  - Composition of the Board. Renewal and reelection of directors: in five sessions.
  - Directors' classification: in one session
  - Conflict declaration request: in one session.
  - Annual Corporate Governance Report, including the monitoring of the Good Governance Code recommendations. in one session.
  - Evaluation of the Board and Committees, of the Executive Chairman and proposal for an action plan divided: in three sessions.

- Succession plan for executive directors and senior management: in one session.
- Remuneration
  - Preparation of the 2021-23 Remuneration Policy: in two sessions.
  - Proposed fixed and variable remuneration (settlement of 2020 targets and definition of 2021 targets) of the Chairman and General Managing Director: in two sessions.
  - Proposed 2020 Annual Directors' Remuneration Report: in one session.
  - Verification of the information on remunerations in the 2021 Half-Yearly Report: in one session.
  - Remuneration framework and proposed fixed and variable remuneration (settlement of 2020 targets and definition of 2021 targets) of senior management: in three sessions.
  - Long-term Incentive Plan 2022-2024 (Three-year Plan): in two sessions.
- Sustainability
  - Review of its functions of the Statement of Non-Financial Information included in the 2020 Management Report in 1 session.
  - Promotion and supervision of the 2019-2021 Sustainability Action Plan: in four sessions
  - Preparation of the new Sustainability Action Plan Beyond 2025: in two sessions.
- Other
  - Monitoring and impact of novelties contained in the reform of the Corporate Enterprises Act 5/2021: in one session.
  - Monitoring of civil liability insurance for directors and executives: in one session.
  - Monitoring and update of the organisational structure and subsidiary governance model: in three sessions.
  - Verification of information of interest in relation to the code of good practices: in one session.

Likewise, within its work plan, the Committee maintains a recurring activity of updating knowledge with regard to matters within its scope from different sources, dedicating both training time during the sessions as well as with regard to corporate governance and sustainability, with the participation of experts, as well as through the creation of a platform or Board Library in which articles of interest are made available to members.

## **E.- CONCLUSION**

Throughout 2021, the Committee considered that it had satisfactorily exercised the responsibilities assigned to it by the Articles of Association, the Board of Directors Regulations and its own Regulations.

Besides the Company's Chairman and Director Managing Director, the Committee has also had direct contact with and the collaboration of the Company's various senior management teams.

It is noted that the Committee considers that the Company rigorously complies and has complied with the rules and recommendations of good governance, in the terms indicated in the Corporate Governance Report and in the Directors' Remuneration Report. In particular:

- The Committee has devoted, as has been observed, a significant number of advisory sessions with the consultant Russell Reynolds to the renewal of the Board composition, which included, among other activities, an update of the matrix of powers, a process to identify potential candidates, both with proposals made by the directors themselves and also the previously mentioned consultancy firm, a calibration of the candidate's skills, and an analysis of the nonexistence of conflicts and, ultimately, the performance of personal interviews with the candidates. Going within the framework of the Policy for Director Selection and Diversity of the Board of Directors. As a result, the Committee has prepared proposals for the Board of Directors that reinforce the presence of both independent and female directors on Board of Directors.
- Under the Corporate Enterprises Act, in 2021, the Committee put the finishing touches to the preparation of the new Directors' Remuneration Policy for 2021-2023, which the 2021 General Shareholders' Meeting approved with 94.9% of the votes in favour, 0.5% of the votes against and 4.6% abstentions. Also, in relation to remuneration, the Committee prepared and submitted to the Board of Directors, the proposed 2020 Annual Directors' Remuneration Report that the 2021 General Shareholders' Meeting approved with 99% of the votes in favour, 0.3% of the votes against and 0.7% abstentions.
- In the Sustainability Area, the Committee, aside from the recurring monitoring in the year of the Group's Sustainability Action Plan for 2019-2021, in particular, of the environmental indicators (i.e., the reduction of CO2 emissions, waste and water management and the monitoring of improvement action plans), of Occupational Health and Safety (accident rate) and of the promotion of diversity (i.e., women in executive positions and the reduction of the salary gap), has participated actively in the preparation of the new 2022-2025 Sustainability Action Plan, whose final proposal has been informed upon favourably by the Committee at its session in December 2021, as a preliminary step to it being submitted to the Board of Directors.

This Appointments, Remunerations and Sustainability Committee Report is, in short, a contribution to the Company's strategy, which participates in the mission of creating value for shareholders and promoting corporate interest.