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## **REPORT PREPARED BY THE APPOINTMENTS, REMUNERATION AND SUSTAINABILITY COMMITTEE OF VISCOFAN, S.A. IN RELATION TO THE PROPOSED DIRECTORS' REMUNERATION POLICY FOR THE 2024, 2025 AND 2026 FINANCIAL YEARS**

### **I. PURPOSE**

Pursuant to the provisions of article 529 novodecies of the consolidated text of the Corporate Enterprises Act (hereinafter the "LSC"), article 16 (g) of the Regulations of the Board of Directors of Viscofan, S.A. (hereinafter "Viscofan" or the "Company") and in article 8 of the Regulations of the Appointments, Remuneration and Sustainability Committee of Viscofan (hereinafter the "Committee" or the "ARSC"), this Committee is responsible for proposing to the Board of Directors the proposals for new remuneration policies for directors, to be submitted for approval by the General Shareholders' Meeting.

The current remuneration policy for Viscofan directors was approved by the Ordinary General Shareholders' Meeting held on 23 April 2021, following a reasoned proposal by the ARSC, and is effective for the 2021, 2022 and 2023 financial years (hereinafter the "Remuneration Policy" or the "Policy", indistinctly).

Pursuant to section 1 of article 529 novodecies of the LSC, proposals for new remuneration policies for directors must be submitted to the General Shareholders' Meeting prior to the end of the last year of application of the previous policy. The Committee has therefore prepared a new policy for 2024, 2025 and 2026 so that it may be submitted for approval at the next General Shareholders' Meeting. In turn, paragraph 4 of this article also sets out that the proposal of the remuneration policy of the Board of Directors shall be reasoned and must be accompanied by a specific report from the Appointments and Remuneration Committee. This document constitutes this supporting report.

In preparing the proposed Remuneration Policy, the following considerations have been taken into account:

- Internal factors:
  - The Viscofan Group strategy called Beyond25, which includes sustainability as a strategic mainstay, along with technology, cost and service.
  - The 2022-2025 Sustainability Action Plan, which implements and sets specific, transversal objectives and action plans of the sustainability strategic pillar.
  - The Group's basic policies, amongst them, the equality of opportunities and diversity Policy, one of whose aims is to foster gender diversity.
- External factors:
  - Legal requirements.
  - The recommendations received in the shareholder engagement process that Viscofan regularly carries out. As part of its commitment to continuously listen to shareholders, the ARSC engages in a constant and transparent dialogue with shareholders to learn their opinion on remuneration policy and to consider any changes that would be appropriate. Also, the results of the votes on the Annual Report on

Directors' Remuneration obtained in the last two financial years (99% of votes in favour in the Report for 2020 and 98.3% of votes in favour in the Report for 2021) and those on the Remuneration Policy approved on 23 April 2021 (94.9% of votes cast at the General Shareholders' Meeting) have been taken into account.

- The economic environment.
- Market practices and national and international recommendations on good corporate governance are taken into account. In particular, the recommendations of the Good Governance Code of Listed Companies, approved by the Spanish National Securities Market Commission ("CNMV"), on remuneration have been taken into account. Furthermore, recent years have seen a significant number of transitions towards a corporate governance model where the roles of chairman and chief executive are separated, and the role of chairman is non-executive. This development is in line with the recommendations of institutional investors and conforms appropriately to the Company's orientation and circumstances.

In exercising its powers, the ARSC has been advised by WTW, an independent advisor specialising in the remuneration of directors and senior executives, in connection with the definition and design of the Remuneration Policy.

## II. RECENT DEVELOPMENTS

In this Policy, Viscofan has decided to adapt the remuneration structure to provide for the necessary elements for the transition in 2024 from the current model of an Executive Chairmanship to a Board of Directors led by a non-executive Chairman while appointing a Chief Executive Officer. In this regard, the proposal is as follows:

- Executive directors:
  - Fixed remuneration amounts, target annual variable remuneration and long-term target incentive are established for the Chief Executive, which will correspond to a Chief Executive Officer. In the event that directors other than the Chief Executive Officer perform executive functions, their remuneration, to be commensurate with their level of responsibility and functions, must observe the limits and conditions set out in this Policy for each remuneration item.

In order to propose to the Board of Directors the remuneration levels of the Chief Executive Officer for the performance of his executive duties in the new corporate governance structure, the ARSC has carried out a reflection exercise where it has considered the following factors and applied the following criteria:

- The principles and rationale set out in the Remuneration Policy.
- Consistency with the responsibility and functions as Chief Executive and leadership within the organisation, in line with the remuneration being paid in the market by comparable companies.
- The extent to which fixed and total remuneration is appropriate to reward the value of the contribution of the position and the individual to both the Company and shareholders.
- Remuneration levels and practices observed in comparable companies. In this respect, the remuneration proposal for the Chief Executive Officer, as chief executive, is based on a remuneration benchmarking exercise carried out with the assistance of WTW, which is essentially based on two comparison groups that are

appropriate and comparable in size to Viscofan: an ad hoc group of Spanish companies, multi-sectorial, from the continuous market and unlisted; and a selection of companies from the Ibex-35.

– In line with the recommendations of institutional investors:

– It has been proposed to increase the weight of variable elements in total remuneration, with particular weight on the long-term incentive, an element linked to the creation of value for the shareholder and partially share-based. Thus, for a target, annual fixed remuneration would have a weight of 37% of the total (42% in the current Policy), annual variable remuneration 25% (29% in the current Policy) and the long-term incentive 37% (29% in the current Policy). Therefore, the remuneration policy design is consistent with the Company's strategy and reinforces the focus on long-term performance.

– The possibility of revising the fixed remuneration during the term of the Policy has been enabled and a maximum amount has been set. Potential revisions will be evaluated in accordance with the criteria approved from time to time by the ARSC. Such criteria will include the Group's results, the performance of the position and of the individual, consistency with the development of the rest of the management team, market references, etc. Details would be explained, where appropriate, in the corresponding Annual Report on Directors' Remuneration.

• Directors in their capacity as such:

• The specific fixed remuneration is established for the non-executive Chairman of the Board of Directors. The ARSC proposes this remuneration in view of the following:

– The intrinsic value of the person proposed for the position due to his knowledge of the business and the sector, where he has been the Chief Executive for more than 12 years, a period in which he has successfully managed the business in complex circumstances, has led the international expansion of the Group and has consolidated it as a world leader in the sector. At the same time, his experience brings specific value in the field of shareholder and institutional relationships.

– The specific and additional dedication with respect to the members of the Board of Directors that this position requires.

– Institutional investors' recommendations as well as general corporate governance recommendations.

– Remuneration levels and practices observed in the Ibex-35 and continuous market companies in Spain. It should also be noted that the ARSC, with the assistance of WTW, has carried out a benchmarking exercise to develop its proposal.

This remuneration is in addition to any fixed annual remuneration directors may receive in their capacity as such for their membership of the Board.

The position of non-executive Chairman of the Board of Directors shall not provide for any additional remuneration and/or compensation in addition to the above.

### **III. CONCLUSION**

The ARSC considers that the proposed Remuneration Policy for the 2024, 2025 and 2026 financial years is in line and consistent with the regulatory provisions, recommendations and best practices of good governance existing in the market in the field of remuneration.

In short, the remuneration of the directors of Viscofan contemplated in the proposed Remuneration Policy (i) is reasonably proportionate to the importance of the Company, its economic situation and the market standards of comparable companies; (ii) establishes the channels to avoid the assumption of unnecessary risks, allowing the appropriate and effective management thereof; and (iii) is aligned with the long-term strategic priorities of the Company and the interests of its shareholders and other stakeholders.

In view of the above, the ARSC considers it appropriate to propose the Remuneration Policy to the Board of Directors and to submit this proposal to the General Shareholders' Meeting for approval as a separate item on the Agenda. If approved, it will come into force on 1 January 2024, leaving without effect the Remuneration Policy currently in force, approved by the General Shareholders' Meeting held on 23 April 2021.

The text of the Remuneration Policy and this report will be made available to shareholders on the Company's corporate website ([www.viscofan.com](http://www.viscofan.com)) from the time the General Shareholders' Meeting is called. In view of the foregoing, in accordance with the provisions of section 1 of article 529 novodecies of the LSC, the ARSC prepares this report justifying the proposed Remuneration Policy for submission to the General Shareholders' Meeting.