



**APPOINTMENTS, REMUNERATION AND SUSTAINABILITY COMMITTEE VISCOFAN**

**S.A.**

**2020 ANNUAL REPORT OF ACTIVITIES**

## **A.- INTRODUCTION**

The Appointments, Remuneration 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.

Initially known as the Appointments and Remuneration Committee, upon the request of the Committee itself, on 29 October 2020, the Board of Directors resolved to rename it the Appointments, Remuneration and Sustainability Committee to better reflect the actual scope of its functions, following the assignment to the aforementioned Committee in September 2019 of the promotion and supervision functions in environmental, social and corporate governance (ESG) matters.

The Committee's organisational and operational rules are contained, implementing the Board of Directors' Regulations, in its Regulations dated 19 September 2019 (the "Regulations"), which were updated by a resolution of the Committee itself, and endorsed by the Board of Directors on 17 December 2020, mainly to include the novelties of the amendment to the Code of Good Governance in June 2020 by the Spanish National Securities Market Commission (CNMV) insofar as it affects the functions of the Committee itself. The full wording of the Committee Regulations is available on the corporate website of Viscofan ([www.viscofan.com](http://www.viscofan.com)) in the Corporate Governance section.

The Committee prepares this 2020 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 Committee's scope and functions, which were updated to include the novelties of the amendment to the Code of Good Governance implemented in June 2020 by the Spanish National Securities Market Commission (CNMV) insofar as it affects the scope of these functions.

## **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.

To reinforce the promotion, definition and supervision of the sustainability strategy as one of the Company's priorities, on 29 October 2020, aside from renaming the Committee, as indicated, the Board of Directors resolved to increase the number of members to five(5) and appointed Mr Ignacio Marco-Gardoqui Ibáñez, independent director and vice-chairman of the Company, as a new Committee member.

Consequently, and since that date of 29 October 2020, the breakdown of the Appointments, Remuneration and Sustainability Committee was as follows:

Name	Position	Type
Mr Jaime Real de Asúa y Arteche	Chairman	External Independent
Mr José María Aldecoa Sagastasoloa	Director	External Independent
Mr Nestor Basterra Larroudé	Director	Other External
Mr Juan March de la Lastra	Director	External Nominee
Mr Ignacio Marco-Gardoqui Ibáñez	Director	External Independent
Mr José Antonio Cortajarena Manchado	Non-director Secretary	N/A

The inclusion of Mr Marco-Gardoqui as a new director also led most of the Committee members to be classified as independent external directors, complying with the Code of Good Governance recommendations in this regard.

Notwithstanding the functions that are legally the responsibility of 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, Remuneration 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 the Viscofan corporate website.

#### **D.- ACTIVITIES DURING 2020**

The Committee held seven (7) sessions during 2020. In relation the work plan drawn up, it is worth highlighting:

- **Resolutions without holding a meeting**

In 2020, the Committee did not adopt any resolution without holding a meeting.

– **Attendance of the members**

All Committee members attended all meetings held. As a result of the circumstances arising from the COVID-19 health crisis, three (3) face-to-face meetings and four (4) virtual meetings through telematic means (video-conference) were held in the year, 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**

The meetings are convened by the Secretary, upon the instructions of the Committee Chairman, sufficiently in advance, in line with the agenda. As an exception, a universal meeting was held, subject to the unanimous agreement of all Committee members and its 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 2020,

advisory services were requested from the following consultancy firms:

- Willis Towers Watson, in relation to the preparation of a new Directors' Remuneration Policy, which must be 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<sup>1</sup>.
- 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, has informational and advisory powers with 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 2020 and that have shaped its main areas of supervision, can be grouped into the following areas:

- Organisation and internal operations:
  - Organisation and operation regulations (update): two sessions.
  - Composition of the Committee: one session
  - Schedule and Engagement Plan (monitoring and update): four sessions.
  - Annual Report on Activities: in one session
- Corporate Governance:
  - Composition of the Board, selection and re-election of directors: in two sessions.
  - Directors' classification: in one session
  - Conflict declaration request: in one session
  - Annual Corporate Governance Report: in two sessions
  - Basic policies (update): two sessions
  - Evaluation of the Board of Directors and its Committees, as well as of the Executive Chairman with the mandatory attendance of the Lead Director, all with a satisfactory result and an action plan: in three sessions.
  - Succession plan for executive directors and senior management: in one session.
  - Plan to welcome new directors: in one session

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<sup>1</sup> Korn Ferry also attended the Board of Directors' Meeting held on 27 January 2020, to set forth his conclusions regarding the assessment process of the Board and its Committees in 2019.

- Remuneration
  - Proposed Annual Directors' Remuneration Report: in two sessions
  - Proposed fixed and variable remuneration (settlement of 2019 targets and definition of 2020 targets) of the Chairman and Director General Manager and senior management: in one session.
  - 2019-21 long-term incentive plan (three years): in one session.
  - Preparation of the 2021-23 Remuneration Policy: in four sessions
  - Senior management remuneration framework: in three sessions
  
- Sustainability
  - Promotion and supervision of the general strategy: in four sessions
  - Management and promotion of talent: in one session.
  - Work/life balance: in one session.
  
- Other
  - Monitoring of civil liability insurance for directors and executives.
  - Monitoring and update of the subsidiary governance model.

Likewise, the Committee's Engagement Plan has devoted adequate time to training sessions in areas within the Committee's sphere, such as the monitoring of novelties and trends in corporate governance - 3 sessions- and sustainability -1 session-.

## **E.- CONCLUSION**

Throughout 2020, 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 General Manager, 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, which have been scrupulously followed. Specifically, in compliance with the Corporate Enterprises Act, the Company approved the 2019 Annual Directors' Remuneration Report detailing the remuneration policy and individual remuneration of each director and submitting said report to an advisory vote of the 2020 General Shareholders' Meeting, as the twelfth point on the agenda, obtaining 99.3% of votes in favour.

In its function of contributing to the Company maintaining a high degree of monitoring of best corporate governance practices, several sessions were also held to analyse the composition and structure of the Board and its Committees. Hence, it was proposed to re-elect two directors - one independent and one nominee, to comply with the period for which they were appointed. And, in particular, in 2020, the Committee proposed and the Company agreed to an increase in the number of members of the Board of Directors from ten(10) to eleven (11) and that the new appointment should be a woman with the category of external independent director. Furthermore, both Committees

(the Audit Committee and the Appointments, Remuneration and Sustainability Committee) increased the number of members by one (1) and included external independent directors to occupy the positions created, resulting in a strengthening of the majority of independent directors on both Committees.

Lastly, it must be highlighted that in 2020, the effort of the Committee in undertaking preparatory work on the new Directors' Remuneration Policy was also worthy of praise, which will be submitted at the 2021 General Shareholders' Meeting, together with the update of the basic sustainability policies, in accordance with the growing importance of this area in the Company's strategy.

This Appointments, Remuneration 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.