

VISCOFAN S.A. AUDIT COMMITTEE

**ANNUAL REPORT ON ACTIVITIES AND OPERATIONS, RELATED-PARTY
TRANSACTIONS AND ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR**

YEAR 2021

(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

Viscofan S.A.'s Audit Committee (hereinafter “Committee”) 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 specialising in the area is currently required by Article 529 (15) of the Spanish Capital Companies Act and Article 33 of the company by-laws, and recommended by supervisory bodies and best corporate governance practices. In addition to the provisions of the Articles of Association and current legislation, it is regulated by article 15 of the Board of Directors Regulations and, in its enactment, by the Audit Committee Regulations (available on the Company's website (www.viscofan.com), the latter being updated on 17 December 2020.

The Audit Committee prepares this Activity Report (the “**Report**”) to be approved by the Board of Directors and made available to the General Shareholders' Meeting, pursuant to article 26 of the Committee Regulations. The Report also includes the report on related transactions and that of the independence of the external auditor, which will be published on the website sufficiently in advance of the General Shareholders' Meeting, under the terms set out in the aforementioned legislation and internal regulations.

B. ANNUAL REPORT ON ACTIVITIES.

1. COMMITTEE FUNCTIONS AND SCOPE

Chapter II of the Committee Regulations (articles 5 to 11)¹ contains the Committee's functions and scope². Hence, the Committee will make (a) the proposal for the appointment, re-election or replacement of the auditors and it will supervise (b) the independence and effectiveness of the Internal Audit Department; (c) the process of preparation and supervision of mandatory financial and non-financial information, (d) the effectiveness of the internal control system of the Company and its Group and financial and non-financial risk management systems, and (e) the effectiveness and operation of the Ethics and Compliance Committee and of the whistleblower channel.

¹ On 24 June 2021, the Board of Directors endorsed the amendment of the Audit Committee Regulations approved by it on 23 June to include essentially the novelties introduced by Law 5/2021, of 12 October, reforming, among others, the Corporate Enterprises Law.

² The Committee will have the powers set forth in chapter II and others that, where appropriate, are attributed by law, internal corporate governance regulations or the Board of Directors.

2. COMPOSITION OF THE COMMITTEE AND ATTENDANCE AT ITS MEETINGS IN 2021

At year-end 2021, the Board of Directors has established the number of members of the Audit Committee at six (6), as follows:

Name	Position	Type
Agatha Gonzalez Molero	Chairwoman	External independent
Ignacio Marco-Gardoqui Ibáñez ³	Member	External independent
José María Aldecoa Sagastasoloa	Member	External independent
Agatha Carmen de Pablo Redondo	Member	External independent
Santiago Domecq Bohórquez	Member	External Nominee
Agatha Echevarría Canales	Member	Other external directors
Jose Antonio Cortajarena	Secretary	Non-director secretary

Notwithstanding the functions that are legally the responsibility of the Committee Secretary in relation to providing advice and support to the directors in exercising and better performing their duties, the committee regularly seeks the collaboration of the members of the Board of Directors under the terms set out in Article 31 of the Audit Committee Regulations. To better fulfil its functions, the Audit Committee may seek the advice of external professionals.

All Committee members have the status of External Directors appointed as Board members in relation to their experience, training and professionalism, and any classified as "Independent", which are most of the Committee, fulfil the independence requirements set out in the legislation.

Information regarding the members of the Committee can be found on the Company's website: <https://www.viscofan.com/es/gobierno-corporativo/consejo-de-administracion/comisiones-del-consejo>

³ Effective from 1 January 2022, Mr Marco Gardoqui tendered his resignation and ceased as a director of the Committee since, on that date, he fulfilled 12 uninterrupted years as a director and lost the category of independent director. Consequently and, as soon as the Board of Directors covers the vacancy or adopts another decision in this regard, from 1 January 2022, the Committee will be formed by five (5) members, also with a majority of independent directors.

3.- OPERATION

The Committee has performed its duties with full operational independence, under the direction of its Chairman, who has, in conjunction with the Secretary, called meetings, set the order of the day, directed debates and required the attendance of any directors, employees and members of the Company's management or third parties as necessary for it to better perform its functions.

In 2021, the Audit Committee met ten (10) times to follow up on the issues summarised in the following sections. All the members of the Committee participated on six occasions, and three occasions one member did not attend and on one occasion two did not attend, delegating their vote to the Chairman or other members of the Committee, with voting instructions on the points to be dealt with on the Agenda set. Seven (7) of the meetings held in the year were held in person, and three (3) were attended by 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.

As is common on the Committee, several members of the management team, such as the Head of Internal Audit, the Corporate Chief Financial Officer and members of the Ethics and Compliance Committee, the Head of Strategy, Organisation and Systems and the Investor Relations and Communication Director took part in the different meetings, along with any other members of senior management, directors or employees, whose presence was deemed advisable by the Audit Committee, so that they could present aspects relating to their areas. Attendance at the meetings of directors that are not members of the Committee and executives was limited to the matters on the Agenda in which their participation was required, subsequently abandoning the session.

The Committee has also requested the presence of the external auditor, PwC, S.L. at three of the meetings held, to monitor the different phases of the process up to the definitive close of the audit process.

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

Pursuant to section 1, article 27, of the current Audit Committee Regulations, the Chairman of the Committee reports to the Board of Directors after every Committee meeting, and minutes were drawn up for each meeting, approved by the Committee members and signed by the Secretary with the approval of the Chairman. These minutes were made available to all directors once they were approved. Likewise, upon the request of the Chairman, in the cases in which it was considered advisable or necessary due to the complexity or extension of the matters dealt with, the documentation supporting the Committee's activities was made available to all Board members.

4. ACTIVITIES

In the performance of its activity, the Audit Committee has fulfilled all duties assigned to it.

Account auditing

The Audit Committee has formed an appropriate relationship with the external auditor, PwC, S.L., and reported to it on the performance of its activity in order to reasonably ensure an unqualified opinion in the audit report for the accounts drawn up by the Board of Directors.

In relation to the 2021 accounts, three (3) meetings were held with the external auditor in order to report the schedule of actions, the most relevant aspects detected during the preliminary phase of the pre-closure review, and the final annual closure, which allowed PwC, S.L. and the Committee to identify and anticipate external audit work, as well as issues that, due to their uniqueness or accounting impact, could require a special mention or record in the company's financial statements.

Thus, in relation to the performance of account auditing work and the role played by the Audit Committee in this process:

- ✓ It has supervised compliance with the audit contract, gathering information on the audit plan and ensuring that the opinion of the annual financial statements and the content of the audit report are drafted in a clear and precise manner.
- ✓ It has ensured that internal procedures are in place to guarantee that situations do not arise that could give rise to conflicts with the independence and objectivity required from the external auditor, including making sure that their remuneration does not compromise their quality or independence, and that the policy to pre-approve services to be provided by the external auditor is complied with, that the external auditor had access to all the information needed to conduct its work and that it received the greatest possible collaboration from each of the Group's subsidiaries.
- ✓ It has been informed of the result of the work performed during the preliminary phase, which involved reviewing pre-closure, and closure, to identify and plan the tasks that, given their uniqueness or impact on accounting, require special attention from the external auditor, such as:
 - Unbundling of Viscofan, S.A.'s business activities to Viscofan España, S.L.U.
 - Three-year share-based remuneration plan.
 - Implementation European Single Electronic Format (ESEF).
 - COVID – 19.
 - Monitoring of the performance of Viscofan USA Inc.

The Committee has verified the statements made by the external auditor regarding its independence in relation to the entity or entities related to it, receiving their statement of

independence and issuing the corresponding report on the independence of the auditor, which is contained in Section D of this document.

The Audit Committee has been informed and has monitored the recommendations made by the external auditor arising from its review of the main accounting cycles of the Internal Control Over Financial Reporting System (ICFR).

Lastly, after the assessment of PWC's performance, it was agreed to submit to the Board of Directors the proposal for its reelection as auditor for 31 December 2022, which the Board of Directors will submit to the approval of the 2022 General Shareholders' Meeting. Under Audit Law 22/2015, next year, the audit signing party will be rotated.

Internal Audit

Internal Audit reports functionally to the Audit Committee and, as a result of that relationship, the Audit Committee has analysed and approved the 2021 work plan drawn up by the area, has regularly monitored execution of the same and has received direct reports on any incidents in its implementation.

During 2021, Internal Audit carried out audits on both the Group's global processes (warehouse management, commercial area, customer services and information systems) and audits on certain processes of various European and US subsidiaries, and it followed up the main risks and support for the extension of the risk model to subsidiaries, and completed the established annual plan. In this year, the second phase of the "Continual Audit" project was successfully completed, involving the automation of detective controls (alerts) in the SAP management system environment for different Group processes.

Within the framework to supervise the effectiveness of Internal Audit, the Audit Committee was informed of the reports issued by the Group's Internal Audit Department upon completion of its activities, and of the follow-up to the recommendations and action plans included in these reports, and of its compliance, and it concluded that none of them reveal situations that indicate significant weaknesses.

The Audit Committee, as in prior years, assessed the performance of the Internal Audit Director and of the Internal Audit Department itself, in accordance with the objectives set for 2021, and whose compliance therewith was highly satisfactory.

Financial and non-financial information

The Audit Committee has reviewed and analysed the financial statements of Viscofan S.A. and its Group prior to their presentation to the Board and communication to the CNMV and the securities markets, contained in the annual, half-yearly and quarterly reports, to confirm that this information is reliable, understandable and relevant and that accounting criteria consistent with the previous annual closing have been followed, for which it had the necessary support of the Group's senior management, especially from

the area responsible for the Consolidation and Financial functions, as well as from the Group's internal and external auditors.

It has monitored the Group's corporate performance, but with an on-going quest for simplification and efficiency. There has been corporate restructuring in this regard as below:

- In June 2021, a Representative Office was opened in Japan.
- Effective from 1 October 2021, the unbundling and contribution was carried out by Viscofan, S.A. of a part of its assets and liabilities, which constitutes an autonomous economic unit, which was transferred en bloc, by universal succession, to the new company Viscofan España, S.L.U.
- Effective from 11 October 2021, a merger by absorption took place, in which Viscofan de México S.R.L. de C.V. absorbed Viscofan de México Servicios, S.R.L. de C.V., with the former acting as the absorbing company and Viscofan de México Servicios S.R.L. de C.V. as the absorbed company.

As in previous years, the Committee has supervised the correct application of the accounting principles and practices and the measurement bases used in the preparation and presentation of the mandatory financial information and it has also reviewed the appropriate delimitation of the scope of consolidation. In addition, the Committee has monitored the development of the main figures of the Group's balance sheet and income statement and has obtained the additional information it considered appropriate prior to its presentation to the Board of Directors.

Consequently, following the work of the external auditor, on 24 February 2022, the Audit Committee favourably informed Viscofan's Board of Directors that it has authorised for issue the Group's individual and consolidated financial statements, under the same terms as they will be submitted to the General Shareholders' Meeting for voting, accompanied by the corresponding report issued by the auditor, PwC, S.L., containing its favourable and unqualified opinion.

In relation to Directive 2014/95/EU and its implementing regulations in Spain, and Law 11/2018, amending the Code of Commerce, the Corporate Enterprises Act and the Audit Law in the area of non-financial information and diversity, the Audit Committee monitored the reporting of non-financial information, whose content forms part of the Management Report, which will be submitted for approval by the General Shareholders' Meeting and verified by Deloitte, S.L. without qualifications.

Risk management and internal control systems

The Audit Committee has reviewed the internal control systems set up by the Group, the results of the internal audit activity and the systems for risk management.

In specific terms and as regards risk management and internal control systems, the Audit Committee has supervised:

- ✓ The various quarterly reports on internal control of financial information prepared internally by both Internal Audit and Corporate Finance.

- ✓ The Group's risk map, receiving information on the activity performed by the Global Risk Committee.
- ✓ The control activities carried out by the Investment Committee and the Credit Risk Committee.
- ✓ The monitoring of the tax principles and best practices contained in the Group's Tax Policy prior to its consideration by the Board of Directors.
- ✓ The risks of the Cybersecurity Master Plan 2018–2020 and the preparation of the new Cybersecurity Master Plan for 2022-2024.

Likewise, it supervised the monitoring of the possible risks and impacts arising from COVID-19 and the measures implemented throughout the whole of the Viscofan Group.

Ethics and Compliance Committee.

The Committee has supervised the activity performed by the Ethics and Compliance Committee, which involves the management, monitoring and, where applicable, proposed updating of the Group's Compliance System and, particularly, the supervision of communications received via the Whistleblowing Channel. In this year, compliance with the 2020-2021 Plan culminated, with a positive assessment and the effectiveness of Viscofan's Compliance System was submitted for evaluation by an independent third-party, as envisaged in the Plan. Also, an important effort has been made in the area of compliance training as an essential pillar of the model. Lastly, at its meeting dated 15 December 2021, the Committee informed favourably on the 2022-2023 Compliance Plan, which focuses on the continued improvement of the Compliance System in the areas of organisation, regulatory framework, controls and monitoring, as well as a new Code of Conduct for the Group and Code of Conduct for Suppliers, submitting them to the approval of the Board of Directors⁴.

In 2021, the Ethics and Compliance Committee met on fourteen occasions and completed an investigation on nine events reported, although only on two occasions were breaches of internal regulations detected, following the processing of the corresponding file, with the competent bodies proposing and adopting the necessary rectification measures.

Training sessions

Three training sessions were conducted as part of the training plan, on "accounting estimates", "non-financial information" and in the area of "new developments and regulations on equality".

Other functions

In relation to other functions, it is worth noting:

⁴ Both the 2022-2023 Compliance Plan and the new Code of Conduct and the Suppliers Code were finally approved by the Board of Directors on 27 January 2022.

- The monitoring of the tax principles and best practices contained in the Group's Tax Policy prior to its consideration by the Board of Directors.
- The issuance of the mandatory report required by current legislation and the Company's internal regulations, when related-party transactions have been submitted to the Board of Directors (or with entities related to directors), a matter which is explained in detail below in section C.

Assessment

Led by the Appointments, Remuneration and Sustainability Committee, as part of the assessment of the Board of Directors and the Committees, the quality and operations of the Audit Committee have been assessed, concluding that they have complied with the provisions of the law and internal regulations with regard to their organisation, operations and activities covered, without preventing the on-going improvement of their activity.

C. REPORT ON RELATED-PARTY TRANSACTIONS

The Audit Committee prepares this report on related-party transactions for publication on the Company's website (www.viscofan.com), in accordance with the sixth recommendation of the Listed Companies Good Governance Report.

Pursuant to the Board of Directors' Regulations and Audit Committee Regulations, one of the duties of the Audit Committee is to report to the Board of Directors, before adopting related party transactions in the cases and terms envisaged in the Corporate Enterprises Act under the Related party transactions section.

Pursuant to article 231 of the Corporate Enterprises Act, none of the companies forming part of the Viscofan Group have performed transactions with related parties. However, in 2021, the Group had dealings with Banca March, S.A., a financial institution linked to Corporación Financiera Alba, S.A., which held 13.97% of the Company's shares at 31 December 2021 (13.03% at 31 December 2020). Specifically, the financial debt includes a loan of €10 million; the same amount as in 2020. Likewise, the Group has taken out exchange rate insurance with Banca March, S.A., with an asset valuation, at 31 December 2021, of €147 thousand (in 2020, a liability amounting to €35 thousand). No additional services have been received by companies related to this shareholder in 2021 or 2020. All transactions took place in normal market conditions.

The Committee verified that these transactions were performed on an arm's length basis and no additional services were received by companies related to this shareholder in 2021 or 2020.

D. REPORT ON THE INDEPENDENCE OF THE AUDITOR

The Audit Committee issues this report in compliance with its duty to express its opinion on the independence of the accounts auditor included in Article 15 of the Board of Directors Regulations and Article 26.3 of the Committee Regulations.

As the external auditors of Viscofan S.A., PwC, S.L. and its subsidiaries have audited the accounts for 2021, which is the fifth year in which they have provided this service.

During 2021, the Audit Committee supervised and monitored the arrangement of non-audit services at all Group companies, as specified in the pre-approval policy on external audit services. The monitoring report concludes that PwC, S.L.: 1) has not performed any non-audit services, 2) that PwC, S.L.'s invoicing to the company and to its related companies for both audit services and other audit-related services was as follows:

Thousands of euros	2021	2020
VISCOFAN S.A.	110	122
Audit services	106	118
Other audit-related services	4	4
AFFILIATED COMPANIES	606	518
Audit services	606	518
Other audit-related services	-	-
Other services (tax)	-	-
TOTAL	716	640
Audit services	712	636
Other audit-related services	4	4
Other services (tax)	-	-

The Audit Committee has received a declaration of independence from PwC, S.L. They declare that they have complied with the requirements to guarantee their independence as external auditors with regard to the commission and performance of the audit, the audit services and other audit-related services, as well as the existence of the procedures aimed at identifying and evaluating threats that may arise from circumstances related to audited entities and that may pose a significant threat to their independence.

Therefore, the Audit Committee considers that the requirements to guarantee the independence of the PwC, S.L. external auditors have been met and will inform the Board of Directors accordingly.

This report was unanimously approved by the Audit Committee at its meeting held on 22 February 2022.