Viscofan

Reshaping food and wellbeing.
For many, for long.

Annual Report 2022

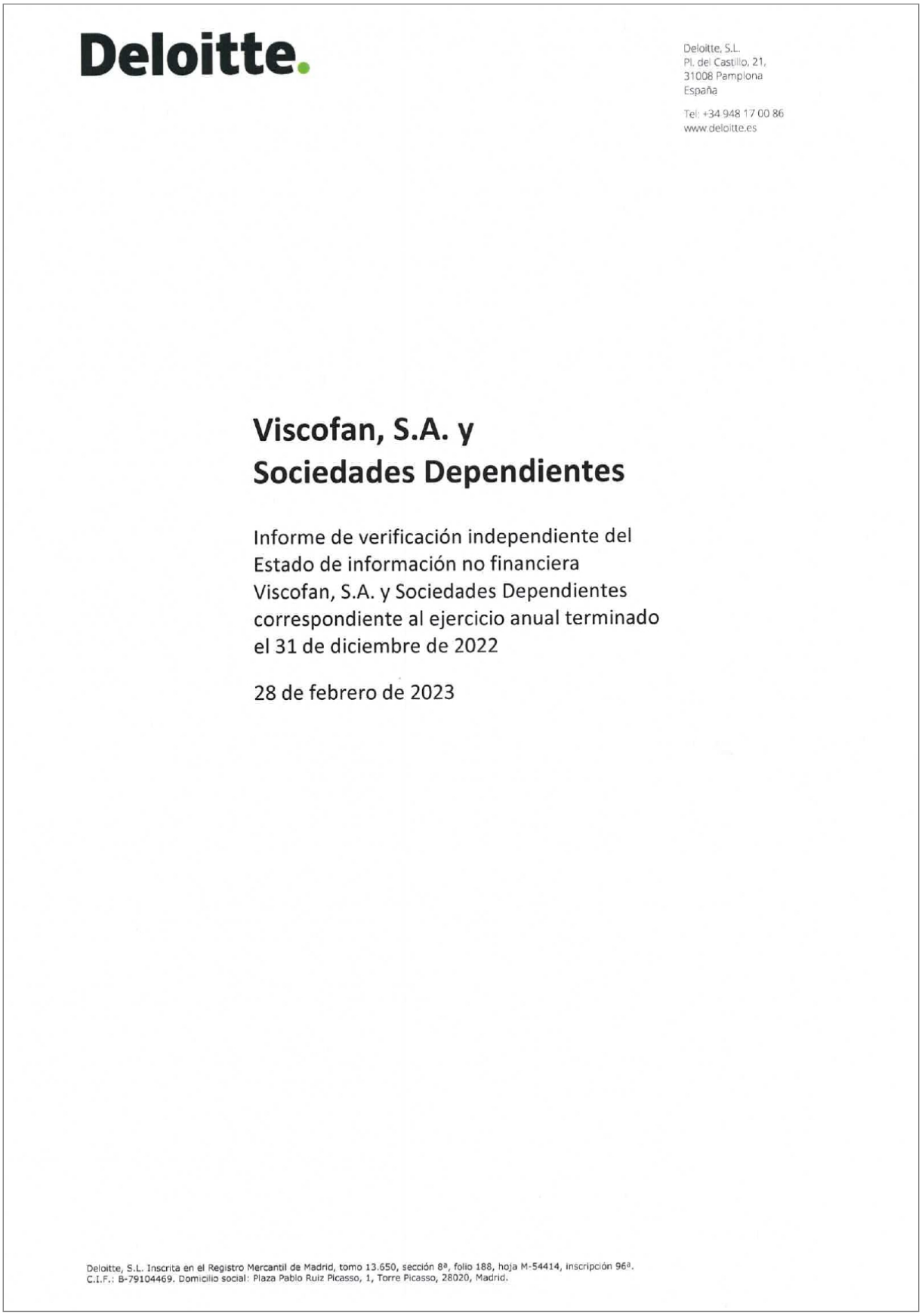


Viscofan

Reshaping food and wellbeing.
For many, for long.

Audit & Verification Report 2022





Deloitte.

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Pl. del Castillo, 21,
31008 Pamplona
España

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Viscofan, S.A. y Sociedades Dependientes

Informe de verificación independiente del Estado de información no financiera Viscofan, S.A. y Sociedades Dependientes correspondiente al ejercicio anual terminado el 31 de diciembre de 2022

28 de febrero de 2023

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª.
C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

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INFORME DE VERIFICACIÓN INDEPENDIENTE DEL ESTADO DE INFORMACIÓN NO FINANCIERA (CONSOLIDADO) DE VISCOFAN (Y SOCIEDADES DEPENDIENTES) DEL EJERCICIO 2022

A los accionistas de Viscofan, S.A.:

De acuerdo al artículo 49 del Código de Comercio hemos realizado la verificación con el alcance de seguridad limitada, de la información no financiera identificada en la tabla GRI y en el Estado de Información no Financiera (en adelante EINF) incluidos en el Informe de Gestión Consolidado (en adelante IGC) de Viscofan, S.A., y sociedades dependientes (en adelante Viscofan o el Grupo) correspondiente al ejercicio finalizado el 31 de diciembre de 2022.

El contenido del Informe de Gestión incluye información adicional a la requerida por la normativa mercantil vigente en materia de información no financiera y por los Estándares Global Reporting Initiative para la elaboración de informes de sostenibilidad (en adelante estándares GRI), que no ha sido objeto de nuestro trabajo de verificación. En este sentido, nuestro trabajo se ha limitado exclusivamente a la verificación de la información identificada en las "Tablas de indicadores de taxonomía ambiental" del capítulo 2.6.1 del EINF, la tabla "Índice de Contenidos Global Reporting Initiative GRI" del capítulo 2.6.2 del EINF y la tabla "Índice de contenidos de la Ley 11/2018 de Información No Financiera y de diversidad" del capítulo 2.6.3 del EINF incluidas en el Informe de Gestión Consolidado adjunto.

Responsabilidad de los Administradores

La formulación del EINF incluido en el Informe de Gestión de Viscofan, así como el contenido del mismo, es responsabilidad de los Administradores de Viscofan. El EINF, incluido en el IGC, se ha preparado de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los Sustainability Reporting Standards de Global Reporting Initiative (estándares GRI) seleccionados, así como aquellos otros criterios descritos de acuerdo a lo mencionado para cada materia en la tabla 2.6.1 "Índice de contenidos Global Reporting Initiative (GRI)", 2.6.2 "Tablas de indicadores de taxonomía ambiental" y la tabla 2.6.3. "Índice de contenidos de la Ley 11/2018 de Información No Financiera y de diversidad".

Esta responsabilidad incluye asimismo el diseño, la implantación y el mantenimiento del control interno que se considere necesario para permitir que el EINF esté libre de incorrección material, debida a fraude o error.

Los administradores de Viscofan son también responsables de definir, implantar, adaptar y mantener los sistemas de gestión de los que se obtiene la información necesaria para la preparación del EINF.

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Nuestra independencia y gestión de la calidad

Hemos cumplido con los requerimientos de independencia y demás requerimientos de ética del Código Internacional de Ética para Profesionales de la Contabilidad (incluyendo las normas internacionales sobre independencia) emitido por el Consejo de Normas Internacionales de Ética para Profesionales de la Contabilidad (IESBA, por sus siglas en inglés) que está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.

Nuestra firma aplica las normas internacionales de calidad vigentes y mantiene, en consecuencia, un sistema de calidad que incluye políticas y procedimientos relativos al cumplimiento de requerimientos de ética, normas profesionales y disposiciones legales y reglamentarias aplicables.

El equipo de trabajo ha estado formado por profesionales expertos en revisiones de Información no Financiera y, específicamente, en información de desempeño económico, social y medioambiental.

Nuestra responsabilidad

Nuestra responsabilidad es expresar nuestras conclusiones en un informe de verificación independiente de seguridad limitada basándonos en el trabajo realizado. Hemos llevado a cabo nuestro trabajo de acuerdo con los requisitos establecidos en la *International Standard on Assurance Engagement 3000* (ISAE-3000), emitida por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (IAASB) de la Federación Internacional de Contadores (IFAC); y con la Guía de Actuación sobre encargos de verificación del Estado de Información No Financiera emitida por el Instituto de Censores Jurados de Cuentas de España.

En un trabajo de seguridad limitada, los procedimientos llevados a cabo varían en su naturaleza y momento de realización, y tienen una menor extensión, que los realizados en un trabajo de seguridad razonable y, por lo tanto, la seguridad que se obtiene es sustancialmente menor.

Nuestro trabajo ha consistido en la formulación de preguntas a la Dirección, así como a las diversas unidades de Viscofan que han participado en la elaboración del EINF, en la revisión de los procesos para recopilar y validar la información presentada en el EINF y en la aplicación de ciertos procedimientos analíticos y pruebas de revisión por muestreo que se describen a continuación:

- Reuniones con el personal de la entidad para conocer el modelo de negocio, las políticas y los enfoques de gestión aplicados, los principales riesgos relacionados con esas cuestiones y obtener la información necesaria para la revisión externa.
- Análisis del alcance, relevancia e integridad de los contenidos incluidos en el EINF del ejercicio 2022 en función del análisis de materialidad realizado por el Grupo y descrito en el apartado 2.1.1 del EINF "Fundamentos", considerando contenidos requeridos en la normativa mercantil en vigor.

- Análisis de los procesos para recopilar y validar los datos presentados en el EINF del ejercicio 2022.
- Revisión de la información relativa a los riesgos, las políticas y los enfoques de gestión aplicados en relación a los aspectos materiales presentados en el EINF del ejercicio 2022.
- Comprobación, mediante pruebas, en base a la selección de una muestra, de la información relativa a los contenidos incluidos en el EINF del ejercicio 2022 y su adecuada compilación a partir de los datos suministrados por las fuentes de información.
- Obtención de una carta de manifestaciones de los Administradores y la Dirección.

Conclusión

Basándonos en los procedimientos realizados en nuestra verificación y en las evidencias que hemos obtenido no se ha puesto de manifiesto aspecto alguno que nos haga creer que el EINF de Viscofan correspondiente al ejercicio anual finalizado el 31 de diciembre de 2022 no ha sido preparado, en todos sus aspectos significativos, de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los estándares GRI seleccionados así como aquellos otros criterios descritos de acuerdo a lo mencionado para cada materia en las tablas contenidas en los capítulos 2.6.1 "Tablas de indicadores de taxonomía ambiental", 2.6.2 "Índice de contenidos Global Reporting Iniciative (GRI)" y 2.6.3 "Índice de contenidos de la ley 11/2018 de Información No Financiera y de diversidad" del citado Informe.

Párrafo de énfasis

El Reglamento (UE) 2020/852 del Parlamento Europeo y del Consejo de 18 de junio de 2020 relativo al establecimiento de un marco para facilitar las inversiones sostenibles establece la obligación de divulgar información sobre la manera y la medida en que las actividades de la empresa se asocian a actividades económicas alineadas en relación con los objetivos de mitigación del cambio climático y adaptación al cambio climático por primera vez para el ejercicio 2022, adicional a la información referida a actividades elegibles exigida en el ejercicio 2021. En consecuencia, en el EINF adjunto no se ha incluido información comparativa sobre alineamiento. Por otra parte, en la medida en la que la información referida a actividades elegibles en el ejercicio 2021 no se requería con el mismo nivel de detalle que en el ejercicio 2022, en el EINF adjunto la información desglosada en materia de elegibilidad tampoco es estrictamente comparable. Adicionalmente, cabe señalar que los administradores de Viscofan, S.A. han incorporado información sobre los criterios que, en su opinión, mejor permiten dar cumplimiento a las citadas obligaciones y que están definidos en el apartado "2.6.3. Taxonomía europea de las actividades económicas ambientalmente sostenibles" del EINF adjunto. Nuestra conclusión no ha sido modificada en relación con esta cuestión.

Uso y distribución

Este informe ha sido preparado en respuesta al requerimiento establecido en la normativa mercantil vigente en España, por lo que podría no ser adecuado para otros propósitos y jurisdicciones.

DELOITTE, S.L.

Iñigo Úrculo

28 de febrero de 2023

INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

DELOITTE, S.L.

2023 Núm. 01/23/04722

SELLO CORPORATIVO: 30.00 EUR

Sello distintivo de otras actuaciones

Viscofan, S.A. y sociedades dependientes

Informe de auditoría
Cuentas anuales consolidadas al 31 de diciembre de 2022
Informe de gestión consolidado

Informe de auditoría de cuentas anuales consolidadas emitido por un auditor independiente

A los accionistas de Viscofan, S.A.:

Informe sobre las cuentas anuales consolidadas

Opinión

Hemos auditado las cuentas anuales consolidadas de Viscofan, S.A. (la Sociedad dominante) y sus sociedades dependientes (el Grupo), que comprenden el estado de situación financiera a 31 de diciembre de 2022, la cuenta de resultados, el estado del resultado global, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha.

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del Grupo a 31 de diciembre de 2022, así como de sus resultados y flujos de efectivo, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea (NIIF-UE), y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas* de nuestro informe.

Somos independientes del Grupo de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales consolidadas en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

Cuestiones clave de la auditoría

Las cuestiones clave de la auditoría son aquellas cuestiones que, según nuestro juicio profesional, han sido de la mayor significatividad en nuestra auditoría de las cuentas anuales consolidadas del periodo actual. Estas cuestiones han sido tratadas en el contexto de nuestra auditoría de las cuentas anuales consolidadas en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esas cuestiones.

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría

Reconocimiento de ventas de envolturas y films

La partida más significativa de la cuenta de resultados del Grupo es la cifra de ventas que asciende a un importe de 1.201 millones de euros (nota 20.1 de la memoria consolidada adjunta).

Las ventas del Grupo incluyen multitud de transacciones y corresponden, principalmente, a la venta de envolturas y films (negocio principal del Grupo).

Considerando lo anterior, la comprobación de que las ventas se registran de manera adecuada atendiendo a las condiciones de las mismas es una cuestión clave de nuestra auditoría.

Nuestros procedimientos de auditoría han partido del entendimiento y evaluación del diseño e implantación de los procesos relevantes que soportan el registro contable de las operaciones de venta. Hemos identificado los controles existentes y, para los más relevantes, hemos comprobado su adecuado funcionamiento. Por otra parte, hemos realizado, principalmente, los siguientes procedimientos relativos a las operaciones de ventas:

- Realización de pruebas en detalle sobre las ventas verificando, para una muestra, el adecuado registro de las transacciones mediante documentación soporte de terceros o, en su caso, hemos realizado pruebas asistidas por expertos en tecnología y sistemas, comprobando que todas las ventas siguen el flujo estándar de la transacción y que han sido, en su caso, cobrados.

- Selección y comprobación, en su caso, de los asientos contabilizados en el epígrafe de ventas que hemos considerado que pudieran dar lugar a partidas inusuales o irregulares.

- Obtención de confirmaciones de terceros para una muestra de facturas que componen el saldo de clientes a cierre del ejercicio. En los casos en los que no hemos obtenido respuesta, se han realizado procedimientos alternativos con evidencia justificativa de terceros para la comprobación de dichas facturas.

- Comprobación de que las ventas se han reconocido en el periodo correcto en función de las condiciones establecidas para las transacciones más cercanas al cierre de ejercicio.

- Evaluación de la razonabilidad de las fluctuaciones de las ventas del ejercicio 2022 respecto del ejercicio anterior.

Como resultado de nuestras pruebas no tenemos observaciones relevantes sobre esta cuestión.

Otra información: Informe de gestión consolidado

La otra información comprende exclusivamente el informe de gestión consolidado del ejercicio 2022, cuya formulación es responsabilidad de los administradores de la Sociedad dominante y no forma parte integrante de las cuentas anuales consolidadas.

Nuestra opinión de auditoría sobre las cuentas anuales consolidadas no cubre el informe de gestión consolidado. Nuestra responsabilidad sobre el informe de gestión consolidado, de conformidad con lo exigido por la normativa reguladora de la actividad de auditoría de cuentas, consiste en:

a) Comprobar únicamente que el estado de información no financiera consolidado, determinada información incluida en el Informe Anual de Gobierno Corporativo y el Informe Anual de Remuneraciones de los Consejeros, a los que se refiere la Ley de Auditoría de Cuentas, se han facilitado en la forma prevista en la normativa aplicable y, en caso contrario, informar sobre ello.

b) Evaluar e informar sobre la concordancia del resto de la información incluida en el informe de gestión consolidado con las cuentas anuales consolidadas, a partir del conocimiento del Grupo obtenido en la realización de la auditoría de las citadas cuentas, así como evaluar e informar de si el contenido y presentación de esta parte del informe de gestión consolidado son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito anteriormente, hemos comprobado que la información mencionada en el apartado a) anterior se facilita en la forma prevista en la normativa aplicable y que el resto de la información que contiene el informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2022 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores y de la comisión de auditoría en relación con las cuentas anuales consolidadas

Los administradores de la Sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados del Grupo, de conformidad con las NIIF-UE y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales consolidadas, los administradores de la Sociedad dominante son responsables de la valoración de la capacidad del Grupo para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los citados administradores tienen intención de liquidar el Grupo o de cesar sus operaciones, o bien no exista otra alternativa realista.

La comisión de auditoría de la Sociedad dominante es responsable de la supervisión del proceso de elaboración y presentación de las cuentas anuales consolidadas.

Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales consolidadas en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad, pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales consolidadas.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.

- Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno del Grupo.

- Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores de la Sociedad dominante.

- Concluimos sobre si es adecuada la utilización, por los administradores de la Sociedad dominante, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad del Grupo para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales consolidadas o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que el Grupo deje de ser una empresa en funcionamiento.

- Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales consolidadas, incluida la información revelada, y si las cuentas anuales consolidadas representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.

- Obtenemos evidencia suficiente y adecuada en relación con la información financiera de las entidades o actividades empresariales dentro del Grupo para expresar una opinión sobre las cuentas anuales consolidadas. Somos responsables de la dirección, supervisión y realización de la auditoría del Grupo. Somos los únicos responsables de nuestra opinión de auditoría.

Nos comunicamos con la comisión de auditoría de la Sociedad dominante en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

También proporcionamos a la comisión de auditoría de la Sociedad dominante una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

Entre las cuestiones que han sido objeto de comunicación a la comisión de auditoría de la Sociedad dominante, determinamos las que han sido de la mayor significatividad en la auditoría de las cuentas anuales consolidadas del periodo actual y que son, en consecuencia, las cuestiones clave de la auditoría.

Describimos esas cuestiones en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

Informe sobre otros requerimientos legales y reglamentarios

Formato electrónico único europeo

Hemos examinado los archivos digitales del formato electrónico único europeo (FEUE) de Viscofan, S.A. y sociedades dependientes del ejercicio 2022 que comprenden el archivo XHTML en el que se incluyen las cuentas anuales consolidadas del ejercicio y los ficheros XBRL con el etiquetado realizado por la entidad, que formarán parte del informe financiero anual.

Los administradores de Viscofan, S.A. son responsables de presentar el informe financiero anual del ejercicio 2022 de conformidad con los requerimientos de formato y marcado establecidos en el Reglamento Delegado UE 2019/815, de 17 de diciembre de 2018, de la Comisión Europea (en adelante Reglamento FEUE).

Nuestra responsabilidad consiste en examinar los archivos digitales preparados por los administradores de la Sociedad dominante, de conformidad con la normativa reguladora de la actividad de auditoría de cuentas en vigor en España. Dicha normativa exige que planifiquemos y ejecutemos nuestros procedimientos de auditoría con el fin de comprobar si el contenido de las cuentas anuales consolidadas incluidas en los citados archivos digitales se corresponde íntegramente con el de las cuentas anuales consolidadas que hemos auditado, y si el formato y marcado de las mismas y de los archivos antes referidos se ha realizado en todos los aspectos significativos, de conformidad con los requerimientos establecidos en el Reglamento FEUE.

En nuestra opinión, los archivos digitales examinados se corresponden íntegramente con las cuentas anuales consolidadas auditadas, y éstas se presentan y han sido marcadas, en todos sus aspectos significativos, de conformidad con los requerimientos establecidos en el Reglamento FEUE.

Informe adicional para la comisión de auditoría de la Sociedad dominante

La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para la comisión de auditoría de la Sociedad dominante de fecha 28 de febrero de 2023.

Periodo de contratación

La Junta General Ordinaria de Accionistas celebrada el 29 de abril de 2022 nos nombró como auditores del Grupo por un periodo de un año para el ejercicio finalizado el 31 de diciembre de 2022.

Con anterioridad, fuimos designados por acuerdo de la Junta General Ordinaria y Extraordinaria de Accionistas para el periodo de 3 años y hemos venido realizando el trabajo de auditoría de cuentas de forma ininterrumpida desde el ejercicio finalizado el 31 de diciembre de 2017.

Servicios prestados

Los servicios, distintos de la auditoría de cuentas, que han sido prestados al Grupo auditado se desglosan en la nota 26 de la memoria de las cuentas anuales consolidadas.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Gabriel Torre Escudero (21647)

28 de febrero de 2023

AUDITORES

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

2023 Núm. 03/23/01231

SELLO CORPORATIVO: 96,00 EUR

Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

Viscofan, S.A.

Informe de auditor
Información relativa al Sistema de Control Interno sobre la Información Financiera (SCIIF)
ejercicio 2022

Informe de auditor sobre la Información relativa al Sistema de Control interno sobre la Información Financiera (SCIIF)

A los administradores de Viscofan, S.A.:

De acuerdo con la solicitud del Consejo de Administración de Viscofan, S.A. (en adelante, la Entidad) y con nuestra carta propuesta de fecha 1 de diciembre de 2022, hemos aplicado determinados procedimientos sobre la "Información relativa al SCIIF" adjunta contenida en el apartado F del Informe Anual de Gobierno Corporativo incluido en el Informe de Gestión de Viscofan, S.A. correspondiente al ejercicio 2022, en el que se resumen los procedimientos de control interno de la Entidad en relación a la información financiera anual.

Los administradores son responsables de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno, así como del desarrollo de mejoras de dicho sistema y de la preparación y establecimiento del contenido de la Información relativa al SCIIF adjunta.

En este sentido, hay que tener en cuenta que, con independencia de la calidad del diseño y operatividad del sistema de control interno adoptado por la Entidad en relación con la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue, debido a las limitaciones inherentes a todo sistema de control interno.

En el curso de nuestro trabajo de auditoría de las cuentas anuales y conforme a las Normas Técnicas de Auditoría, nuestra evaluación del control interno de la Entidad ha tenido como único propósito el permitirnos establecer el alcance, la naturaleza y el momento de realización de los procedimientos de auditoría de las cuentas anuales de la Entidad. Por consiguiente, nuestra evaluación del control interno, realizada a efectos de dicha auditoría de cuentas, no ha tenido la extensión suficiente para permitirnos emitir una opinión específica sobre la eficacia de dicho control interno sobre la información financiera anual regulada.

A los efectos de la emisión de este informe, hemos aplicado exclusivamente los procedimientos específicos descritos a continuación e indicados en la *Guía de Actuación sobre el Informe del auditor referido a la Información relativa al Sistema de Control Interno sobre la Información Financiera de las entidades cotizadas*, publicada por la Comisión Nacional del Mercado de Valores en su página web, que establece el trabajo a realizar, el alcance mínimo del mismo, así como el contenido de este informe. Como el trabajo resultante de dichos procedimientos tiene, en cualquier caso, un alcance reducido y sustancialmente menor que el de una auditoría o una revisión sobre el sistema de control interno, no expresamos una opinión sobre la efectividad del mismo, ni sobre su diseño y su eficacia operativa, en relación a la información financiera anual de la Entidad correspondiente al ejercicio 2022 que se describe en la Información relativa al SCIIF adjunta. En consecuencia, si hubiéramos aplicado procedimientos adicionales a los determinados por la citada Guía o realizado una auditoría o una revisión sobre el sistema de control interno en relación con la información financiera anual regulada, se podrían haber puesto de manifiesto otros hechos o aspectos sobre los que les habríamos informado.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Asimismo, dado que este trabajo especial no constituye una auditoría de cuentas ni se encuentra sometido a la normativa reguladora de la actividad de auditoría de cuentas vigente en España, no expresamos una opinión de auditoría en los términos previstos en la citada normativa.

Se relacionan a continuación los procedimientos aplicados:

1. Lectura y entendimiento de la información preparada por la entidad en relación con el SCIIF – información de desglose incluida en el Informe de Gestión – y evaluación de si dicha información aborda la totalidad de la información requerida que seguirá el contenido mínimo descrito en el apartado F, relativo a la descripción del SCIIF, del modelo de IAGC según se establece en la Circular 5/2013 de 12 de junio de 2013 de la Comisión Nacional del Mercado de Valores (CNMV), y modificaciones posteriores, siendo la más reciente la Circular 3/2021, de 28 de septiembre de la CNMV (en adelante, las Circulares de la CNMV).

2. Preguntas al personal encargado de la elaboración de la información detallada en el punto 1 anterior con el fin de: (i) obtener un entendimiento del proceso seguido en su elaboración; (ii) obtener información que permita evaluar si la terminología utilizada se ajusta a las definiciones del marco de referencia; (iii) obtener información sobre si los procedimientos de control descritos están implantados y en funcionamiento en la entidad.

3. Revisión de la documentación explicativa soporte de la información detallada en el punto 1 anterior, y que comprenderá, principalmente, aquella directamente puesta a disposición de los responsables de formular la información descriptiva del SCIIF. En este sentido, dicha documentación incluye informes preparados por la función de auditoría interna, alta dirección y otros especialistas internos o externos en sus funciones de soporte a la comisión de auditoría.

4. Comparación de la información detallada en el punto 1 anterior con el conocimiento del SCIIF de la entidad obtenido como resultado de la aplicación de los procedimientos realizados en el marco de los trabajos de la auditoría de cuentas anuales.

5. Lectura de actas de reuniones del consejo de administración, comisión de auditoría y otras comisiones de la entidad a los efectos de evaluar la consistencia entre los asuntos en ellas abordados en relación con el SCIIF y la información detallada en el punto 1 anterior.

6. Obtención de la carta de manifestaciones relativa al trabajo realizado adecuadamente firmada por los responsables de la preparación y formulación de la información detallada en el punto 1 anterior.

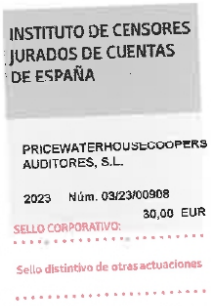
Como resultado de los procedimientos aplicados sobre la Información relativa al SCIIF no se han puesto de manifiesto inconsistencias o incidencias que puedan afectar a la misma.

Este informe ha sido preparado exclusivamente en el marco de los requerimientos establecidos por el artículo 540 del texto refundido la Ley de Sociedades de Capital y por las Circulares de la CNMV a los efectos de la descripción del SCIIF en los Informes Anuales de Gobierno Corporativo.

PricewaterhouseCoopers Auditores, S.L.

Gabriel Torre Escudero

28 de febrero de 2023



Viscofan

Reshaping food and wellbeing.
For many, for long.

Consolidated Annual Accounts 2022



Consolidated statements of financial position

		Period	
(Thousands of euros)	**Notes**	**2022**	**2021**
Intangible assets other than goodwill	5.1	17,649	17,179
Goodwill	5.2	3,237	2,959
Property, plant, and equipment	6	561,244	498,267
Right-of-use assets	7.1	10,580	13,968
Other non-current financial assets	10	4,344	3,272
Non-current derivatives	17	342	51
Deferred tax assets	18	26,793	26,639
Non-Current Assets		**624,189**	**562,335**
Inventories	8	381,788	303,380
Trade and other current receivables	9	276,299	205,976
Current tax assets	18	6,140	2,656
Other current financial assets	10	1,582	837
Current derivatives	17	3,476	2,258
Cash and equivalents	11	51,193	91,352
Current Assets		**720,478**	**606,459**
Total Assets		**1,344,667**	**1,168,794**

Consolidated statements of financial position

		Period	
(Thousands of euros)	**Notes**	**2022**	**2021**
Issued capital	12.1	32,550	32,550
Share premium	12.2	12	12
Other reserves	12.3	813,145	732,103
Treasury Shares	12.4	–16.181	–10.473
Profit for the year		139,430	132,997
Interim dividend	12.6	–64.644	–64.880
Valuation adjustments	12.5	2,558	467
Equity		**906,870**	**822,776**
Deferred income	13	18,102	942
Non-current provisions for employee benefits	14.1	22,308	29,133
Other non-current provisions	14.2	0	236
Non-current financial liabilities	16	46,980	67,997
Non-current liabilities for right-of-use assets	7.2	7,512	9,363
Non-current derivatives	17	3	0
Deferred tax liabilities	18	17,153	19,276
Non-Current Liabilities		**112,058**	**126,947**
Current financial liabilities	16	136,919	48,754
Current liabilities for right-of-use assets	7.2	2,978	4,528
Current derivatives	17	450	1,342
Trade and other payables	15	142,981	141,483
Current tax liabilities	18	16,210	10,643
Other current provisions	14.3	26,201	12,321
Current Liabilities		**325,739**	**219,071**
Total Liabilities		**437,797**	**346,018**
Total Equity and Liabilities		**1,344,667**	**1,168,794**

Consolidated income statement

		Period	
(Thousands of euros)	**Notes**	**2022**	**2021**
Sales and rendered services	20.1	1,201,028	969,237
Changes in inventory of finished goods and work in progress		38,723	5,506
Consumption of raw materials and consumables		–428.030	–288.724
Other operating income	20.2	8,564	11,509
Staff costs	20.3	–262.188	–231.250
Other operating expenses	20.4	–290.966	–218.526
Amortisation of intangible assets	5.1	–4.782	–4.345
Depreciation expenses on tangible fixed assets	6	–68.076	–62.813
Right-of-use asset depreciation expense	7.1	–5.289	–5.123
Impairment gains (losses) on disposal of non-current assets		42	–1.082
Operating profit		**189,026**	**174,389**
Finance income	20.5	1,194	628
Finance costs	20.5	–1.370	–781
Losses on non-trade receivables	20.5	–17	2
Exchange gains (losses)	20.5	–5.044	2,182
Profit before taxes		**183,789**	**176,420**
Income tax expense	18	–44.359	–43.423
Profit for the year from continuing operations		**139,430**	**132,997**
Profit for the year		**139,430**	**132,997**

Earnings per Share

		Period	
(Thousands of euros)	**Notes**	**2022**	**2021**
Basic earnings per share		**3.02**	**2.87**
Basic earnings (loss) per share from continuing operations	21	3.02	2.87
Diluted earnings per share		**3**	**2.86**
Diluted earnings (loss) per share from continuing operations	21	3	2.86

Consolidated statements of other comprehensive income

		Period	
(Thousands of euros)	**Notes**	**2022**	**2021**
Profit for the year attributable to the parent company		**139,430**	**132,997**
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods before tax			
Other comprehensive income, before tax, actuarial pension gains and losses	14.1	8,593	2,920
Total other comprehensive income not to be reclassified to profit or loss before tax		**8,593**	**2,920**
Other comprehensive income that will be reclassified to profit or loss in subsequent periods before tax			
Foreign exchange translation gains (losses)			
Gains or losses on translation differences on foreign transactions before tax	12.3	32,115	32,788
Other comprehensive income, before tax, foreign exchange translation gains (losses)		**32,115**	**32,788**
Cash flow hedges			
Gains (losses) on cash flow hedges before taxes	12.5	2,757	–662
Other comprehensive income, before taxes, cash flow differences		**2,757**	**–662**
Total other comprehensive income to be reclassified to profit or loss before tax		**34,872**	**32,126**
Total other comprehensive income before tax		**43,465**	**35,046**
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss			
Income tax related to remeasurements of defined benefit plans included in other comprehensive income	14.1	–1.997	–126
Aggregate income tax relating to components of other comprehensive income not to be reclassified into profit or loss		**–1.997**	**–126**
Income taxes related to cash flow hedges included in other comprehensive income	12.5	–666	96
Aggregate income tax relating to components of other comprehensive income to be reclassified into profit or loss		**–666**	**96**
Other comprehensive income		40,802	35,016
Comprehensive income		**180,232**	**168,013**

Consolidated statement of changes in equity 2022

2022	Consolidated statement of changes in equity							
	Patrimonio							
(Thousands of euros)	Share capital (Note 12.1)	Share premium (Note 12.2)	Reserves (Note 12.3)	Treasury shares (Note 12.4)	Profit for the year attributable to parent company	Interim dividend (Note 12.6)	Valuation adjustments (Note 12.5)	
Opening balance as at 1 January 2022	**32,550**	**12**	**732,103**	**–10.473**	**132,997**	**–64.880**	**467**	**822,776**
Changes in equity								
Total recognised income and (expense)	0	0	38,711	0	139,430	0	2,091	180,232
Dividends paid	0	0	–19.873	0	0	–64.644	0	–84.517
Transfers between equity accounts	0	0	68,117	0	–132.997	64,880	0	0
Movement in treasury shares	0	0	–7.494	–5.708	0	0	0	–13.202
Transactions with non-controlling interests	0	0	0	0	0	0	0	0
Share-based payment expenses	0	0	1,581	0	0	0	0	1,581
Total increase (decrease) in equity	**0**	**0**	**81,042**	**–5.708**	**6,433**	**236**	**2,091**	**84,094**
Closing balance as at 31 December 2022	**32,550**	**12**	**813,145**	**–16.181**	**139,430**	**–64.644**	**2,558**	**906,870**

Consolidated statement of changes in equity 2021

2021	Consolidated statement of changes in equity							
	Patrimonio							
(Thousands of euros)	Share capital (Note 12.1)	Share premium (Note 12.2)	Reserves (Note 12.3)	Treasury shares (Note 12.4)	Profit for the year attributable to parent company	Interim dividend (Note 12.6)	Valuation adjustments (Note 12.5)	
Opening balance as at 1 January 2021	**32,550**	**12**	**651,076**	**–6.031**	**122,513**	**–64.905**	**1031**	**736,246**
Changes in equity								
Total recognised income and (expense)	0	0	35,580	0	132,997	0	–564	168,013
Dividends paid	0	0	–13.448	0	0	–64.880	0	–78.328
Transfers between equity accounts	0	0	57,608	0	–122.513	64,905	0	0
Movement in treasury shares	0	0	122	–4.442	0	0	0	–4.320
Transactions with non-controlling interests	0	0	0	0	0	0	0	0
Share-based payment expenses	0	0	1,165	0	0	0	0	1,165
Total increase (decrease) in equity	**0**	**0**	**81,027**	**–4.442**	**10,484**	**25**	**–564**	**86,530**
Closing balance as at 31 December 2021	**32,550**	**12**	**732,103**	**–10.473**	**132,997**	**–64.880**	**467**	**822,776**

Consolidated statement of cash flows

(Thousands of euros)	Notes	Period 2022	2021
Profit for the year after tax		**139,430**	**132,997**
Adjustments for income tax expense	18	44,360	43,423
Adjustment for inventory write-down (increase)		–69.069	–17.593
Adjustment for decrease (increase) in accounts receivable		–47.708	–7.660
Adjustment for decrease (increase) in accounts payable		10,674	43,547
Adjustment for depreciation expenses		78,148	72,281
Changes in provisions		4,586	–795
Interest income adjustment	20.5	–1.194	–628
Interest expense adjustment	20.5	1,370	781
Exchange gains (losses), net	20.5	5,044	–2.182
Share-based payment		1,581	1,165
Other adjustments		–377	636
Adjustments to reconcile profit before tax to net cash flows		**27,415**	**132,975**
Net cash flows from (used in) operations		**166,845**	**265,972**
Income tax payments	18	–44.012	–43.273
Contributions and other payments related to pension plans		–2.104	–1.399
Net cash generated by operating activities		**120,729**	**221,300**
Payments for the acquisition of tangible and intangible fixed assets		–115.566	–95.779
Proceeds from the sale of fixed assets		423	474
Interest collected		1,194	628
Net cash from investing activities		**–113.949**	**–94.677**
Provisions of financial debt	12.1	108,636	59,250
Financial debt repayments	12.1	–49.734	–57.423
Acquisition of treasury shares		–12.231	–4.906
Dividends paid to shareholders of the parent company		–84.517	–78.328
Interest paid	12.1	–1.569	–887
Payments for right-of-use assets	12.1	–5.289	–5.123
Other financial liabilities (net)		–3.751	–3.519
Net cash from financing activities		**–48.455**	**–90.936**
Net increase (decrease) in cash and cash equivalents before the effect of changes in foreign exchange rates		**–41.675**	**35,687**
Effect of exchange rate changes on cash and cash equivalents		1,516	3,675
Net increase (decrease) in cash and cash equivalents		**–40.159**	**39,362**
Cash and cash equivalents as of 1 January	11	91,352	51,990
Cash and cash equivalents as at 31 December	**11**	**51,193**	**91,352**

1. Description and Principal Activities

Viscofan, S.A. (hereinafter the Company or the Parent) was incorporated in Spain as a limited liability company for an indefinite period on 17 October 1975 under the name Viscofan, Industria Navarra de Envolturas Celulósicas, S.A. The Shareholders Meeting held on 17 June 2002 agreed to change the name of the Company to the current one.

Under articles 73 and subsequent, in relation to article 71, of Law 3/2009, of 3 April on the structural amendments of companies, the Board of Directors of Viscofan, S.A and the Board of Directors of Viscofan España, S.L.U., on 25 February 2021, proceeded to draft and sign a common segregation project whereby the Company segregates a part of its equity that constitute an autonomous economic unit and it transfers it en bloc by universal succession to Viscofan España S.L.U.

Until the proposed segregation and contribution of the business line described above, the core business consisted of the manufacture, distribution and marketing of all types of casings and films for food use; collagen-based products for food use and bioengineering; and the production of electricity for sale to third parties by means of co-generation systems. As of the draft terms of the segregation, the main activity corresponds to the acquisition, holding, use, administration in general and disposal of all kinds of transferable securities and securities.

The head office and registered office are located in Polígono Industrial Berroa, Calle Berroa nr. 15, 4ª planta, 31192 – Tajonar, Navarre (Spain) and its main activity is carried out in the centres of Cáseda and Urdiain (Navarre).

The Company is in turn the parent company of a group of companies (the Viscofan Group or the Group) which are mainly active in the manufacture, distribution, and marketing of all types of casings and films for food use; collagen-based products for food use and bioengineering; and the production of electrical energy for sale to third parties by means of co-generation systems.

All Viscofan S.A.'s shares have been listed since 1986 and are quoted on the Spanish electronic trading platform (continuous market).

The Group's 2021 consolidated financial statements were approved at the General Shareholders' Meeting held on 29 April 2022.

The parent company directors expect these 2022 consolidated financial statements, which were prepared on 28 February 2023, to be approved by the shareholders in general meeting without modification.

2. Viscofan Group

2.1. Business combinations

- In 2022

Effective 1 January 2022, Viscofan Collagen USA Inc., domiciled in Bridgewater, New Jersey (USA), was merged into Viscofan USA Inc., domiciled in Montgomery, Alabama (USA), effective 1 January 2022.

On 14 June 2022, the company Supralon International AG with its registered office in Schaan (Liechtenstein) was wound up.

- In 2021

With effect from 1 January 2021, the merger by absorption of Viscofan de Mexico Servicios, S.R.L. de C.V. into Viscofan de Mexico, S.R.L. de C.V. took place, both with registered office in San Luis de Potosí (Mexico).

In June, Viscofan Japan GK was formed in Tokyo (Japan), with a capital of JPY 6 million, wholly-owned by Viscofan S.A.

At 31 December 2021, Viscofan Collagen Canada Inc with registered office in Markham (Canada) had been liquidated.

2.2. Detail of subsidiaries comprising the Viscofan Group at 31 December 2022

Group companies	% of equity interest		Activity	Registered Address
	Direct	Indirect		
Jupiter PTY Ltd	100.00	-	Services rendered	Bankstown (Australia)
Koteks Viscofan, d.o.o.	100.00	-	Manufacture, marketing and distribution of casings and films	Novi Sad (Serbia)
Naturin Viscofan GmbH	100.00	-	Manufacture, marketing and distribution of casings and films	Weinheim (Germany)
Supralon Verpackungs AG	-	100.00	Rental of industrial machinery (to the group)/Other services	Chur (Switzerland)
Supralon Produktions und Vertriebs GmbH	-	100.00	Manufacture, marketing and distribution of casings and films	Alfhausen (Germany)
Supralon France SARL	-	100.00	Marketing and distribution of casings and films	Courcouronnes (France)
Vector Europe NV.	100.00	-	Marketing and distribution of casings and films	Hasselt (Belgium)
Vector Packaging Europe NV.	-	100.00	Manufacture, marketing and distribution of casings and films	Hasselt (Belgium)
Vector USA Inc.	-	100.00	In the process of liquidation	Oak brook, Illinois (USA)
Viscofan Canada Inc.	-	100.00	Marketing and distribution of casings and films	Quebec (Canada)
Viscofan Centroamérica Comercial, S.A.	99.50	0.50	Marketing and distribution of casings and films	San José (Costa Rica)
Viscofan CZ, s.r.o.	100.00	-	Manufacture, marketing and distribution of casings and films	Ceske Budejovice (Czech Republic)
Viscofan España SLU	100.00	-	Manufacture, marketing and distribution of casings and films	Tajonar, Navarre (Spain)
Viscofan Globus Australia PTY Ltd	100.00	-	Marketing and distribution of casings and films	Bankstown (Australia)
Viscofan Globus New Zealand Ltd	100.00	-	Marketing and distribution of casings and films	Lower Hutt (New Zealand)
Viscofan Japan GK	100.00		Marketing and distribution of casings and films	Tokyo (Japan)
Viscofan de México S.R.L. de C.V.	99.99	0.01	Manufacture, marketing and distribution of casings and films	San Luis Potosí (Mexico)
Viscofan do Brasil, soc, Ltda.	100.00	-	Manufacture, marketing and distribution of casings and films	Sao Paulo (Brazil)
Viscofan (Thailand) Co. Ltd.	100.00	-	Marketing and distribution of casings and films	Bangkok (Thailand)
Viscofan Technology (Suzhou) Co. Ltd.	100.00	-	Manufacture, marketing and distribution of casings and films	Suzhou (China)
Viscofan UK Ltd.	100.00	-	Marketing and distribution of casings and films	Seven Oaks (UK)
Viscofan Uruguay, S.A.	100.00	-	Manufacture, marketing and distribution of casings and films	Montevideo (Uruguay)
Viscofan USA Inc,	100.00	-	Manufacture, marketing and distribution of casings and films	Montgomery (USA)
Zacapu Power S.R.L. de C.V.	-	100.00	Electricity distribution	Zacapu, Michoacán (Mexico)

2.3. Detail of subsidiaries comprising the Viscofan Group at 31 December 2021

Group companies	% of equity interest		Activity	Registered Address
	Direct	Indirect		
Jupiter PTY Ltd	100.00	-	Services rendered	Bankstown (Australia)
Koteks Viscofan, d.o.o.	100.00	-	Manufacture, marketing and distribution of casings and films	Novi Sad (Serbia)
Naturin Viscofan GmbH	100.00	-	Manufacture, marketing and distribution of casings and films	Weinheim (Germany)
Supralon Verpackungs AG	-	100.00	Rental of industrial machinery (to the group)/Other services	Chur (Switzerland)
Supralon Produktions und Vertriebs GmbH	-	100.00	Manufacture, marketing and distribution of casings and films	Alfhausen (Germany)
Supralon France SARL	-	100.00	Marketing and distribution of casings and films	Courcouronnes (France)
Supralon International AG under liquidation	-	100.00	In the process of liquidation	Schaan (Liechtenstein)
Vector Europe NV.	100.00	-	Marketing and distribution of casings and films	Hasselt (Belgium)
Vector Packaging Europe NV.	-	100.00	Manufacture, marketing and distribution of casings and films	Hasselt (Belgium)
Vector USA Inc.	-	100.00	Manufacture, marketing and distribution of casings and films	Oak brook, Illinois (USA)
Viscofan Canada Inc.	-	100.00	Marketing and distribution of casings and films	Quebec (Canada)
Viscofan Centroamérica Comercial, S.A.	99.50	0.50	Marketing and distribution of casings and films	San José (Costa Rica)
Viscofan Collagen USA Inc	-	100.00	Manufacture, marketing and distribution of casings and films	Bridgewater New Jersey (USA)
Viscofan CZ, s.r.o.	100.00	-	Manufacture, marketing and distribution of casings and films	Ceske Budejovice (Czech Republic)
Viscofan España SLU	100.00	-	Manufacture, marketing and distribution of casings and films	Tajonar, Navarre (Spain)
Viscofan Globus Australia PTY Ltd	100.00	-	Marketing and distribution of casings and films	Bankstown (Australia)
Viscofan Globus New Zealand Ltd	100.00	-	Marketing and distribution of casings and films	Lower Hutt (New Zealand)
Viscofan Japan GK	100.00		Marketing and distribution of casings and films	Tokyo (Japan)
Viscofan de México S.R.L. de C.V.	99.99	0.01	Manufacture, marketing and distribution of casings and films	San Luis Potosí (Mexico)
Viscofan do Brasil, soc, Ltda.	100.00	-	Manufacture, marketing and distribution of casings and films	Sao Paulo (Brazil)
Viscofan (Thailand) Co. Ltd.	100.00	-	Marketing and distribution of casings and films	Bangkok (Thailand)
Viscofan Technology (Suzhou) Co. Ltd.	100.00	-	Manufacture, marketing and distribution of casings and films	Suzhou (China)
Viscofan UK Ltd.	100.00	-	Marketing and distribution of casings and films	Seven Oaks (UK)
Viscofan Uruguay, S.A.	100.00	-	Manufacture, marketing and distribution of casings and films	Montevideo (Uruguay)
Viscofan USA Inc,	100.00	-	Manufacture, marketing and distribution of casings and films	Montgomery (USA)
Zacapu Power S.R.L. de C.V.	-	100.00	Electricity distribution	Zacapu, Michoacán (Mexico)

3. Basis of preparation

The consolidated financial statements for 2022 have been prepared under EU-endorsed International Financial Reporting Standards (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Viscofan, S.A. and subsidiaries at 31 December 2022 and 2021, as well as the consolidated results from its operations, its consolidated cash flows and consolidated recognised income and expenses for the year then ended.

The consolidated financial statements have been prepared based on the accounting records of Viscofan, S.A. and the companies comprising the Group. However, and given that the accounting polices and measurement bases applied in these consolidated financial statements differ from those used by the companies forming the Group (where the prevailing regulations of each country apply), the consolidation process considered the adjustments and reclassifications required to adapt such principles and criteria to the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

The Group adopted EU-IFRS on 1 January 2004, and also applied IFRS 1 First-time Adoption of International Financial Reporting Standards at that date.

3.1. New and amended standards and interpretations

The accounting policies used during the preparation of these consolidated financial statements are the same as those applied for the consolidated financial statements for the year ended 31 December 2021.

The following amendments came into force in the financial year 2022:

- IAS 16 (Amended) "Property, plant and equipment: proceeds before intended use"
- IAS 37 (Amended) "Onerous contracts. cost of fulfilling a contract"
- IFRS 3 (Amendment) "Reference to the Conceptual Framework"
- Annual Improvements to IFRS. Cycle 2018 - 2020

Neither these amendments nor the interpretations that are applied for the first time in this year have had any impact on the Group.

3.2. Published standards which are not applicable

The Group intends to adopt these standards, interpretations, and amendments thereof published by the IASB that are considered mandatory in the European Union at the date these consolidated financial statements were prepared. However, they will be applied when they come into force.

3.3. Policies used by the Group when several options are permitted

International Financial Reporting Standards occasionally allow for more than one alternative accounting treatment for a transaction. The criteria adopted by the Group for its most relevant transactions are the following:

Capital grants can be recognised reducing the cost of the assets for which financing was granted or as deferred income (which was the Group's choice). They are recognised in the income statement under "Other income."

Certain property, plant, and equipment may be measured at market value or historical cost less depreciation and impairment loss. Viscofan has chosen the latter criteria.

3.4. Comparison of information

These consolidated financial statements present for comparative purposes, for each of the headings on the consolidated statement of financial position, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, except when an accounting standard specifically establishes that this is unnecessary.

3.5. Relevant accounting estimates, assumptions and judgments

The preparation of financial statements in conformity with EU-IFRS requires Group management to make judgments, estimates, and assumptions, and to apply relevant accounting estimates in the process of applying Group accounting policies.

This section describes the main assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Taxes

The subsidiaries comprising the Group are individually responsible for their tax obligations in their respective countries.

The two Navarre companies have filed consolidated tax returns since 1 January 2021.

The Group analyses the possible inspections by the tax authorities of the respective countries and establishes provisions based on their best estimate. The amount of such provisions is based on various factors, such as experience of previous tax inspections and differing interpretations of tax regulations by the Group and the corresponding tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the country where the respective Group company is domiciled. The Group's policy, affecting all subsidiaries, is to apply conservative criteria when interpreting the different prevailing regulations in each of the countries where it operates.

Deferred tax assets are recognised for all unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and future taxable profits, together with future tax planning strategies.

The years open for review by the tax authorities vary depending on each country's tax legislation, and returns are not considered definitive until the corresponding inspection period has elapsed or until they have been inspected and accepted by tax authorities.

The Company's management considers that all applicable taxes have been duly paid so that even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the treatment applied, the resulting potential tax liabilities, if any, would not have a material impact on the accompanying financial statements.

Further details on taxes are disclosed in Note 18.

(b) Pension benefits

The cost of defined benefit pension plans and other obligations and the present value of pension obligations are determined using actuarial measurements. Actuarial measurements involve making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and future pension increases. Due to the complexity of the measurement and its long-term nature, calculating the obligation is sensitive to changes in these assumptions.

Mortality rates are based on publicly available mortality tables for the specific country. Future salary and pension increases are based on expected future inflation rates for the respective countries.

Details on the hypotheses used and a sensitivity analysis are provided in Note 14.1.

(c) Provisions for litigation and contingent assets and liabilities

Estimation of the amounts to provision with respect to potential assets and liabilities arising from ongoing litigation is carried out based on the professional opinion of the legal representatives hired to deal with such matters and the internal evaluation performed by the Group's Legal Department.

The breakdown of provisions for litigations is shown in Note 14.3, while the main contingent assets and liabilities that may give rise to the future recognition of assets and liabilities, are described in Note 14.4.

(d) Fair value of share-based remuneration

Fair value is determined by a third party using an adjusted form of the Black-Scholes model that includes a Monte Carlo simulation model embracing the price of the share during the year, the option period, the effect of dilution (where material), the share price at the grant date and the expected volatility of the underlying share price, the expected dividend yield, the risk-free interest rate for the option period and the correlations and volatilities of the reference group companies.

(e) Other accounting estimates and hypotheses

- Assessment of possible impairment losses on certain assets and goodwill: Notes 4.7, 4.13, 4.14 and 4.16.
- Useful life of property, plant, and equipment and intangible assets: See Notes 4.13 and 4.14.
- Measurement of derivative financial instruments: (Note 4.24)

3.6. Ukraine - Russia conflict

Russia's invasion of Ukraine, in addition to the loss of life and destruction of resources, has caused an unprecedented energy crisis in Europe, as well as an increase in the price of raw materials.

Tightening supply chains, shortages of materials, transport and energy started an unprecedented spiral of inflation, uncertainty and geopolitical tension. In retrospect, on the cost side, the following stand out:

- Increase in the cost of raw materials: Disruptions in manufacturing and consumer activity, transport disruptions, and the conflict in Ukraine have led to global shortages of raw materials and commodities. In this context, the price of some critical raw materials for the Viscofan Group has increased by more than 47% in the prices of the main raw materials. To offset the impact of the increase in operating costs, the Group has implemented price increases to customers. In addition, other measures have been taken, such as detailed monitoring of needs and the risk of non-availability, the search for alternative suppliers, and a consumption reduction plan.
- Disruptions in the supply chain: The imbalance between supply and demand in certain sectors, jams at ports, the war conflict in Ukraine and mobility restrictions caused by the COVID-19 pandemic, have led, inter alia, to transport delays in certain goods, thereby representing a risk of production stoppages. As a result, the Viscofan Group has been forced to increase safety inventories, secure purchasing volumes, and apply innovative solutions from R&D. This risk has not led to shutdowns in production plants.
- Increased energy costs and risk of unavailability of natural gas in Germany due to Russian supply disruption that could lead to production stoppage. The cost of energy, both gas and electricity, has increased significantly in 2022, by more than 60%.

The Group has mitigated the effect of these increases with energy hedging through supply contracts with the main energy suppliers, and the search for energy diversification in operations.

The Viscofan Group has entered into fixed-price purchase contracts for part of the natural gas consumption for the European production sites.

- Ban on sales to Russia as a consequence of sanctions imposed by the European Commission on 8 April 2022 due to Russia's actions destabilising the situation in Ukraine, justified on the grounds that the use of these casings improves the capacities of the industry in Russia compared to the traditional alternative of animal casings. The Board of Directors of Viscofan S.A. adopted the decision to discontinue exporting casings to Russia. To mitigate its effect, the Group has worked on commercial and operational measures that have enabled it to maintain its growth prospects for the year

The Group has at no time disposed of any fixed assets owned in either Ukraine or Russia.

3.7. Regulation energy generating companies

The Group company Viscofan España, S.L.U. has an electricity co-generation facility operation. Hence, the Group remains attentive to the regulation that has been published in this area since 2013, the most relevant one is set out below.

On 14 July 2013, Royal Decree-Law 9/2013 entered into force, establishing the bases of a new legal and economic system for the existing electricity facilities, based on renewable energy, co-generation and waste sources, establishing a remuneration system based on standard parameters in line with the different standard facilities determined. The aforementioned RD eliminates the regulated renewable energy and co-generation tariffs, creates the Electricity Self-Consumption Register and announces a new economic system whose main characteristic guarantees that the renewable energy facilities obtain an equivalent return to the interest rates on the 10-year State bonds, plus 300 basis points and with reference to costs and investments of a standard facility, during the whole of its regulatory life. Likewise, the aforementioned RD eliminated the efficiency complement and the reactive energy complement existing until that moment. Additionally, the publication of the RD did not establish new bonuses. The specification of the definitive remuneration was postponed to the subsequent publication of a ministerial order and the latest existing rates remained as a reference of the provisional payment of electricity generation from the publication of the RD to the publication of the subsequent order.

On 27 December 2013, Electricity Sector Law 24/2013, of 26 December was published, to establish the regulation of the electricity sector, guaranteeing electricity supply with the necessary quality levels and the minimum possible cost, ensuring the economic and financial sustainability of the system and enabling an effective level of competition in the electricity system, all within the environmental protection principles in a modern society.

The enactment of this Law is stipulated in Royal Decree 413/2014, of 6 June, regulating the electricity production activity based on renewable, co-generation and waste sources, organises the bases of the remuneration framework that enables the electricity production facilities assigned to this system to cover the necessary costs to compete on the market on an equal footing with the remaining technologies and obtain a reasonable return, establishing a remuneration system based on standard parameters in line with the different standard facilities. In this regard, both article 14.4 of this Law and article 20 of the Royal Decree, established the system to update the remuneration parameters of the standard facilities. For those facilities whose operating costs depend essentially on the price of fuel, Order IET/1345/2015, of 2 July, enacts the aforementioned articles and implements an update methodology on the operation's remuneration, to be applied six-monthly.

The aforementioned regulation contemplates the revision of the production market price estimates for the first three years of the regulatory period corresponding to the 2014, 2015 and 2016 financial years, adjusting them to real market prices in such a way that, according to art. 22 of Royal Decree 413/2014 on market price estimates and adjustment for deviations in the market price indicates in section 3 that when the annual average price of the daily and intra-daily market is outside the limits set by the regulation, a positive or negative balance will be generated, on an annual basis, which will be called the adjustment value for deviations in the market price. Hence, the adjustment value due to variations in the market price will be calculated annually.

Likewise, in the context of the international pandemic caused by COVID-19, on 22 March 2021, Order TED/260/2021, of 18 March, was published, adopting measures to accompany the facilities whose operating costs depend essentially on the price of fuel during the state of alarm due to the health crisis caused by COVID-19, in accordance with which the value of the operation's remuneration relating to the standard facilities is reviewed whose operating costs depend essentially on the fuel market.

On 14 December 2022, Order TED/1232/2022, dated 2 December 2022, was published, updating the remuneration parameters of the standard facilities applicable to certain electricity production facilities using renewable energy sources, co-generation, and waste, for the purposes of their application to the 2022 financial year, and setting the values of the remuneration for the operation of application corresponding to the first half of 2022.

Finally, on 28 December 2022, Order TED/1295/2022 of 22 December 2022 is published, establishing the values of the remuneration for the operation corresponding to the second calendar semester of the year 2022, applicable to certain electricity production facilities from renewable energy sources, co-generation, and waste, for the purpose of its application to the 2022 financial year.

4. Significant accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as endorsed by the European Union (EU-IFRS).

A summary of the most significant principles is as follows:

4.1. Changes in accounting policies

None of the standards and interpretations that are applicable for the first time this year or the previous year have had an impact on the Group; hence, the accounting policies used during the preparation of these consolidated financial statements are the same as those applied to the consolidated financial statements for the year ended 31 December 2021.

The Group intends to adopt these standards, interpretations and amendments mandatory in the European Union when they enter into force if they are applicable. Based on the analyses performed to date, the Group considers that there were no significant impacts on the consolidated financial statements.

4.2. Going concern basis

Once the financial situation has been assessed, together with the liquidity and obligations undertaken, the directors conclude that no events or conditions exist that cast doubt over the Group's ability to continue as a going concern, hence the consolidated financial statements have been prepared using this principle.

4.3. Method of consolidation

Control is obtained when the Group is exposed, or has the rights attached to variable interest rates arising from its involvement in a subsidiary and is able to influence them as a result of the exercise of power over the subsidiary. Specifically, the Group has control of a subsidiary if, and only if it has:

- Power over the subsidiary (existing rights allowing it to manage relevant subsidiary's activities)
- Exposure, or rights, to variable returns from its involvement with the other company
- The ability to use its power over the other company to affect the amount of the company's return

Generally, it is presumed that the majority of voting rights grants control.

The Group has applied the exemption permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards regarding business combinations. Consequently, only business combinations which occurred subsequent to 1 January 2004, the date of transition to EU-IFRS, have been recognised using the purchase method. Entities acquired prior to that date were recognised under the former Spanish general chart of accounts once the necessary transition date adjustments and corrections were considered.

Subsidiaries were fully consolidated; hence all the assets, liabilities, equity, income, expenses and cash flow arising from transactions between Group companies are totally eliminated during the consolidation process.

The financial statements of the subsidiaries used in the consolidation process reflect the same reporting date as that of the Parent and are adapted to the Group's accounting policies.

4.4. Effects of changes in foreign exchange rates

(a) Foreign currency transactions

The consolidated financial statements are presented in thousands of euros, which is the functional and presentation currency of the Parent.

Each Group entity determines its own functional currency and the balances included in the financial statements of each company are measured using this functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date.

Monetary assets and liabilities expressed in foreign currencies have been translated into the functional currency at the year-end exchange rate, whereas non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Non-monetary assets denominated in foreign currencies measured at fair value are translated to the functional currency at the foreign currency exchange rate prevailing at the date the value was determined.

Differences arising on settlement of transactions in foreign currency and on translation of monetary assets and liabilities expressed in foreign currency to the functional currency are taken to the income statement. Exchange differences arising from the translation of monetary items forming part of the net investment in foreign operations are recognised as translation differences in equity.

Translation gains or losses related to monetary financial assets or liabilities expressed in foreign currency are also recognised in the income statement.

(b) Translation of foreign operations

Translation differences are recognised in the Group's equity. Translation of foreign operations, excluding foreign operations in hyperinflationary economies, is based on the following criteria:

- Assets and liabilities, including goodwill and adjustments to net assets arising from the acquisition of businesses, including comparative balances, are translated at the year-end exchange rate at each balance sheet date.
- Income and expenses relating to foreign operations, including comparative balances, are translated at the exchange rates prevailing at each transaction date; and
- Foreign exchange differences arising from application of the above criteria are recognised under translation differences in equity

The Group does not carry out any business activities in hyperinflationary countries.

Translation differences arising as a result of the sale of foreign businesses recognised in equity are recognised as a single line item in the consolidated income statement when there is a loss of control of such businesses.

4.5. Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current or non-current based on the following criteria: For these purposes, current assets or liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be realised, sold or traded in the Group's ordinary course of business within 12 months of the balance sheet date and when held essentially for trading. Cash and cash equivalents are also classified as current, except where they may not be exchanged or used to settle a liability, at least within the 12 months following the balance sheet date. The Group classifies the remainder of its assets as non-current.
- Liabilities are classified as current when expected to be settled in the Group's ordinary course of business within 12 months of the balance sheet date and when essentially held for trading, or where the Group does not have an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. The Group classifies the remainder of its liabilities as non-current.
- Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.6. Calculation of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Measurement techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Measurement techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company considers that its cash, trade and other receivables, trade and other payables, and balances of accounts payable to and receivable from public administrations, have a fair value very close to their carrying amounts mainly as a result of their coming due in the short term.

The fair values for the remaining financial assets and liabilities are disclosed in Notes 10 and 16, respectively.

4.7. Financial instruments - Initial recognition and subsequent measurement

(a) Classification

The Group has classified its financial assets in the following measurement categories:

- those valued subsequently at fair value (whether through profit or loss or through other comprehensive income), and
- those valued at amortised cost.

The classification depends on the business model at the entity to manage financial assets and the contractual terms of cash flows.

For assets valued at fair value, gains or losses are recognised through profit or loss or through other comprehensive income. For investments in equity instruments that are not held for sale, this will depend on whether the group made an irrevocable choice at the time of the initial recognition to account for the investment in equity at fair value through other comprehensive income.

The Group only reclassifies investments in debt when the business model is changed to manage these assets.

(b) Recognition and derecognition

Conventional purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to buying or selling the asset. Financial assets are derecognised when the rights to cash flows relating to the financial assets expire and the Group has substantially transferred all risks and rewards inherent to ownership.

(c) Measurement

Upon initial recognition, the Group measures a financial asset at its fair value, plus, for financial assets that are not measured at fair value through profit or loss, the costs of the transaction directly attributable to the acquisition of the financial asset. The costs of the financial asset transaction recognised at fair value through profit or loss are recognised as expenses on the income statement.

Financial assets with implicit derivatives are considered as a whole when establishing whether their cash flows are exclusively for the payment of the principal and interest.

- Debt instruments

The subsequent measurement of debt instruments depends on the Group's business model to manage the asset and the cash flow characteristics of the asset. There are three measurement categories under which the Group classifies its debt instruments:

- Amortised cost: Assets held for the collection of contractual cash flows, when these flows only represent the payments of principal and interest, are valued at amortised cost.

Interests income on these financial assets are included in financial income in accordance with the effective interest rate method.

Any gains or losses arising when they are derecognised are directly recognised in profit or loss for the year and appear under other gains/(losses) along with gains and losses on exchange differences.

Impairment losses appear as a separate item in the profit and loss statement.

- Fair value through other comprehensive income: Assets held for the collection of contractual cash flows and the sale of financial assets, when the cash flows of assets only represent the payments of principal and interest, are valued at fair value through profit or loss

Changes in the carrying amount are taken to other comprehensive income, with the exception of the recognition of impairment losses or gains, interest income and gains or losses from exchange differences, which are recognised in the statement of profit or loss.

When the financial asset is derecognised, the accumulated gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss and recognised in other gains/(losses).

Interests income on these financial assets are included in financial income in accordance with the effective interest rate method.

Gains and losses on exchange differences are presented in other gains and losses and impairment losses are presented as a separate item on the statement of profit or loss.

- Fair value through other profit or loss: Assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income are recognised at fair value through profit or loss.

Gains or losses on a debt investment recognised subsequently at fair value through profit or loss are recognised through profit or loss and presented net on the statement of profit or loss under other gains/(losses) in the year in which they occur.

- Equity instruments

The Group subsequently measures all equity investments at fair value. When the Group's management has decided to present gains or losses at the fair value of equity investments through other comprehensive income, there is no subsequent reclassification of gains and losses at fair value through profit or loss following the derecognition of the investment in accounts. Dividends from these investments are recognised in profit or loss for the year as other income when the company's right to receive payments is established

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) in the income statement when applicable. Impairment losses (and reversals of impairment losses) on equity investments measured at fair value through other comprehensive income are not presented separately from other changes in fair value.

(d) Impairment

The Group measures against a prospective base of expected credit losses associated with its assets at amortised cost and fair value through other comprehensive income. The methodology applied for impairments depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group takes the simplified approach permitted under IFRS 9, which requires that expected losses during their useful life are recognised from the initial recognition of the receivables. See Note 9 for further details.

4.8. Impairment of non-financial assets subject to depreciation or amortisation

The Group periodically evaluates whether there are indications of possible impairment losses on assets other than financial assets, inventories, deferred tax assets and non-current assets held for sale, to determine whether their carrying amount exceeds their recoverable value (impairment loss).

(a) Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling value and value in use. An asset's value in use is calculated based on the expected future cash flows deriving from use of the assets, expectations of possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would

reflect in pricing the future cash flows the entity expects to derive from the asset.

Recoverable amounts are calculated for individual assets, unless the asset does not generate cash inflows that are largely independent from those corresponding to other assets or groups of assets. In this case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

(b) Reversal of impairment

Impairment losses are only reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses on goodwill are not reversible.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

The amount of the reversal of the impairment of a CGU is allocated to its assets, except goodwill, pro rata on the basis of the carrying amount of the assets, to the limit referred to in the previous paragraph.

4.9. Recognition of ordinary income

Revenue from the sale of goods or services is recognised at the fair value of the consideration received or receivable. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of VAT and any other amounts or taxes which are effectively collected on the behalf of third parties. Volume or other types of discounts for prompt payment are recorded as a reduction in revenue if considered probable at the time of revenue recognition.

Before recognising revenue, the Group:

- identifies the customer contracts
- identifies the separate performance obligation
- establishes the transaction price of the contract
- allocates the transaction price between the separate performance obligations
- recognises the revenue when each performance obligation is satisfied

4.10. Significant judgements

(a) Sale of casings and film

The Group manufactures and sells casings and film for food use and other applications. Sales are recognised when control of the products is transferred, i.e., when the products are delivered to the customer, this party has full discretion over the product and no obligations have been unfulfilled that may affect the customer's acceptance of the products. The delivery takes place based on agreements with customers (Incoterm) and it is at this time when risks of obsolescence and loss are transferred to the customer, and the Group has proof that all acceptance criteria have been met.

The products are often sold subject to volume discounts over a 12-month period. Income from these sales is recognised based on the price specified in the contract, net of estimated volume discounts. Accumulated experience is used to estimate and provide discounts, using the expected value method and ordinary income are only recognised insofar as it is highly likely that there is no significant reversal. No element of financing is considered to exist, as sales are completed with a credit term of 45-90 days, which is consistent with market practice.

An account receivable is recognised when the assets are delivered, as this is the time at which the consideration is unconditional, as only the passing of time is required for the payment to mature.

Management does not believe there is any significant judgement in terms of these sales.

(b) Sale of energy

Energy sales are recognised as energy is produced and made available to the customer. At this time, it is understood that there are no unfulfilled obligations. These sales are made at regulated tariffs in each location. No element of financing is considered to exist, as sales are completed with a credit term of 60 days.

The Viscofan Group recognises the electricity revenue generated from cogeneration, including the perceived market tariff, together with the energy generation premiums, in line with the regulations, as said energy is generated and marketed.

Sales of electricity production are recorded as the energy generated in the cogeneration systems is produced and delivered, applying the tariffs in force. Deviations between the market price and the regulated tariff will be compensated during the remaining useful life of the installation.

Management does not believe there is any significant judgement in terms of these sales.

4.11. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to the ordinary shares of the Parent by the weighted number of ordinary shares outstanding during that year, excluding the average number of shares of the Parent, Viscofan, S.A. held by any of the Group companies.

Diluted earnings per share are calculated by dividing net profit for the year attributable to the ordinary shareholders of the parent by the weighted average number of ordinary shares which would be in issue if all potential ordinary shares were converted into ordinary shares of Viscofan, S.A.

4.12. Business combinations and goodwill

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- the fair values of the assets transferred
- liabilities incurred with former owners of the acquired business
- equity investments issued by the group
- the fair value of any asset or liability resulting from a contingent consideration arrangement, and
- the fair value of any previous equity interest in the subsidiary.

Identifiable assets acquired and contingent liabilities and liabilities assumed in a business combination, with limited exceptions, are initially measured at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-to-acquisition basis at fair value or by the proportionate share of the non-controlling interest in the acquiree's net identifiable assets.

Acquisition-related costs are recognised as an expense when incurred.

Goodwill is recognised as the excess of

- the consideration transferred, the amount of any non-controlling interest at the acquired entity and the fair value at the acquisition date of any equity interest
- on the fair value of the identifiable net assets acquired and the liabilities assumed.

If the amounts of the fair value of the net assets acquired and the liabilities assumed is higher, the difference is recognised directly in profit or loss as a purchase on very advantageous terms.

When the settlement of any part of the cash consideration is deferred, future amounts payable are discounted to their present value at the exchange date. The discount rate used is the entity's incremental borrowing interest rate, the rate at which a similar loan could be obtained from an independent lender under comparable terms and conditions.

The contingent consideration is classified as equity or financial liability. The amounts classified as a financial liability are subsequently restated to fair value with changes in fair value recognised in profit or loss.

If the business combination is carried out in stages, the carrying amount at the acquisition date of the acquiree's equity interest in the previously-held acquiree is measured again at its fair value at the acquisition date, recognising any resulting gain or loss in profit or loss.

4.13. Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 4.12. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but tested annually for impairment, or more frequently if events or changes in circumstances indicate that it may be impaired and is recognised at cost less any accumulated impairment losses. A gain or loss on the sale of an entity includes the carrying amount of goodwill related to the entity sold.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units. The allocation is made among cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 5).

(b) Development costs

Development costs incurred on a project are recognised as intangible assets if the project is technically and commercially viable, sufficient technical and financial resources are available to complete it, the costs incurred can be reliably determined and profit is probable.

The Group has not capitalised any development costs. Capitalised development costs are amortised on a straight-line basis over the estimated useful life of each project, never exceeding 5 years.

When there are reasonable doubts as to the technical success or economic and commercial profitability of capitalised projects, the amounts recognised in assets are charged directly to the profit and loss account for the year.

Expenditure on research activities is recognised in the consolidated income statement as an expense as it is incurred.

(c) Other tangible assets

Other intangible assets are stated at cost, less accumulated amortisation and impairment losses.

Software maintenance costs are expensed as incurred.

(d) Useful lives and amortisation rates

The Group evaluates whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is considered to have an indefinite useful life where there is no foreseeable limit to the period over which it will generate net cash inflows. At 31 December 2022 and 2021, the Group had no intangible assets with indefinite useful lives, except for Goodwill discussed in Note 5.

Intangible assets with finite useful lives are amortised by allocating the depreciable amount systematically on a straight-line basis over the useful lives of the assets in accordance with the following criteria:

	Estimate useful life (years)
Development costs	5
Industrial property and Rights of use	5 - 10
Concession land rights in China	50
Software	5

The depreciable amount of intangible asset items is the cost of acquisition or deemed cost less the residual value.

The Group reassesses residual values, useful lives, and amortisation methods at the end of each financial year. Changes to initially established criteria are recognised as a change in accounting estimates.

4.14. Property, plant, and equipment

(a) Initial recognition

Property, plant, and equipment is stated at cost, less accumulated depreciation and any impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, considering the principles established to determine the cost of production. The cost of production is capitalised through the credit of the costs attributable to the assets in accounts under "Other income" in the consolidated income statement.

The cost of assets which have long installation periods includes finance costs accrued prior to their being put to use. Such costs meet the capitalization requirements described above.

The Group availed itself at 1 January 2004 of the exemption related to the restated values pursuant to the corresponding legislation, as an attributed cost of IFRS 1 "First Time Adoption of International Financial Reporting Standards".

(b) Amortisation and depreciation

Property, plant, and equipment is depreciated systematically over the useful life of the asset. The depreciable amount of PP&E items is the cost of acquisition less the residual value. Each part of a PP&E item with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of PP&E items is calculated using the straight-line method over their estimated useful lives, as follows:

	Estimate useful life (years)
Buildings	30
Plant and equipment	10
Other installations, tools and furniture	5 - 10
Property, plant, and equipment	3 - 15

The Group reassesses residual values, useful lives, and depreciation methods at the end of each financial year. Changes to initially established criteria are recognised as a change in accounting estimates.

(c) Subsequent recognition

Subsequent to initial recognition of the asset, only costs that will probably generate future economic benefits and which may be measured reliably are capitalised. Ordinary maintenance costs are expensed as they are incurred.

Replacements of property, plant, and equipment which meet the requirements for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it has not been practical to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

4.15. Right-of-use

From 1 January 2019, leases are recognised as a right-of-use asset and the corresponding liability on the date on which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Right-of-use liabilities include the net present value of the following right-of-use payments:

- fixed payments (including fixed payments in substance), less any right-of-use incentive to collect
- variable right-of-use payments that depend on an index or rate, initially measured according to the index or rate at the start date
- amounts expected to be paid by the Group as residual value guarantees
- the exercise price of a call option if the Group is reasonably certain that it will exercise that option, and
- penalty payments on termination of the rights-of-use, if the term of the right-of-use reflects the Group's exercise of that option.

Right-of-use payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use payments are discounted using the interest rate implied in the right-of-use.

The Group is exposed to potential future increases in variable right-of-use payments based on an index or rate, which are not included in the right-of-use liability until they take effect. When adjustments to index or rate-based right-of-use payments take effect, the right-of-use liability is reassessed and adjusted against the right-to-use asset.

Right-of-use payments are apportioned between principal and finance cost. The finance cost is charged to income over the right-of-use period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost, comprising:

- the amount of the initial measurement of the right-of-use liability
- any right-of-use payments made on or before the start date, less any right-of-use incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally amortised on a straight-line basis over the shorter of the asset's useful life or the end of the lease term.

The Group applies the exemption of recognising leases that have a period equal to or lower than 12 months from the date of commencement, and that do not contain a purchase option, and the leases in which the underlying asset has a scant value. The payment for these leases is recognised as an expense during the lease period.

4.16. Inventories

Inventories comprise non-financial assets which are held for sale by the consolidated entities in the ordinary course of business.

Cost comprises all costs of acquisition, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Inventory conversion costs comprise the costs directly related with the units produced and a systematically calculated part of the indirect, variable or fixed costs incurred in the conversion process. Indirect fixed costs are distributed on the basis of the normal production capacity or actual production.

Indirect fixed costs distributed to each production unit are not increased as a result of a low level of production or idle production capacity. Indirect costs that are not distributed are recognised as expenses for the financial year in which they are incurred. In periods of abnormally

high production, the amount of indirect costs distributed to each production unit is decreased so that inventories are not measured above cost. Variable indirect costs are distributed to each production unit on the basis of the actual use of the production facilities.

The methods applied by the Group to determine inventory costs are as follows:

- Raw materials, other materials consumed, and goods for resale: at weighted average cost.
- Finished and semi-finished products: at weighted average cost of raw and other materials and includes direct and indirect labour, plus other manufacturing overheads.

Volume discounts from suppliers are recognised when it is probable that the discount conditions will be met. Prompt payment discounts are recognised as a reduction in the cost of inventories acquired.

The cost of inventories is adjusted against profit or loss in cases where cost exceeds net realizable value. Net realizable value is considered as the following:

- Raw materials and other consumables: the Group only makes adjustments if the finished products in which the raw materials are incorporated are expected to be sold at a price equivalent to their production cost or lower;
- Goods for resale and finished products: estimated sale price, less selling costs.
- Work in progress: estimated sale price for corresponding finished products, less the estimated costs for completion of their production and selling costs.

Write-downs and reversals of write-downs are recognised in the consolidated income statement for the year. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed against the following headings: "Changes in inventories of finished products" and "Work in progress and consumption of materials and other supplies." The reversal of write-downs in the value of inventories is recognised with a credit to the "Changes in inventories of finished goods and work in progress" and "Consumption of raw materials and other consumables" headings.

4.17. Emission rights

The Viscofan Group records emission rights when it owns them, under the "Inventories" heading.

Rights assigned free of charge to each plant under each national emission rights assignment plan are initially measured at market value on the date granted and are recognised as a credit to "Grants" (Note 4.21) in the consolidated statement of financial position. Rights acquired from third parties are recognised at their acquisition cost.

These assets are measured using the cost method. At each year end they are analysed for any indications of impairment of their carrying amounts.

These emission rights are eliminated from the statement of financial position when they are sold, delivered, or have expired. Should the rights be delivered, they are derecognised from the provision made when the carbon emissions take place, applying the FIFO method (first in, first out).

4.18. Non-current assets held for sale and discontinued operations

The Group classifies assets whose carrying amount is expected to be realised through a sale transaction, rather than through continuing use, as "Non-current assets held for sale" when the following criteria are met:

- When they are immediately available for sale in their present condition, subject to the normal terms of sale; and
- When it is highly probable that they will be sold.

Non-current assets held for sale are accounted for at the lower of their carrying amount and fair value less cost to sell, except deferred tax assets, assets arising from employee benefits, and financial assets which do not correspond to investments in Group companies, joint ventures and associates, which are measured according to specific standards. These assets are not depreciated and, where necessary, the corresponding impairment loss is recognised to ensure that the carrying amount does not exceed fair value less costs to sell.

Disposal groups held for sale are measured using the same criteria described above. The disposal group as a whole is then remeasured at the lower of the carrying amount and fair value less costs to sell.

Related liabilities are classified as "Liabilities held for sale and discontinued activities".

A disposal group of assets is considered a discontinued operation if it is a component of an entity which either has been disposed of or is classified as held for sale and:

- Represents a significant and separate major line of business or geographical area of operations.
- Is part of a single coordinated plan to dispose of a significant and separate major line of business or geographical area of operations.

Discontinued operations are presented in the consolidated income statement separately from income and expenses from continuing operations, on a single line under Profit from discontinued operations.

4.19. Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with credit institutions. Other short-term, highly-liquid investments are also included under this heading, provided that they were readily convertible into specified amounts of cash and had an original maturity of close to or not exceeding three months.

4.20. Dividend

The interim dividends approved by the Board of Directors in 2022 and 2021 are included as a reduction of the Viscofan Group's equity.

4.21. Government grants

Government grants are recognised on the face of the balance sheet when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

(a) Capital grants

Government grants in the form of non-monetary assets are recognised at fair value, with a credit to "Grants" in the consolidated statement of financial position and they are transferred to "Other income" in the consolidated income statement in line with the depreciation of the subsidised asset.

Non-refundable grants related to emission rights are initially recognised at market value on the date provided under "Grants," and are recognised in the consolidated income statement as they are used. They are recognised in "Other income" on the consolidated income statement.

(b) Operating subsidies

Operating subsidies are recognised with a credit to "Other income" in the consolidated income statement.

Grants received as compensation for expenses or losses already incurred, or for the purpose of providing immediate financial support not related to future expenses, are recognised as a credit to "Other income" in the consolidated income statement.

(c) Interest rate subsidies

Financial liabilities with implicit interest rate subsidies in the form of below-market rates of interest are initially recognised at fair value. The difference between this value, adjusted where applicable by the costs of issue of the financial liability and the amount received, is recorded as an official grant based on the nature of the grant.

4.22. Employee benefits

(a) Liabilities for retirement benefits and other commitments

Defined benefit plans include those financed by insurance premium payments for which a legal and implicit obligation exists to settle commitments directly with employees when they fall due or pay additional amounts in the event the insurer does not pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit liabilities recognised in the consolidated statement of financial position reflect the present value of defined benefit plans at year end, less the fair value of the assets related to those benefits.

Defined benefit plan costs are recognised under "Staff costs" in the consolidated income statement and are obtained as a result of the addition of the net amount of the current service costs, plus the effect of any reduction or liquidation of the plan.

Interest on the net liability/(asset) relating to the defined benefit plan is calculated by multiplying the net liability/(asset) by the discount rate and is recognised in financial results under "Financial expenses".

Subsequent to initial measurement, the re-evaluation, which comprises actuarial gains and losses, the effect of the limit on the assets, excluding amounts included in net interest and performance of the plan assets are recognised immediately in the statement of financial position with a credit or debit to reserves, as appropriate, through other comprehensive income in the period in which they occur. These changes are not reclassified to profit or loss in subsequent periods.

A description of each of the Group's defined benefit pension plans is included in Note 14.1.

(b) Termination benefits

The Group recognises termination benefits unrelated to restructuring processes when it is demonstrably committed to terminating the employment of current employees before the normal retirement date. The Group is demonstrably committed to terminating the employment of current employees when a detailed formal plan has been prepared and those affected have valid expectations that the process will be carried out, and there is no possibility of withdrawing or changing the decisions made. Indemnities payable in over 12 months are discounted at interest rates based on market rates of quality bonds and debentures.

(c) Short-term employee benefits

Short-term benefits accrued by Group personnel are recorded in line with the employees' period of service. The amount is recorded as an employee benefit expense and as a liability net of settled amounts. If the contribution already paid exceeds the accrued expense, an asset is recorded to the extent that it will reduce future payments or a cash refund.

The Group recognizes the expected cost of short-term benefits in the form of accumulated compensated absences, when the employees render service that increases their entitlement to future compensated absences, and in the case of non-accumulating compensated absences, when the absences occur.

The Group recognizes the expected cost of profit-sharing and bonus payments when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(d) Share-based payment

Certain classes of employees are provided with share-based remuneration benefits through the Long Term Employee Incentive Plan, an employee share ownership plan. Note 23.3 provides information on these plans.

The fair value of shares granted under the long-term employee incentive plan that are settled through the delivery of shares is recognised as employee benefit expense against equity. The total amount to be recognised as an expense is determined by reference to the fair value at the grant date of the shares granted:

- including market performance conditions (for example, the entity's share price)
- excluding the impact of non-market related service or performance targets for the vesting of the shares (e.g. accident rate, waste reduction targets)

The total expense is recognised during the vesting period, which is the period during which all the specified terms for vesting have to be satisfied. At the end of each year, the entity reviews its estimates of the number of shares it expects to become vested, based on non-market service targets for vesting. The impact, if any, of the review of the original estimates is recognised in profit or loss, with a corresponding adjustment to equity.

If the long-term employee incentive plan is settled in cash, it is recognised as employee benefit expense against a liability. The total amount to be recognised as an expense is determined by reference to fair value at each close.

4.23. Provisions

(a) General criteria

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, provided a reliable estimate can be made of the amount of the obligation.

The amounts recognised as a provision in the consolidated statements of financial position are the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date, taking into account the risks and uncertainties related to the provision and, where significant, financial effect of the discount, provided that the expenditures required in each period can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The financial effect of provisions is recognised under finance costs in the consolidated income statement.

Reimbursement rights from third parties are recognised as a separate asset where it is practically certain that these will be collected. The income reimbursed, where applicable, is recognised in the consolidated income statement as a reduction in the associated expense and is limited to the amount of the provision.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against income. The provision is reversed against the consolidated income statement where the corresponding expense was recorded.

(b) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(c) Restructuring expenses

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Provisions for restructuring only include payments directly related to the restructuring which are not associated to continuing activities of the Group.

(d) Emission rights provision

Provision is made systematically for expenses related to the emission of greenhouse gases. This provision is cancelled once the corresponding free-of-charge and market-acquired rights granted by public entities have been transferred.

4.24. Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is signed and subsequently restated to fair value at each balance sheet date. The accounting for subsequent changes in fair value depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged. The group designates certain derivatives as:

- fair value hedges of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a specific risk associated with cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the start of the hedging relationship, the Group documents the economic relationship between hedging instruments and the hedged items, including whether it is expected that changes in the cash flows of hedging instruments offset changes in the cash flows of the hedged items. The Group documents its risk management target and strategy to undertake its hedging transactions.

The fair values of the derivative financial instruments designated in hedging ratios are broken down in Note 17. The movements in the hedge reserve included in the equity of shareholders are shown in Note 12.

The total fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item exceeds 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

The effective portion of changes in the fair value of derivatives designated and classified as cash flow hedges is recognised under cash flow hedge reserves in equity. The gain or loss relating to the ineffective portion is immediately recognised in the income statement for the year within other gains/(losses).

When option contracts are used to cover expected transactions, the Group only designates the intrinsic value of the option contract as the hedging instrument.

The gains or losses corresponding to the effective portion of changes in the intrinsic value of option contracts are recognised under cash flow hedge reserves in equity. Changes in the time value of option contracts related to the hedged item ("aligned time value") are recognised through other comprehensive income under hedge cost reserves in equity.

When forward contracts are used to cover expected transactions, the Group generally only designates the change in fair value of the forward contract relating to the cash component as the hedging instrument. The gains or losses relating to the effective portion of changes in the cash component of forward contracts are recognised under cash flow hedge reserves in equity. Changes in the forward element of the contract related to the hedged item ("aligned forward element") are recognised through other comprehensive income under hedge cost reserves in equity. In some cases, the gains or losses corresponding to the effective portion of changes in the fair value of the entire forward contract are recognised under cash flow hedge reserves in equity.

Accumulated amounts in equity are reclassified in the years when the hedged item affects profit or loss for the year, as follows:

- When the hedged item subsequently results in the recognition of a non-financial asset (such as inventories), both deferred hedge gains and losses and the deferred time value or deferred forward points, as applicable, are included in the initial cost of the asset. Deferred amounts are ultimately recognised in profit for the year, as the hedged item affects profit or loss for the year (for example, via the cost of sales).
- Gains or losses corresponding to the effective portion of interest rate swaps covering floating rate loans are recognised in profit or loss under finance cost at the time as the interest cost on hedged loans.

4.25. Income tax

Income tax on the profit for the year comprises current and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. Current tax assets or liabilities are measured for amounts payable to or recoverable from tax authorities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, whereas deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses, and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the year except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

(a) Taxable temporary differences

Taxable temporary differences are recognised in all cases except where:

- Arising from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit, or
- Associated with investments in subsidiaries over which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the timing difference will reverse in the foreseeable future.

(b) Deductible temporary differences

Deductible temporary differences are recognised provided that:

- It is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.
- The temporary differences are associated with investments in subsidiaries to the extent that the difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Tax planning opportunities are only considered on evaluation of the recoverability of deferred tax assets and if the Group intends to use these opportunities or it is probable that they will be used.

(c) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities.

The carrying amounts of deferred tax assets are reviewed by the Group at each balance sheet date to reduce these amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilised.

Deferred tax assets which do not comply with the aforementioned conditions are not recognised in the consolidated statement of financial position. At year end the Group reassesses unrecognised deferred tax assets.

(d) Classification and offsetting

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group only offsets tax assets and liabilities where it has a legally enforceable right, where these relate to taxes levied by the same tax authority and on the same entity and where the tax authorities permit the entity to settle on a net basis, or to realize the asset and settle the liability simultaneously for each of the future years in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised on the consolidated statement of financial position under non-current assets or liabilities, irrespective of the date of realisation or settlement.

(e) Investment tax credits

The group has investment tax credits in certain subsidiaries. These tax credits are recorded by reducing the corporate income tax expense for the year in which they are applied.

4.26. Environment and climate change

(a) Environment

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Costs incurred from environmental activities are recognised under "Other operating costs" in the year in which they are incurred.

Assets used by the Group to minimize the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognised in the consolidated balance sheet based on the criteria for recognition, measurement, and disclosure detailed in Note 25.

(b) Climate change

Climate change is a significant aspect identified in the materiality analysis and, as such, is included in the Group's long-term operating management processes. It forms an integral part of our risk mitigation policy and an essential part of our Sustainability Action Plan.

Climate change management is regulated in the Climate Change Policy, approved by the Board of Directors in 2020, and which demonstrates the Group's commitment to this huge environmental problem, establishing its undertaking to control atmospheric emissions, energy efficiency and to a business strategy related with the development of alternative energy sources.

Furthermore, the internal climate change regulations complemented by the Environmental Policy, approved by the Board of Directors in 2020, stipulate that the Group's measures must be adopted with respect for the environment, which means incorporating sustainable development criteria in all areas of activity, guaranteeing the efficient management of natural resources and minimising the undesirable effects of the Group's activities.

The main risks and the opportunities and resources allocated are detailed in Note 25.

4.27. Related party transactions

Transactions with related parties are accounted for in accordance with the measurement criteria detailed throughout this Note 4. The only transactions with related parties are detailed in Note 24 on "Information relating to directors of the parent and key management personnel of the Group".

5. Intangible assets and goodwill

5.1. Intangible assets other than goodwill

The breakdown and movements in other intangible assets during 2022 and 2021 are as follows:

	Thousands of euros						
	Customer portfolio	Software	Industrial property and Rights of use	Implemen-tation	Advances	Amortisation and depreciation	Total
Opening balance as at 1 January 2021	**621**	**43,602**	**21,917**	**2,455**	**187**	**-52,152**	**16,630**
Exchange gains (losses)	-	830	1,097	-	3	-1,477	453
Additions	-	4,018	142	-	95	-4,345	-90
Disposals	-	-194	-	-	-	59	-135
Transfers	-	497	-	-	-174	-2	321
Closing balance as at 31 December 2021	**621**	**48,753**	**23,156**	**2,455**	**111**	**-57,917**	**17,179**
Exchange gains (losses)	-	823	420	-	5	-1,217	31
Additions	-	4,739	-	-	506	-4,782	463
Disposals	-	-53	-	-	-	53	-
Transfers	-	216	-	-	-240	-	-24
Closing balance as at 31 December 2022	**621**	**54,478**	**23,576**	**2,455**	**382**	**-63,863**	**17,649**

The balances of this heading at 31 December 2022 and 2021 are the following:

	Thousands of euros					
	31.12.2022			31.12.2021		
	Cost	Amortisation and depreciation	Total	Cost	Amortisation and depreciation	Total
Customer portfolio	621	-621	-	621	-621	-
Software	54,478	-41,893	12,585	48,753	-37,552	11,201
Industrial property and Rights of use	23,576	-19,459	4,117	23,156	-18,297	4,859
Implementation	2,455	-1,890	565	2,455	-1,447	1,008
Advances	382	-	382	111	-	111
TOTAL	**81,512**	**-63,863**	**17,649**	**75,096**	**-57,917**	**17,179**

Details of the cost of fully amortised intangible assets in use at 31 December 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
Software	32,317	28,269
Industrial property and Rights of use	14,116	13,130
Fully depreciated assets	**46,433**	**41,399**

5.2. Goodwill

The changes during 2022 and 2021 are detailed below:

	Thousands of euros
Opening balance as at 1 January 2021	**2,638**
Exchange gains (losses)	321
Closing balance as at 31 December 2021	**2,959**
Exchange gains (losses)	278
Closing balance as at 31 December 2022	**3,237**

These amounts correspond to the Supralon Group CGU (2,337 thousand euros) in the "Rest of Europe and Asia" geographical region, and to the CGU transfer of ingredients (900 thousand euros) in the North America geographical region.

Impairment test

Below, we provide details of the calculation used in the impairment test for the different goodwill recognised at 31 December 2022.

(a) CGU Supralon Group

Goodwill for the sum of 2,337 thousand euros, recognised on the Group's consolidated balance sheet corresponds to the Supralon Group, whose CGU corresponds to the legal company or subgroup, dedicated to the production and distribution of casings for the meat industry.

5-year projections were done, in which Management established forecasted business figures broken down by CGU managers (by year, country, customer, average product sales prices) based on historic data (internal/external sources), forecasts of the market, competition, new products and those in development, and actions to be implemented aimed at geographical expansion, and available macroeconomic forecasts.

The residual growth rate stands at 1.5%, in line with estimated long-term growth. The pre-tax discount rate is 9.4%.

The estimated residual value included a sustainable average flow and a growth rate of 1.5%. The sustainable average flow corresponds to cash flows during the most recently projected period.

Based on a sensitivity analysis;

- Variations of 10% in the discount rate do not imply the recognition of impairment.
- Sensitivity to reasonably possible changes in revenue do not entail the need to record any impairment losses.

The consolidated carrying amount totalled 8,205 thousand euros (goodwill totalling 2,337 thousand euros, with PP&E and other intangible items amounting to 5,868 thousand euros).

Therefore, as a result of this analysis, the Directors consider that at 31 December 2022, there were no indications that any impairment losses should be recorded.

(b) Transfer of ingredients

Goodwill recognised in the Group's consolidated balance sheet at 31 December 2022 amounted to €900 thousand.

The transfer of ingredients CGU (in Canada) is a pioneer in the industry, having developed innovative products with value-added technology, such as casings capable of transferring ingredients: spices, flavours, aromas and colours to cold meats and other meat products in natura. The products thus obtained significantly facilitate certain production processes of our customers and improve consumer experience.

The assumptions include an increasing volume of sales during the first year's activity. 5-year projections were done, in which Management established forecasted business figures broken down by CGU managers (by year, country, customer, average product sales prices) based on historic data (internal/external sources), forecasts of the market, competition, new products and those in development, and actions to be implemented aimed at geographical expansion, and available macroeconomic forecasts.

The residual growth rate stands at 1.5%, in line with estimated long-term growth. The pre-tax discount rate is 9.4%.

The estimated residual value included a sustainable average flow and a growth rate of 1.5%. The sustainable average flow corresponds to cash flows during the most recently projected period.

Based on a sensitivity analysis;

- Variations of 10% in the discount rate do not imply the recognition of impairment.
- Sensitivity to reasonably possible changes in revenue do not entail the need to record any impairment losses.

The consolidated carrying amount totalled 2,409 thousand euros (goodwill totalling 900 thousand euros, with PP&E and other intangible items amounting to 1,509 thousand euros).

Therefore, as a result of this analysis, the Directors consider that at 31 December 2022, there were no indications that any impairment losses should be recorded.

6. Property, plant, and equipment

The breakdown and movements in property, plant, and equipment during 2022 and 2021 are as follows:

	Thousands of euros							
	Land and buildings	**Plant and equipment**	**Other installations, tools and furniture**	**Property, plant, and equipment**	**Advances and assets in progress**	**Amortisa-tion and depreciation**	**Impairment**	**Total**
Opening balance as at 1 January 2021	**261,662**	**860,324**	**112,970**	**39,920**	**17,581**	**-832,031**	**-878**	**459,548**
Exchange gains (losses)	7,974	23,364	1,947	2,003	1,356	-21,125	-12	15,507
Additions	4,587	25,336	3,644	3,777	50,402	-62,813	84	25,017
Disposals	-346	-13,778	-1,246	-1,023	-95	14,946	58	-1,484
Transfers	956	17,116	1,227	543	-20,165	2	-	-321
Closing balance as at 31 December 2021	**274,833**	**912,362**	**118,542**	**45,220**	**49,079**	**-901,021**	**-748**	**498,267**
Exchange gains (losses)	4,160	22,764	466	1,008	1,756	-19,053	-6	11,095
Additions	16,856	67,109	1,912	4,890	29,595	-68,076	-45	52,241
Disposals	-29	-4,818	-273	-691	-62	5,443	47	-383
Transfers	10,561	55,739	3,349	1,113	-70,738	-	-	24
Closing balance as at 31 December 2022	**306,381**	**1,053,156**	**123,996**	**51,540**	**9,630**	**-982,707**	**-752**	**561,244**

The balances of this heading at 31 December 2022 and 2021 are the following:

	Thousands of euros					
	31.12.2022			31.12.2021		
	Cost	Amortisation and depreciation	Total	Cost	Amortisation and depreciation	Total
Land and buildings	306.381	-137.971	168.410	274.833	-129.319	145.514
Plant and equipment	1.053.156	-720.617	332.539	912.362	-657.382	254.980
Other installations, tools and furniture	123.996	-90.414	33.582	118.542	-84.493	34.049
Property, plant, and equipment	51.540	-34.457	17.083	45.220	-30.575	14.645
Advances and assets in progress	9.630	-	9.630	49.079	-	49.079
TOTAL	**1.544.703**	**-983.459**	**561.244**	**1.400.036**	**-901.769**	**498.267**

In 2022, investments in property, plant and equipment in the Group totalled 120,362 thousand euros. The main projects have focused on increasing collagen casing capacity in Spain, Germany, Serbia, China, and the United States -where it has been commissioned in the first months of 2023-. In addition, investment has been made in new cellulose technology for the Danville plant in the United States, and the new collagen hydrolysates plant in Germany has been started up to boost the development of New Businesses, as well as new initiatives aimed at strengthening competitive advantages, especially in the energy field.

Investments in property, plant and equipment amounting to 87,746 thousand euros were made in 2021. The main projects were on the capacity extension to deal with the increase in expected demand and to improve the service to the market in a context of the quest to assure customer orders. Of particular note are investments in new collagen casing production lines in China and Europe.

The installation and commissioning fibrous casings new production lines in Cáseda (Spain) was also carried out. This extension, which doubles the previous installed capacity at Cáseda, led to an investment of 14 million euros, including both the machinery and investments in the environment in line with the environmental impact reduction objectives established in the Viscofan Group's Sustainability Action Plan. Investments were also made to upgrade technology in North America.

Details of the cost of fully depreciated property, plant, and equipment in use at 31 December 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
Buildings	63,631	53,974
Plant and equipment	459,769	427,115
Other installations, tools and furniture	64,497	62,689
Property, plant, and equipment	24,148	21,728
Fully depreciated assets	**612,045**	**565,506**

As a result of the annual investment plan, at the end of the 2022 financial year, there are commitments to acquire fixed assets amounting to 4,233 thousand euros, including the installation of a new converting centre in Thailand.

At year-end 2021, fixed asset acquisition commitments amounted to 43,833 thousand euros, mainly related to technological improvements and upgrades in the USA, collagen capacity expansions to meet the expected growth in demand, as well as environmental improvements.

The Group has insurance policies covering the various risks to which its items of property, plant, and equipment are exposed. The coverage of these policies is considered sufficient.

Impairment test

During the last two years, no signs of impairment have been identified in any of the Group's cash-generating units.

However, investment in the USA has generated negative results in recent years. During 2022, the Company's management has decided to make certain investments in the American subsidiary in order to modernise the production assets and to improve the situation of this subsidiary. As a result of these investments, which are about to come into operation, management considers that there is no reason to realise an impairment of the investment, although the materialisation and proper commissioning of the investments will determine the

fulfilment of these estimates.

In order to carry out the impairment analysis, the main assumptions considered were as follows:

- investments of approximately USD 50 million have been made in the US plants, which are almost completed and are expected to come on stream in early 2023 (these investments are almost entirely incorporated in Viscofan USA's assets at the end of 2022).
- the sales that are considered in the plan have a growth in the following years in accordance with the increases in installed capacity
- the current circumstances of raw material and production costs have been considered, adapted to the current market circumstances and the new materialised investments
- the projection of EBITDA over sales is increasing as the new investments made are fine-tuned and it reaches reasonable margins within the context of the group
- The pre-tax discount rate is 9.4%.

After performing the above analysis, the present value of future cash flows is significantly higher than the present value of the investment. However, a sensitivity analysis has been performed on the main variables, identifying a more conservative scenario in the estimates, in which the slack in the analysis remains significant, as well as an increase in the discount rate to a value of 10.4%, without identifying any impairment. Finally, a more aggressive scenario has been considered in which both flow and discount rate sensitivities are considered, and in this scenario a deterioration of the US investment is not identified either.

7. Right-of-use

This note provides information on the rights of use under which the Group is a lessee.

7.1. Right-of-use assets

The balance sheet shows the following amounts related to rights of use:

	Thousands of euros					
	Buildings	**Plant and equipment**	**Other installations, tools and furniture**	**Other**	**Amortisation and depreciation**	**Total**
Opening balance as at 1 January 2021	**18,965**	**383**	**-**	**4,334**	**-7,937**	**15,745**
Exchange gains (losses)	624	28	-	116	-317	451
Additions	738	339	-	1,933	-5,123	-2,113
Disposals	-1,140	-199	-	-625	1,849	-115
Transfers	-1,073	1,073	-	-	-	-
Opening balance as at 1 January 2022	**18,114**	**1,624**	**-**	**5,758**	**-11,528**	**13,968**
Exchange gains (losses)	246	7	-	70	-123	200
Additions	188	173	-	1,272	-5,289	-3,656
Disposals	-2,517	-82	-	-961	3,628	68
Transfers	-	-	-	-	-	-
Closing balance as at 31 December 2022	**16,031**	**1,722**	**-**	**6,139**	**-13,312**	**10,580**

The balances of this heading at 31 December 2022 and 2021 are the following:

	Thousands of euros					
	31.12.2022			**31.12.2021**		
	Cost	**Amortisation and depreciation**	**Total**	**Cost**	**Amortisation and depreciation**	**Total**
Buildings	16,031	-8,702	7,329	18,114	-7,850	10,264
Plant and equipment	1,722	-1,333	389	1,624	-947	677
Property, plant, and equipment	6,139	-3,277	2,862	5,758	-2,731	3,027
TOTAL	**23,892**	**-13,312**	**10,580**	**25,496**	**-11,528**	**13,968**

Additions to right-of-use assets in 2022 amounted to 1,633 thousand euros; 3,010 thousand euros in 2021.

7.2. Right-of-use liabilities

The balance sheet shows the following amounts related to rights of use:

	Thousands of euros	
	2022	2021
Up to 3 months	598	981
3 months – 1 year	2,380	3,547
Current	**2,978**	**4,528**
1 year – 5 years	6,452	7,636
More than 5 years	1,060	1,727
Non-current	**7,512**	**9,363**
Total as at 31 December	**10,490**	**13,891**

The Group leases warehouses, offices and vehicles. Leases are usually for fixed periods but may have options for extension.

Some property leases contain payment terms generally linked to inflation. There are no other variable payments.

Extension and termination options are included in a number of warehouse and office leases throughout the Group. The lease term incorporates options for extension or termination, with a maximum term generally of 10 years unless the extension term is shorter. No other assets have been identified within leased items whose useful life exceeds the term of the lease.

8. Inventories

Details of inventories at 31 December 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
Raw materials and other consumables	112,784	83,606
Semi-finished products	86,037	58,208
Finished products	158,255	138,228
Commercial inventories	9,415	9,896
Greenhouse gas emission rights	11,404	10,442
Advances to suppliers	3,893	3,000
Total Inventories	**381,788**	**303,380**

The valuation adjustments in 2022, corresponding to inventory impairment and obsolescence, entailed an expense of 2,829 thousand euros (an expense of 733 thousand euros in 2021), and they are recognised under "Consumption of raw materials and other consumables" and "Changes in inventories of finished goods and work in progress" in the consolidated income statement.

The emission rights consumed by the Company during 2022 and 2021 amounted to 317,106 and 290,592 tonnes, respectively.

The amount of the expense related to greenhouse gas emissions in 2022 was recognised under "Consumption of raw materials and other consumables" in the amount of 21,492 thousand euros (7,860 thousand euros in 2021).

Group companies have contracted various insurance policies to cover the risk of damage to inventories. The coverage of these policies is considered sufficient.

9. Trade and other receivables

The breakdown for "Trade and other receivables" at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	**2021**
Trade receivables	236,483	177,262
Other trade debtors	9,603	3,710
Advances to employees	64	128
Impairment	-2,925	-2,684
Total trade debtors	**243,225**	**178,416**
Receivables from public administrations	29,654	24,377
Accruals	3,420	3,183
Total other receivables	**33,074**	**27,560**
Total trade and other receivables	**276,299**	**205,976**

At 31 December 2022 and 2021, the age of trade receivables by maturity was as follows:

	Thousands of euros					
	Not due	**Due**				**Total**
		Up to 30 days	**31-60 days**	**61-90 days**	**More than 90 days**	
2022	221,393	16,268	2,998	1,805	761	**243,225**
2021	158,617	14,413	4,312	767	307	**178,416**

The Group has credit insurance contracts which cover the collection of the greater portion of its customer balances

Trade receivables do not carry interest, and generally payment conditions range from 45 to 90 days.

The breakdown by currency of trade receivables is as follows:

	Thousands of euros							
	Euros	**US Dollar**	**Czech Koruna**	**Brazilian Real**	**Mexican Peso**	**Chinese Yuan**	**Other currencies**	**Total book value**
2022	82,211	89,107	1,722	38,837	1,679	11,301	18,368	**243,225**
2021	53,390	73,825	938	25,313	723	11,254	12,973	**178,416**

The movement in impairment of customers for sales and services as well as other trade receivables is as follows:

	Thousands of euros	
	2022	**2021**
Opening balance as at 1 January	**-2,684**	**-3,630**
Exchange gains (losses)	-129	804
Allowances	-67	-178
Utilised and collections	-45	320
Closing balance as at 31 December	**-2,925**	**-2,684**

At 31 December 2022 and 2021, balances receivable from public administrations are as follows:

	Thousands of euros	
	2022	**2021**
VAT receivable from Public Treasury	27,781	23,052
Receivable from Public Treasury for withholdings	3	734
and payments on account	1,870	591
Other public bodies	**29,654**	**24,377**

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	**US Dollar**	**Czech Koruna**	**Brazilian Real**	**Mexican Peso**	**Chinese Yuan**	**Other currencies**	**Total book value**
2022	7,844	2,041	1,047	10,587	6,513	720	902	**29,654**
2021	6,887	1,448	784	9,235	5,139	300	584	**24,377**

Impairment

Trade and other receivables are subject to the expected credit loss model. However, the impairment identified is immaterial.

Cash and cash equivalents is also subject to the impairment requirements under IFRS 9, although the impairment identified is also immaterial.

To establish the expected credit loss, the Group applies the simplified approach set out under IFRS 9.

To measure expected credit loss, trade receivables have been grouped together based on the characteristics of the shared credit risk and the days past due.

The expected loss rates are based on the payment profiles of sales during a 36-month period prior to 1 January 2022 and the corresponding historic credit losses experienced during this period. Historic loss rates are adjusted to reflect annual, forward-looking information about macroeconomic factors that affect the ability of customers to repay accounts receivable.

Furthermore, the Group impairs these accounts receivable by assessing the specific risks of non-recoverability, as was the case in the previous year, to establish whether there is objective evidence that an impairment has occurred. The Group considers that an impairment occurs when the debtor experiences significant financial difficulties or when there is a non-payment or delay in payments of more than 180 days.

Receivables for which an impairment was recognised are written off against the impairment amount when there is no expectation of recovering additional cash.

The evolution in the collection of flows in 2022 and that forecast for future years has not changed with regard to that of previous financial years.

10. Current and non-current financial assets

All derivative financial instruments at 31 December 2022 and 2021 are included in level 2, within the valuation hierarchies: assets and liabilities whose fair value has been determined with technical valuation techniques that use hypotheses observable in the market.

The breakdown at 31 December 2022 and 2021 of current and non-current financial assets not including trade and other receivables is as follows:

	Thousands of euros			
	Valued at			
	Amortised cost	Fair value through P&L	Total book value	Fair value
Financial investments	1,108	1,521	2,629	2,629
Deposits and guarantees	1,715	-	1,715	1,715
Non-current financial assets	**2,823**	**1,521**	**4,344**	**4,344**
Equity instruments	-	736	736	736
Loans and other receivables	846	-	846	846
Short-term deposits	-	-	-	-
Current financial assets	**846**	**736**	**1,582**	**1,582**
Total as of 31 December 2022	**3,669**	**2,257**	**5,926**	**5,926**

	Thousands of euros			
	Valued at			
	Amortised cost	Fair value through P&L	Total book value	Fair value
Financial investments	800	1,121	1,921	1,921
Deposits and guarantees	1,351	-	1,351	1,351
Non-current financial assets	**2,151**	**1,121**	**3,272**	**3,272**
Equity instruments	-	753	753	753
Loans and other receivables	84	-	84	84
Short-term deposits	-	-	-	-
Current financial assets	**84**	**753**	**837**	**837**
Total as of 31 December 2021	**2,235**	**1,874**	**4,109**	**4,109**

A breakdown of financial assets by maturity is as follows:

	Thousands of euros						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
2022	1,582	256	38	1	761	3,288	**5,926**
2021	837	242	28	8	657	2,337	**4,109**

A breakdown by currency is as follows:

	Thousands of euros						
	Euros	US Dollar	Brazilian Real	Mexican Peso	Chinese Yuan	Other currencies	Total book value
2022	2,648	160	2,089	29	147	853	**5,926**
2021	2,065	154	1,640	4	151	95	**4,109**

All debt investments by the entity at amortised cost, at fair value through profit or loss, and through other comprehensive income are considered as being under credit risk and, therefore, the value adjustment recognised during the year is limited to the losses expected in 12 months. Management believes that the investment is "low risk" when the risk of non-payment is low and the issuer has a significant ability to fulfil its contractual cash flow obligations in the short term.

The Group has not recognised any impairment in relation to these assets at 31 December 2022 (or 31 December 2021).

11. Cash and cash equivalents

"Cash and cash equivalents" at 31 December 2022 and 2021 correspond entirely to balances held by the Group in cash and credit accounts, with some accounts bearing market interest rates. The Group had no banking overdrafts during the periods, with all its balances freely distributable.

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	**US Dollar**	**Czech Koruna**	**Brazilian Real**	**Mexican Peso**	**Chinese Yuan**	**Other currencies**	**Total book value**
2022	7,726	22,198	21	5,039	2,293	10,933	2,983	**51,193**
2021	16,547	17,388	11	13,445	2,829	37,521	3,611	**91,352**

12. Equity

12.1. Share capital

At 31 December 2022, the Parent's share capital consisted of 46,500,000 bearer shares of 0.70 euros par value each. Total capital value was 32,550 thousand euros. The same as at 31 December 2021.

In both years, shares were fully subscribed for and paid up.

All shares bear the same voting and dividend rights and obligations and are listed on the official Stock Exchanges of Madrid, Barcelona, and Bilbao under the automatic quotation system (continuous market). All shares are freely distributable.

At 31 December 2022 and 2021, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% stake	
	2022	**2021**
Corporación Financiera Alba, S.A.	14.25	13.97
APG Asset Management N.V.	9.997	10.09
Angustias y Sol, S.L.	5.02	5.02
Setanta Asset Management Limited	3.96	3.96
Wellington Management Group LLP (*)	-	4.99
Marathon Asset Management Limited (*)	-	3.45

* These companies have reported shares below 3%.

Additionally, in accordance with Article 32 of Royal Decree 1362/2007, of 19 October, on shareholders obliged to notify their residence in tax havens or in countries not requiring the payment of taxes, or with whom there is no effective exchange of tax information, no notification was received at year-end 2022 and 2021.

Capital management

The primary objective of the Viscofan Group's capital management is to safeguard its capital ratios to ensure the continuity of its business and maximize performance.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, increase capital or cancel treasury shares.

The Group monitors capital by analysing trends in its leverage ratio, in line with common practice. This ratio is calculated as net financial debt divided by total equity. Net financial debt includes total borrowings in the consolidated financial statements less cash and cash equivalents, and excluding liquid financial assets.

The Viscofan Group's primary objective is to maintain a healthy capital position. The leverage ratios as well as the analysis of net debt, at 31 December 2022 and 2021 were as follows:

	Thousands of euros	
	2022	**2021**
Cash and cash equivalents (Note 11)	51,193	91,352
Other current financial assets (Note 10)	1,582	837
Financial liabilities (Note 16)	–183.899	–116.751
Liabilities for right-of-use assets (Note 7.2)	–10.490	–13.891
Total net financial debt	**–141.614**	**–38.453**
Total equity	**–906.870**	**–822.776**
Leverage ratio	**15.60%**	**4.70%**

	Thousands of euros	
Cash and cash equivalents (Note 11)	**51193**	**91352**
Other current financial assets (Note 10)	1,582	837
Financial debt repayable in one year (Notes 16 and 7.2)	–139.897	–53.282
Financial debt repayable over one year (Notes 16 and 7.2)	–54.492	–77.360
Net debt	–141.614	–38.453

	Thousands of euros	
Cash and cash equivalents (Note 11)	**51193**	**91352**
Other current financial assets (Note 10)	1,582	837
Gross debt at fixed interest rates	–87.131	–87.764
Gross debt at variable interest rates (Note 22.4)	–107.258	–42.878
Net debt	–141.614	–38.453

The change in net debt, at 31 December 2022 and 2021, is as follows:

	Thousands of euros					
	Opening balance as at 1 January 2022	**Cash flows**	**Acquisitions and other non-cash changes**	**Change in fair value**	**Exchange gains (losses)**	**Closing balance as at 31 December 2022**
Cash and cash equivalents	**91,352**	-41,675	-	-	1,516	**51,193**
Other current financial assets	**837**	741	-	-	4	**1,582**
Liabilities included in financing activities	**-**	-	-	-	-	**-**
Current financial debt	**-39,252**	-58,902	-19,190	-	-482	**-117,826**
Non-current financial debt	**-53,690**	-	19,190	-	-	**-34,500**
Interest	**-166**	1,569	-1,534	-	-1	**-132**
Payable to suppliers of non-current assets	**-5,791**	-9,979	-	-	45	**-15,725**
Other current financial liabilities	**-3,545**	1,165	-662	-194	-	**-3,236**
Other non-current financial liabilities	**-14,307**	1,845	662	-3	-677	**-12,480**
Current liabilities for right-of-use assets.	**-4,528**	5,289	-3,628	-	-111	**-2,978**
Non-current liabilities for right-of-use assets.	**-9,363**	-	1,912	-	-61	**-7,512**
Total net debt	**-38,453**	**-99,947**	**-3,250**	**-197**	**233**	**-141,614**

	Thousands of euros					
	Opening balance as at 1 January 2021	Cash flows	Acquisitions and other non-cash changes	Change in fair value	Exchange gains (losses)	Closing balance as at 31 December 2021
Cash and cash equivalents	**51,990**	35,687	-	-	3,675	**91,352**
Other current financial assets	**840**	-5	-	-	2	**837**
Liabilities included in financing activities	**-**	-	-	-	-	**-**
Current financial debt	**-57,423**	57,423	-38,391	-	-861	**-39,252**
Non-current financial debt	**-32,645**	-59,250	38,391	-	-186	**-53,690**
Interest	**-140**	887	-911	-	-2	**-166**
Payable to suppliers of non-current assets	**-9,406**	3,652	-	-	-37	**-5,791**
Other current financial liabilities	**-4,378**	2,019	-1,863	679	-2	**-3,545**
Other non-current financial liabilities	**-15,599**	1,505	1,863	107	-2,183	**-14,307**
Current liabilities for right-of-use assets.	**-4,456**	5,123	-5,028	-	-167	**-4,528**
Non-current liabilities for right-of-use assets.	**-11,229**	-	2,171	-	-305	**-9,363**
Total net debt	**-82,446**	**47,041**	**-3,768**	**786**	**-66**	**-38,453**

12.2. Share premium

The revised text of the Spanish Corporate Enterprises Act expressly permits companies to use the balance of the share premium account to increase capital and does not place any limit on the amount of the balance which may be used for this purpose.

The amount at 31 December 2022 was 12 thousand euros, the same as at 31 December 2021.

12.3. Reserves

Changes in this item are as follows:

	Thousands of euros			
	Other reserves	Exchange gains (losses)	Share-based payment (Note 24.3)	Total
Opening balance as at 1 January 2021	**767,960**	**-118,631**	**1,747**	**651,076**
Recognised income and (expense)	2,792	32,788	-	35,580
Dividends paid	-13,448	-	-	-13,448
Transfers between equity accounts	57,608	-	-	57,608
Movement in treasury shares	122	-	-	122
Acquisition of treasury shares	-	-	1,165	1,165
Closing balance as at 31 December 2021	**815,034**	**-85,843**	**2,912**	**732,103**
Recognised income and (expense)	6,596	32,115	-	38,711
Dividends paid	-19,873	-	-	-19,873
Transfers between equity accounts	68,117	-	-	68,117
Movement in treasury shares	-4,389	-	-3,105	-7,494
Acquisition of treasury shares	-	-	1,581	1,581
Closing balance as at 31 December 2022	**865,485**	**-53,728**	**1,388**	**813,145**

(a) Other reserves

- Legal reserves

In accordance with the Spanish Corporate Enterprises Act, companies registered in Spain are obliged to transfer 10% of the profits for the year to a legal reserve until it reaches an amount of at least an amount equivalent to 20% of share capital. This reserve is not distributable to shareholders and its value at 31 December 2022 and 2021 amounts to 6,510 thousand euros.

- Revaluation reserve

The parent opted for the voluntary revaluation of PP&E items as established in the Navarre Regional Law 21/2012 of December 26, on modifying various taxes and other tax measures. The revaluation was carried out with respect to items likely to be updated recorded in the balance sheet on 31 December 2012. The effect of this revaluation was not recognised in the Group's consolidated financial statements.

- Treasury share reserves

Pursuant to Article 148 of Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Corporate Enterprises Act, the Parent Company must establish an unavailable reserve equivalent to the value of treasury shares in its possession (see Note 12.4). These reserves must be held for both stakes and shares that have not been disposed of.

(b) Exchange gains (losses)

The detail of the most significant translation differences by company for the years ended 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	**2021**
Viscofan CZ sro	12,491	7,776
Viscofan Technology (Suzhou) Co. Ltd.	6,983	10,181
Viscofan USA Inc	11,629	-3,570
Viscofan de México S.R.L. de C.V.	-7,063	-15,083
Viscofan do Brasil, soc. com. e ind. Ltda.	-78,156	-90,774
Viscofan Uruguay, S.A.	-15,434	-17,687
Other Group companies	15,822	23,314
Closing balance as at 31 December	**-53,728**	**-85,843**

12.4. Movement in treasury shares

At the Ordinary General Shareholders' Meeting held on 25 May 2018, the Board of Directors was authorised to acquire treasury shares as follows:

Provide new authorisation to 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 Corporate Enterprises Act and related provisions, with the minimum price not being below the nominal value or more than 15% higher than the share price listed on the Spanish Automated Quotation System at the time of the acquisition.

During 2022, 129,811 treasury shares were delivered to Viscofan S.A. employees within the framework of the company's variable remuneration plans. Subsequently and also in 2022, the Company acquired 234,500 treasury shares, for a value of 12,231 thousand euros, under the current authorisation granted by the General Shareholders' Meeting of 25 May 2018.

Thus, at 31 December 2022, Viscofan, S.A. had 321,684 treasury shares representing 0.69% of the voting rights acquired valued at 16,181 thousand euros.

At 31 December 2021, Viscofan, S.A. held a total of 216,995 treasury shares representing 0.47% of its voting rights, for a value of 10,473 thousand euros.

12.5. Valuation adjustments

Movements in the years ended 31 December 2022 and 2021 were as follows:

	Thousands of euros		
	Exchange rate insurance	Commodity derivatives	Total
Opening balance as of 1 January 2021	**2,027**	**-996**	**1,031**
Profit/(Loss), net of tax effect	-592	-	-592
Reclassifications of (losses) or gains to the income statement, net of tax effect	-2,027	2,055	28
Closing balance as of 31 December 2021	**-592**	**1,059**	**467**
Profit/(Loss), net of tax effect	2,252	-	2,252
Reclassifications of (losses) or gains to the income statement, net of tax effect	592	-753	-161
Closing balance as of 31 December 2022	**2,252**	**306**	**2,558**

12.6. Distribution of profits and other remuneration to shareholders

The proposed distribution of profit for the year ended 31 December 2022 of the parent company, which is expected to be approved by the General Shareholders' Meeting is as follows:

To dividends, with a charge to profits for 2022, whose gross aggregate amount will be equal to the sum of the following:

- 64,644 thousand euros ("the interim dividend"), relating to the interim dividend distributed on 22 December 2022, which was 1.4 euros per share for the number of shares that did not have the status of direct treasury shares on the corresponding dates, as approved by the Board of Directors and,
- The amount arising from multiplying 0.54 euros per share by the number of shares that do not have the status of direct treasury shares on the date on which the registered holders with the right to receive the final dividend are determined, and which will become effective from 8 June 2023 ("the final dividend").

Taking into account the interim dividend, the final dividend and the fees to attend the General Shareholders' Meeting of 0.01 euros per share, the total remuneration per share proposed reached a total of 1.95 euros per share, equivalent to the distribution of 64.6% of net profit.

This proposal increases ordinary remuneration by 6.0% as compared to the 1.84 euros per share approved in the previous year.

In relation to 2021, the total remuneration for shareholders amounted to a total of 1.84 euros per share. Of which the distribution of earnings represented a dividend of 1.83 euros per share (1.40 euros per share paid on 22 December 2021 as an interim dividend and 0.43 euros per share paid on 2 June 2022 as a final dividend) and 0.01 euros per share corresponding to the payment of fees to attend the 2022 General Shareholders' Meeting. This premium was recognised as an expense for the year.

Parent company profits for the year ended 31 December 2021 were distributed as approved by the shareholders at their annual general meeting held on 29 April 2022.

On 17 November 2022, based on projected profit for the year, the Board of Directors approved an interim dividend for 2022 of 64,644 thousand euros, equal to a dividend of 1.40 euros per share. This dividend was paid on December 22, 2022.

The amount of the dividend is less than the maximum limit permitted by prevailing legislation on distributable profit after the previous year end.

The statement required by current legislation and prepared by the parent's Board of Directors in respect of the distribution of the interim dividend for 2022 is as follows:

	Thousands of euros
Available cash at 11 November 2022	**11,874**
For receipts from customers and debtors	31,019
For accounts payable and suppliers	-14,194
For payments made to employees	-21,134
For other payments	-2,600
Operating cash flows	**-6,909**
Dividends	120,329
Purchases of property, plant, and equipment	-16,370
For investment in group companies	-
Cash flow related to investment activities	**103,959**
Dividends paid	-90,039
Cash flow related to financing activities	**-90,039**
Projected liquidity at 11 November 2023	**18,885**

13. Deferred income

In financial year 2022, after the difference generated in financial year 2021 mentioned in Note 20.1 it has been charged to results in accordance with the accrual of the useful life of the facilities, the remaining amount, 17,301 thousand euros, has been included in this "Deferred income" heading.

The movement in capital grants and emission allowances is as follows:

	Thousands of euros		
	Capital grant	Emission rights	Total
Opening balance as of 1 January 2021	**1,033**	**156**	**1,189**
Exchange gains (losses)	2	-	2
Additions	155	106	261
Imputed to results	–354	–156	–510
Closing balance as of 31 December 2021	**836**	**106**	**942**
Exchange gains (losses)	1	-	1
Additions	-	195	195
Imputed to results	–200	–137	–337
Closing balance as of 31 December 2022	**637**	**164**	**801**

The breakdown of capital grants during 2022 and 2021, all related to PP&E items, is as follows:

	Thousands of euros	
	2022	2021
Government of Navarre	423	590
Ministry of Science and Technology	151	178
International organisations	63	68
Closing balance as of 31 December	**637**	**836**

14. Non-current employee benefits and other provisions

The breakdown of this heading in the Consolidated Statement of Financial Position is as follows:

		Thousands of euros	
	Note	2022	2021
Defined benefit		16,278	24,779
Other staff remuneration		6,030	4,354
Non-current employee benefits	**14.1**	**22,308**	**29,133**
Provisions for other litigations		-	236
Other		-	-
Other non-current provisions	**14.2**	**-**	**236**
Provisions for guarantees / Returns		2,752	2,222
Provisions for occupational risks		1,025	1,876
Provisions for emission allowances		21,489	7,785
Other		935	438
Current provisions	**14.3**	**26,201**	**12,321**

14.1. Non-current employee benefits

The Group makes contributions to various different defined benefit plans. The most relevant plans are located in Germany, United States and Canada.

Actuarial valuations are used for all.

- **Pension plans in Germany**

A contribution is made through the Naturin Viscofan GmbH subsidiary for a defined benefit plan consisting of a life pension plan for retired employees. At 31 December 2022, there were 293 employees, and 475 retirees and former employees. At 31 December 2021, there were 323 employees, and 459 retirees and former employees.

The number of the above beneficiaries does not included retirees which, from 2010 and 2013 are paid by the insurance company. The agreement does not imply cutting back or cancelling the policy, as the obligation ultimately lies with Naturin Viscofan GmbH. However, the characteristics of the plan make the value of the assets and liabilities constant for the duration of the contract, so that both the assets and the liabilities offset each other, resulting in a current value of zero for the obligation.

The net obligation corresponding to pension plans amounts to 12,293 thousand euros at December 31, 2022, and 18,957 thousand euros at December 31, 2021.

- **Pension plans in the United States of America**

The subsidiary Viscofan USA Inc., following its merger with Viscofan Collagen USA Inc, contributes to two defined benefit plans.

- Retirement Plan for Hourly Employees. This plan provides a life annuity for employees and former employees of the company and has a total of 175 beneficiaries (26 of them serving and 149 of them retired and former employees).

  The net obligation amounted to 357 thousand euros at 31 December 2022. The capitalisation rate was 96.48% of the value of the obligation.

  As at 31 December 2021, the net obligation amounted to 1,161 thousand euros with a capitalisation rate of 90,82% of the value of the obligation and 179 beneficiaries (27% active and 152 retired and former employees).

  This plan has been frozen since 1 December 2010.

- Retirement Plan for Salaried Employees. This plan provides an annuity for 128 participants (14 of whom are active, while 114 are retired and former employees).

  The net obligation amounted to 1,620 thousand euros at 31 December 2022. The capitalisation rate was 87.23% of the value of the obligation.

  As at 31 December 2021, the net obligation amounted to 2,320 thousand euros with a capitalisation rate of 85,08% of the value of the obligation and 132 beneficiaries (15 of whom are active, and 117 retired and former employees).

  This plan has been frozen since 31 January 2008.

- **Pension plans in Canada**

Through the subsidiary Viscofan Canada Inc., a contribution is made to a defined benefit plan consisting of a lifetime pension for 38 beneficiaries (16 active, 22 retirees and former employees); 41 beneficiaries in 2021 (21 active, 20 retirees and former employees).

The capitalisation rate was 100%; hence at 31 December 2022, the obligation was equal to the fair value of the affected assets.

At 31 December 2021, the capitalisation rate was 100%, the obligation is equal to the fair value of the related assets.

This plan has been frozen since 31 March 2011.

The most significant information regarding the pension plans was as follows:

a) Amounts recognised in the Statement of financial position:

	Thousands of euros	
	2022	2021
Present value of the obligation	**-40,756**	**-54,182**
Plans in Germany	-12,293	-18,957
Plans in the United States and Canada	-26,457	-32,884
Plans in other countries	-2,006	-2,341
Present value of assets	**24,478**	**29,403**
Plans in the United States and Canada	24,478	29,403
Net obligation at 31 December	**-16,278**	**-24,779**

b) Changes in the present value of net obligations:

	Thousands of euros							
	Germany		Plans in the United States and Canada		Plans in other countries		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Obligation at 1 January		**19,176**	**32,884**	**32,783**	**2,341**	**2,191**	**54,182**	**54,150**
Current service cost (Note 20)		305	-	-	62	25	340	330
Interest cost		190	885	736	86	45	1,216	971
Payments made		-280	-2,166	-2,019	-155	-5	-2,653	-2,304
Actuarial loss (gain)		-434	-7,019	-1,257	-492	112	-14,366	-1,579
Exchange gains (losses)		-	1,873	2,641	164	-27	2,037	2,614
Acquired in business combinations		-	-	-	-	-	-	-
Present value of the obligation as of 31 December		**18,957**	**26,457**	**32,884**	**2,006**	**2,341**	**40,756**	**54,182**
Active		9,700	3,524	2,309	818	701	9,438	12,710
Former employees		2,891	4,851	2,188	-	-	6,636	5,079
Retirees		6,366	18,082	28,387	1,188	1,640	24,682	36,393

c) Changes in the fair value of plan assets in the USA and in Canada:

	Thousands of euros	
	2022	2021
Fair value of assets at 1 January	**29,403**	**25,946**
Return on assets	-4,395	1,575
Company contribution	-	463
Payments made	-2,166	-1,265
Exchange gains (losses)	1,636	2,684
Fair value of assets at 31 December	**24,478**	**29,403**
Cash	-	135
National investment funds	22,287	21,766
International investment funds	2,192	7,502

d) Information relating to the amounts recognised in the consolidated income statement.

Current service costs for the period are included in personnel expenses.

	Thousands of euros	
	2022	2021
Current service cost	**340**	**330**
Plans in Germany	278	305
Plans in other countries	62	25
Net financial cost	**-163**	**-136**
Interest cost of plans in Germany	245	190
Interest cost of plans in the United States and Canada	-494	-371
Interest cost of plans in other countries	86	45
Expense (income) recognised in the year	**177**	**194**

e) Information relating to the amounts recognised in the consolidated statement of comprehensive income:

	Thousands of euros	
	2022	2021
Actuarial loss and gain	**8,593**	**2,920**
Derived from changes in demographic assumptions	-	-6
Derived from changes in financial assumptions	14,741	1,578
Derived from experience	-375	7
Return, other than expected return, on plan assets	-5,773	1,341
Tax effect	**-1,997**	**-126**
Net profit or loss recognised in the Consolidated Statement of Comprehensive Income (Note 12.3)	**6,596**	**2,794**

f) Principal actuarial assumptions used in the plans:

- Pension plans in Germany

	2022	2021
Annual discount rate	4.20%	1.30%
Expected rate of pension increases	2.30%	2.00%
Expected age of retirement for employees	65-67	65-67

The mortality tables used to quantify the defined benefit obligation were those corresponding to Heubeck Richttafeln 2005 G.

- Pension plans in the United States and Canada

	2022	2021
United States		
Annual discount rate	5.10%	2.60%
Expected rate of return on assets	5.30%	5.30%
Canada		
Annual discount rate	5.20%	2.90%
Expected rate of return on assets	5.20%	2.90%

The mortality tables used to determine the defined benefit obligation were those for Pri-2012 Private Retirement Plans Mortality Tables (in the USA) and the Canadian Private Sector Pensioners' Mortality Table combined with the mortality improvement scale MI-2017 (in Canada).

g) Future payments expected for coming periods:

	Thousands of euros	
	2022	2021
Payments to be made within the next 12 months	2,666	2,497
Payments to be made between 1 and 2 years	2,623	2,498
Payments to be made between 2 and 3 years	2,635	2,507
Payments to be made between 3 and 4 years	2,685	2,511
Payments to be made between 4 and 5 years	2,698	2,566
Payments to be made between 5 and 10 years	13,141	12,825
Payments to be made over 10 years	24,836	23,958

h) Sensitivity analysis for each of the main assumptions.

How would the obligation affect a possible reasonable change in each assumption at year-end.

	Thousands of euros	
	2022	2021
Discount rate		
50 basis point increase	-2,000	-2,989
Decrease by 50 basis points	2,178	2,867
Pension increases		
50 basis point increase	760	1,199
Decrease by 50 basis points	-698	-1,504
Life expectancy		
Increase by 1 additional year	1,212	2,061

The sensitivity analysis is based on a change in one hypothesis while considering the remaining hypotheses as unchanged.

- **Other employee benefits and long-term remuneration**

The movements at 31 December 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
Balance as of 1 January	**4,354**	**9,667**
Exchange gains (losses)	19	73
Transfer to outstanding remuneration	-	-6,892
Allowances	3,091	2,088
Payments	-1,434	-582
Balance as of 31 December	**6,030**	**4,354**

Included under this heading are the bonuses that the subsidiary Naturin Viscofan GmbH has established for its employees. This loyalty bonus is received when its employees complete 25 years of service. Employees receive a payment of 1,000 euros and a month's gross salary multiplied by 0.8 plus one day of holidays; when reaching 40 years of service, a payment of 1,000 euros and a month's gross salary multiplied by 1.1 plus one day of holidays; when reaching 50 years of service, one day of holidays.

The number of beneficiaries amounts to 293 employees (323 in the previous period), while the obligation amounts to 1,378 euros thousand and 1,651 thousand euros at 31 December 2022 and 2021, respectively. During the year, 162 thousand euros have been paid to beneficiaries (182 thousand euros in 2021). The payable amount expected for 2023 totals 141 thousand euros.

Recognised service costs and financial expenses for the current period amounted to 114 thousand and 21 thousand euros, respectively (2021: 116 thousand and 21 thousand euros, respectively).

The hypotheses used for calculating the obligations were the same as those used for the pension plan of the same subsidiary as described in the previous point.

In the 2022 financial year, 2,539 thousand euros corresponding to the Long-Term Incentive Plan are included. In 2021, under this heading and in relation to this item, 6,892 thousand euros were transferred to "Remuneration to be paid"

The features of the Long-Term Incentive Plan are detailed in Note 23.

14.2. Other non-current provisions

The movements at 31 December 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
Present value of the obligation	**-40,756**	**-54,182**
Plans in Germany	-12,293	-18,957
Plans in the United States and Canada	-26,457	-32,884
Plans in other countries	-2,006	-2,341
Present value of assets	**24,478**	**29,403**
Plans in the United States and Canada	24,478	29,403
Net obligation at 31 December	**-16,278**	**-24,779**

14.3. Current provisions

(a) Provision for guarantees / refunds

A provision is recognised for warranty claims anticipated for products sold during the last year, based on past experience regarding the volume of returns. Most of these costs are expected to be incurred in the following year.

(b) Safety in the workplace provision

The safety in the workplace provision covers claims brought against the Group by certain employees, most of whom work for the Brazil subsidiary, in relation to workplace accidents. These claims did not arise as a result of a specific incident, but are customary practice in many companies. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at 31 December 2022.

(c) Emission rights provision

The emission rights provision includes the estimated consumption of emission rights during 2022 and 2021 valued in accordance with the measurement standard described in Note 4.17.

(d) Provisions for other liabilities

The provision for other litigation mainly covers claims brought against the Brazilian subsidiary by the Brazilian tax authorities and certain company employees. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at 31 December 2022.

14.4. Contingent assets and liabilities

(a) Contingent liabilities

At year end there are legal claims of various kinds filed against the Brazilian subsidiary (Viscofan do Brasil Sociedade comercial e Industrial Ltda) amounting to 6.2 million euros (5.1 million euros at year-end 2021) classified as possible and 275 thousand euros as probable. The increase is linked to exchange rate and interest rate monetary restatement. Based on historic experience, the materialisation does not normally exceed 5% of said amount. There are provisions for an enough amount to cover this risk.

In relation to the process started in 2018 by Griffith Colombia, S.A.S. ("Griffith") in Colombia against Viscofan do Brasil Sociedade comercial and Industrial Ltda., Viscofan CZ, S.R.O. and Viscofan S.A., claiming compensation for contractual termination of approximately 3,700 thousand euros, by resolution of 16 December 2022 the process has been terminated with a decision entirely favourable to Viscofan.

In relation to the accident in September 2019 at the production centre in Cáseda (Navarre) owned by Viscofan España, S.L.U., the criminal proceedings are still in the criminal investigation phase, with no impact on the accounts expected as a result of these proceedings. Furthermore, in 2022 the National Institute of Social Security issued resolutions declaring the surcharge of 50% of the Social Security benefits derived from the accident to be charged exclusively to the Company, declarations have been challenged in the social order

without any judgement having been handed down to date. There are provisions for an enough amount to cover this risk.

In relation to the accident at the production centre of the subsidiary Koteks Viscofan d.o.o. in Novi Sad (Serbia), which occurred in July 2020, the investigation phase continues through the competent authority, without any penal proceedings having been filed nor any provision having been recognised arising from a possible trial.

In relation to the litigation that the subsidiary Zacapu Power, S.A. de C.V. (Zapacu Power) maintains with Neomexicana de GNC, S.A.P.I. de C.V. (Neomexicana), which until 2017 supplied it with gas, and for which the latter is claiming 8.2 million Mexican pesos and USD 300,000 from Neomexicana, after the legal action initiated by Neomexicana was rejected. In March 2022, Neomexicana has filed an Arbitration Claim, which Zacapu Power has opposed and counterclaimed, claiming compensation from Neomexicana for USD 840,000. for breach of contract. The arbitration is awaiting the arbitration award, the term of issue of which expires on 31 March 2023. There are provisions for an enough amount to cover this risk.

(b) Contingent assets

In relation to demand filed by Viscofan S.A. before the Commercial Court against Sayer Technologies S.L. for unfair competition (disclosure of confidential information), the lawsuit was dismissed and the appeal filed by Viscofan S.A. before the Provincial Court of Navarra, and the proceedings are currently in the appeal and procedural infringement phase before the Supreme Court, and there have been no new developments in this regard in the 2022 financial year. In relation to this same company, Sayer Technologies S.L., the American subsidiary Viscofan Collagen USA Inc. filed a lawsuit against Sayer Technologies S.L., for breach of contract and damages in relation to the sale and start-up of machinery and installations for the extrusion of collagen. A partially upheld judgment for approximately 40 thousand euros has been obtained for the claim against Sayer. The judgement is subject to appeal.

In connection with the material damage caused in March 2021 at the Viscofan USA Inc. facility in Danville by the explosion of a valve, legal action has been taken against the supplier Jarvis Welding LLP, the distributor Co Schimberg CO and the manufacturer Crane CO Xomox Corporation/Crane Chempharma and Energy, for breach of contract and damages in the amount of approximately USD 2.6 million.

In relation to the debt that Griffith Colombia, S.A.S ("Griffith") has against Viscofan CZ, S.R.O. for non-payment of outstanding invoices for an amount recognised in a final judgement of approximately 1.4 million (after discounting for accrued interest), Viscofan CZ has initiated exequatur proceedings in Colombia for the enforcement of the aforementioned Judgement, which are still in progress.

How would the obligation affect a possible reasonable change in each assumption at year-end.

15. Trade and other payables

The breakdown of "Trade and other payables" is as follows:

	Thousands of euros	
	2022	2021
Suppliers	55,363	42,394
Accounts payable for services rendered and other accounts payable	42,851	49,438
Customer advances	2,036	2,807
Wages and salaries payable	21,154	30,007
Trade payables	**121,404**	**124,646**
Payable to public administrations	21,577	16,837
Other accounts payable	**21,577**	**16,837**
Closing balance as of 31 December	**142,981**	**141,483**

The breakdown by currency of trade payables is as follows:

	Thousands of euros							
	Euros	US Dollar	Czech Koruna	Brazilian Real	Mexican Peso	Chinese Yuan	Other currencies	Total book value
2022	52,727	35,291	4,977	5,597	6,733	4,671	11,408	**121,404**
2021	50,685	37,428	4,333	5,700	9,717	6,596	10,187	**124,646**

At 31 December 2022 and 2021, balances payable to public administrations were as follows:

	Thousands of euros	
	2022	2021
VAT payable to Public Treasury	7,010	5,229
Payable to Public Treasury for withholdings	11,587	11,360
Creditor social security bodies	2,580	247
Other public bodies	400	1
Closing balance as of 31 December	**21,577**	**16,837**

A breakdown by currency is as follows:

	Thousands of euros							
	Euros	US Dollar	Czech Koruna	Brazilian Real	Mexican Peso	Chinese Yuan	Other currencies	Total book value
2022	14,536	82	542	1,501	2,838	1,367	711	**21,577**
2021	13,523	176	471	677	916	446	628	**16,837**

Information on late payments to suppliers in Spain in commercial transactions

In accordance with the third additional provision "Disclosure requirements" of Law 15/2010, dated 5 July, information on the average payment period to Spanish Group suppliers of the Spanish entities included in the consolidated group was as follows:

	Days	
	2022	2021
Average supplier payment period	23.7	23.1
Ratio of paid transactions	23.8	24.4
Ratio of transactions pending payment	22.5	11.7

	Thousands of euros	
	2022	2021
Total payments made	256,590	164,578
Total future payments	12,243	17,683
Monetary volume paid in a period shorter than the maximum period laid down in the late payment regulations	268,264	-

	2022
Invoices paid in a period shorter than the maximum period established in the late payment regulations.	26,445
Percentage share of total monetary payments to their suppliers	99%
Percentage share of total number of invoices	98%

16. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at 31 December 2022 and 2021, is as follows:

	Thousands of euros					
	Up to 3 months	3 months – 1 year	1 year – 5 years	More than 5 years	Total book value	Fair value
Payable to credit institutions	85,344	32,482	34,500	0	152,326	152,326
Accrued interest payable	130	2	0	0	132	132
Other financial liabilities	14,527	4,434	6,579	5,901	31,441	31,441
Valued at amortised cost	14,527	4,434	6,579	5,901	31,441	31,441
Total as of 31 December 2022	**100,001**	**36,918**	**41,079**	**5,901**	**183,899**	**183,899**

	Thousands of euros					
	Up to 3 months	3 months – 1 year	1 year – 5 years	More than 5 years	Total book value	Fair value
Payable to credit institutions	26,250	13,002	49,690	4000	92,942	92,942
Accrued interest payable	164	2	0	0	166	166
Other financial liabilities	7,797	1,539	8,841	5,466	23,643	23,643
Valued at amortised cost	7,797	1,539	8,841	5,466	23,643	23,643
Total as at 31 December 2021	**34,211**	**14,543**	**58,531**	**9,466**	**116,751**	**116,751**

At 31 December 2022, the amount in "Amounts owed to credit institutions" in December 2022 included loans signed to transform part of its traditional financing into sustainable financing, amounting to 42.2 million euros (48.5 million euros in 2021). In addition, sustainable credit lines with a limit of 12,000 thousand euros have been contracted in the year 2022, of which 5,450 thousand euros have been drawn down. Interest is linked to the trend of indicators with an annual review period. This process started in the 2021 financial year.

The sustainability parameters established are the reduction of CO2 emissions, the reduction of m3 of water withdrawal and the tonnes of waste sent to the landfill, all of them tied to km of casing produced.

All current and non-current financial liabilities are included in Level 2 within the valuation hierarchies: assets and liabilities whose fair value has been determined with technical valuation techniques that use hypotheses observable in the market.

As can be seen in the previous table, the carrying amount of financial liabilities agrees with the fair value as the long-term debt corresponds to financing obtained in recent years under similar conditions to those currently obtainable in the market.

The classification was determined based on actual maturities of balances drawn down from credit lines. Thus, the balance drawn down from credit lines whose annual renewal has already been agreed upon subsequent to year end are included in the 3-month period.

Financial liabilities for bank borrowings bearing interest at floating rates are referenced to Euribor or Libor plus an average spread of 0.47 percentage points (0.54 percentage points in 2021).

The average fixed interest rate on financial liabilities for bank borrowings in 2022 is 1.68% (0.68% in 2021).

"Other financial liabilities" at 31 December 2022, both current and non-current, mainly includes:

- Loans with interest rates granted by entities such as the CDTI and the Ministry of Economy and Competitiveness in Spain amounting to 12,246 thousand euros.
- PP&E suppliers, amounting to 15,725 thousand euros.

31 December 2021 mainly includes:

- Loans with interest rates sponsored by entities such as the CDTI and the Ministry of Economy and Competitiveness amounting to 13,252 thousand euros.

- PP&E suppliers, amounting to 5,791 thousand euros.

The Group recognizes the implicit interest on these loans using market interest rates.

A breakdown by currency is as follows:

	Thousands of euros				
	Euros	US Dollar	Czech Koruna	Other currencies	Total book value
2022	165,530	6,274	2,636	9,459	**183,899**
2021	103,750	2,615	1,974	8,412	**116,751**

The limits, the amount drawn down, and the drawable amount under credit and discount lines as of 31 December are as follows:

	Thousands of euros	
	2022	2021
Limit	149,767	128,638
Outstanding	96,636	28,821
Available	53,131	99,817

The undiscounted value of financial liabilities classified by maturity without taking into account derivative financial instruments at 31 December 2022 and 2021 is as follows:

	Thousands of euros						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Principal of the debt	117,826	22,667	5,167	6,666	-	0	152,326
Interest	416	149	43	27	-	-	635
Financial liabilities to credit institutions	**118,242**	**22,816**	**5,210**	**6,693**	**-**	**-**	**152,961**
Principal of the debt	18,961	2,195	1,563	1,529	1,292	5,901	31,441
Interest	235	93	77	65	54	44	568
Other financial liabilities	**19,196**	**2,288**	**1,640**	**1,594**	**1,346**	**5,945**	**32,009**
Total as of 31 December 2022	**137,438**	**25,104**	**6,850**	**8,287**	**1,346**	**5,945**	**184,970**

	Thousands of euros						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Principal of the debt	39,252	9,190	32,667	5,167	2666	4000	92,942
Interest	295	237	209	44	27	16	828
Financial liabilities to credit institutions	**39,547**	**9,427**	**32,876**	**5,211**	**2693**	**4016**	**93,770**
Principal of the debt	9,336	2,686	2,003	2,216	1,936	5,466	23,643
Interest	59	36	29	24	19	14	181
Other financial liabilities	**9,395**	**2,722**	**2,032**	**2,240**	**1,955**	**5,480**	**23,824**
Total as of 31 December 2021	**48,942**	**12,149**	**34,908**	**7,451**	**4,648**	**9,496**	**117,594**

At 31 December 2022, the Group had confirming lines with a joint limit of 4,000 thousand euros (3,000 thousand as at 31 December 2021), as well as multi-risk policies totalling 13,000 thousand euros, (8,500 thousand as at 31 December 2021).

17. Derivative financial instruments

The breakdown of balances, which include the values of the derivative financial instruments at 31 December 2022 and 2021, is as follows:

	Thousands of euros							
	2022				2021			
	Valued at fair value through P&L		Valued at fair value through P&L		Valued at fair value through P&L		Valued at fair value through P&L	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Exchange rate insurance	292	-	50	–3	37	-	-	-
Raw material hedges	-	-	-	-	14	-	-	-
Non-current financial instruments	**292**	**-**	**50**	**–3**	**51**	**-**	**-**	**-**
Exchange rate insurance	2,789	–450	262	-	1,126	–1.342	-	-
Raw material hedges	425	-	-	-	1,132	-	-	-
Current financial instruments	**3,214**	**–450**	**262**	**-**	**2,258**	**–1.342**	**-**	**-**
Total	**3,506**	**–450**	**312**	**–3**	**2,309**	**–1.342**	**-**	**-**

Derivatives are only used for hedging purposes and not as speculative investments. However, when derivatives do not meet the test to be treated as accounting hedges, they are classified as "held for trading" for accounting purposes and are carried at fair value through profit and loss. They are presented as current assets or liabilities to the extent that they are expected to be settled within 12 months after the reporting period.

	Thousands of euros			
	Measured at fair value			
	With changes in P&L	With changes in P&L	Total book value	Fair value
Non-current derivatives	50	292	342	342
Current derivatives	262	3,214	3,476	3,476
Total Financial Assets as at 31 December 2022	**312**	**3,506**	**3,818**	**3,818**
Non-current derivatives	–3	-	–3	–3
Current derivatives	-	–450	–450	–450
Total Financial Liabilities as at 31 December 2022	**–3**	**–450**	**–453**	**–453**

	Thousands of euros			
	Measured at fair value			
	With changes in P&L	With changes in P&L	Total book value	Fair value
Non-current derivatives	-	51	51	51
Current derivatives	-	2,258	2,258	2,258
Total Financial Assets as at 31 December 2021	**-**	**2,309**	**2,309**	**2,309**
Non-current derivatives	-	-	-	-
Current derivatives	-	–1.342	–1.342	–1.342
Total Financial Liabilities as at 31 December 2021	**-**	**–1.342**	**–1.342**	**–1.342**

17.1. Electricity and gas coverage

Certain production costs of the Company are linked to the cost of electricity. For this reason, and in order to combat the negative effect of the current volatility of the electricity market, in 2022 the Company, through its subsidiary Viscofan España, S.L.U., entered into a long-term contract with its electricity supplier, which covers 33% of its annual consumption. The duration of the contract covers the periods from 2023 to 2027 in which a pool price has been fixed to which the Power Term as well as the Energy Term will be added.

The Group did not enter into any gas hedging contracts in 2022.

In 2021, the Company entered into hedging contracts for the period from February 2022 to January 2023 for a total of 240,000 MWh, with a contracted price of 23.1 euros/MWh.

17.2. Exchange rate insurance

Part of the fair value of the exchange rate insurances at year end was recognised as income or expense on the consolidated income statements for 2022 and 2021. The amount recognised directly in the consolidated income statements relates to exchange rate insurances designated as hedges to cover amounts payable or receivable recognised in the consolidated statements of financial position at the exchange rate at year end. No significant inefficiencies were noted in 2022 and 2021 in any derivative financial instruments contracted.

The Viscofan Group uses derivatives to hedge exchange rates in order to mitigate the possible adverse effects that exchange rate fluctuations might have on transactions in currencies other than the functional currency of certain Group companies.

The nominal value of the main exchange rate insurances in effect at 31 December 2022 and 2021, is as follows:

	Thousands of euros	
	2022	2021
US dollar	104,250	110,550
Pounds Sterling	750	3,700
Canadian Dollar	3,000	1,500
Brazilian Real	5,250	21,000

18. Income tax

The breakdown for deferred tax assets and liabilities, by type, is as follows:

	Thousands of euros					
	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Non-Current assets	12,045	10,461	-15,584	-15,999	-3,539	-5,538
Current assets	9,835	8,702	-252	-1,304	9,583	7,398
Non-current liabilities	2,292	4,282	-541	-326	1,751	3,956
Current liabilities	2,621	3,194	-776	-1,647	1,845	1,547
Total as at 31 December	**26,793**	**26,639**	**-17,153**	**-19,276**	**9,640**	**7,363**

Deferred tax assets, on current assets, are mainly due to the effect on tax of the elimination of the margin in inventory acquired between Group companies, as well as provisions on inventories that are not tax-deductible in some countries. The deferred tax asset for non-current assets relates mainly to the capitalisation of tax credits for tax losses (5,017 thousand euros) and R&D deductions (2,748 thousand euros). In addition, deferred tax assets arising from current and non-current tax liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied. A large number of the provisions described in Note 18 have led to adjustments in the tax assessment basis in the different countries.

Deferred tax liabilities arising from non-current assets for the years ended December 31, 2022 and 2021, mainly relate to the application of different amortization rates by certain Group subsidiaries (mostly in the USA) than those used for tax purposes. Also included is the tax effect of net unrealised gains on PP&E items acquired in different business combinations.

The breakdown of changes during the year in recognised deferred tax assets and liabilities arising from temporary differences recognised as income tax expense/(income) on the consolidated statement of recognised income and expense and as "Other income and expenses" on the consolidated comprehensive income statement is as follows:

	Thousands of euros	
	2022	2021
Non-Current assets	2,070	437
Current assets	1,884	-3,101
Non-current liabilities	-509	-172
Current liabilities	778	1,449
Consolidated income statement	**4,223**	**-1,387**
Non-Current assets	-71	269
Current assets	301	157
Non-current liabilities	-1,696	-108
Current liabilities	-480	740
Other results of the Consolidated Statement of Comprehensive Income	**-1,946**	**1,058**
Total change in deferred taxes and deferred tax liabilities	**2,277**	**-329**

The breakdown of deferred taxes charged directly against "Other comprehensive income" on the consolidated income statement is as follows:

	Thousands of euros	
	2022	2021
Actuarial gains or losses on pension plans	-1,997	-126
Adjustments for changes in value cash flow hedges	-666	96
Others	717	1,088
Charged directly to other comprehensive income in the Consolidated Statement of Comprehensive Income	**-1,946**	**1,058**

The major components of income tax expense for the years ended 31 December 2022 and 2021, are as follows:

	Thousands of euros	
	2022	2021
Corporate income tax expense for the year	48,966	41,919
Adjustments to prior years' income taxes	-384	117
Current income tax	**48,582**	**42,036**
Origination and reversal of temporary differences	-4,223	1,387
Deferred taxes	**-4,223**	**1,387**
Income tax expense on income from continuing operations	**44,359**	**43,423**

A reconciliation between tax expense/(income) on continued operations and the product of profit before tax multiplied by the tax rate prevailing in Spain (Navarre) on 31 December, is as follows:

	Thousands of euros	
	2022	2021
Profit for the year before tax from continuing operations	**183,789**	**176,420**
Permanent differences	4,023	4,897
Preliminary tax base	187,812	181,317
Tax rate at 28%	52,587	50,769
Impact of the application of the rates in force in each country	-4,543	-4,720
Deductions generated/applied in the year	-6,125	-3,899
Adjustments to prior years' income taxes and other adjustments	-1,700	-11
Non-recoverable withholdings on dividends from Group companies	4,140	1,284
Income tax expense	**44,359**	**43,423**

During 2022 the Chinese subsidiary Viscofan Technology (Suzhou) Co. Ltd.'s rating was again deemed as "High Tech" for 3 years and, therefore, its tax rate dropped from 25% to 15%.

Koteks Viscofan, d.o.o. may avail itself of a tax incentive which would reduce the corporation tax liability to around 32% in tax returns to be filed from 2022 onwards, as a result of investments and job creation in the Republic of Serbia. Up to 2021, the reduction of the corporate tax account was around 83%.

In addition, Uruguay's Ministry of Economy and Finance approved in 2012 the exemption from corporation tax for an amount related to the eligible investment, which will be applicable for a period of 25 years. The exemption may not exceed a maximum percentage of net tax revenue (90% in the first half of the 25-year period and thereafter will fall to 10%).

In relation to the temporary taxable differences of the subsidiaries, as at 31 December 2022 and 2021, the Group did not recognise any amount in this regard based on its dividend distribution policy, according to which it unlikely that the results accumulated by the subsidiaries as at 31 December 2022 will be distributed in the foreseeable future. This unrecognised deferred tax liability would total approximately 11,142 thousand euros at 31 December 2022 (11,065 thousand euros at 31 December 2021).

Income tax payable from continued operations was calculated as follows:

	Thousands of euros	
	2022	2021
Current income tax	-48,582	-42,036
Exchange gains (losses)	717	1,088
Withholdings and payments on account made	37,795	32,961
Total as at 31 December	**-10,070**	**-7,987**

This amount is broken down in the consolidated statement of financial position as follows:

	Thousands of euros	
	2022	2021
Income tax assets receivable	6,140	2,656
Income tax liabilities payable	-16,210	-10,643
Total as at 31 December	**-10,070**	**-7,987**

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the tax authorities or the inspection period of four years has elapsed. At 31 December 2022, the Parent and subsidiaries in Spain are open to inspection for all the main taxes to which they are liable and for which the corresponding inspection periods have yet to expire. The situation of foreign companies depends on the legislation prevailing in each country.

Due to the different possible interpretations of prevailing legislation, additional liabilities could be identified in the event of inspection. Nonetheless, parent management considers that any additional liabilities that might arise would not have a significant impact on these

consolidated financial statements.

19. Segment reporting

As indicated in note 1, the Group is engaged in the manufacture, distribution and marketing of all types of casings and films for food use. Additionally, the Group also carries out production-related activities, and sells electricity through its cogeneration plants in Spain and Germany with the objectives of: decreasing the cost of electricity while remaining self-sufficient, and at the same time reducing CO2 emissions, and, where appropriate, sell surplus electricity.

With the new Beyond25 strategic plan, the commercial and operational strategies have been reoriented, distinguishing sales of what has been called Traditional Business, which includes casings based on collagen, cellulosic and fibrous technology, and sales of New Business, which includes plastic casings and the rest of the products and services, although the latter currently have a very small relative weight.

Therefore, the revenues obtained by the Viscofan Group can be grouped by nature into Traditional Business, New Businesses and Energy, although from a management information point of view, the activity is considered a mono-segment, being mainly casing sales.

Furthermore, Viscofan's business model is global, understood as products and services sold in a multitude of markets around the world that are generated by the assets held by the Group in different locations. In this way, each production centre produces goods with a final destination in different countries and markets. Sometimes, manufacturing sites produce semi-finished products, which are completed in other countries for subsequent sale to a third party, and this process often involves several geographic management regions.

To facilitate management and monitoring, four geographical regions have been established within the Beyond25 Plan: EMEA (comprising assets in Spain, Germany, Czech Republic, Serbia, Belgium, United Kingdom, France and Russia), North America (incorporating assets in Canada, Costa Rica, Mexico and the United States), APAC (comprising assets in Australia, China, Japan, New Zealand, and Thailand), and South America (comprising assets in Brazil and Uruguay).

Considering this business and management scheme, sales are analysed by geographic region and, in any case, specific returns are analysed in a more concrete manner based on companies or assets analysed on a more individualised basis.

Given the Group's current organisational, production and management structure, the new Beyond25 strategic plan, and the information taken into account in decision-making by the highest decision-making body, the Group's management considers that, in accordance with IFRS 8, the segment that carries out business activities that may generate income and incur expenses is unique: the sale of casings and films for food use.

However, from a commercial point of view, emphasis is placed on geographic areas and sales by type of casing, as broken down below:

	Thousands of euros						
FY 2022	**Spain**	**Rest of Europe, Middle East and Africa**	**Asia Pacific**	**North America**	**South America**	**Disposal and other**	**Consolidated**
Revenue from external customers	175,209	332,195	168,837	369,815	154,972	-	1,201,028
Ordinary income of other group companies	178,827	330,612	3,171	109,495	48,239	–670.344	-
Total ordinary income	354,036	662,807	172,008	479,310	203,211	–670.344	1,201,028
Depreciation charges							–78.147
Finance income							1,194
Finance costs							–1.370
Exchange gains (losses)							–5.044
Segment profit before tax							**183,789**
Total assets	**405,893**	**433,043**	**150,441**	**431,024**	**203,562**	**–279.296**	**1,344,667**
Total liabilities	**238,842**	**169,596**	**44,079**	**234,344**	**36,277**	**–285.341**	**437,797**
Asset acquisitions	**26,248**	**35,661**	**3,421**	**51,534**	**8,743**	**-**	**125,607**

FY 2021	Thousands of euros						
	Spain	Rest of Europe, Middle East and Africa	Asia Pacific	North America	South America	Disposal and other	Consolidated
Revenue from external customers	115,287	292,491	145,525	294,629	121,305	-	969,237
Ordinary income of other group companies	121,802	275,982	2,311	92,803	39,170	–532.068	-
Total ordinary income	237,089	568,473	147,836	387,432	160,475	–532.068	969,237
Depreciation charges							–72.280
Finance income							628
Finance costs							–780
Exchange gains (losses)							2182
Segment profit before tax							**176,420**
Total assets	**287,092**	**366,903**	**177,930**	**322,562**	**160,755**	**–146.448**	**1,168,794**
Total liabilities	**161,576**	**112,164**	**43,562**	**164,028**	**25,521**	**–160.833**	**346,018**
Asset acquisitions	**29,176**	**21,361**	**10,606**	**23,848**	**7,010**	**-**	**92,001**

20. Operating income and operating expenses

20.1. Sales and services

The sales and services provided in the consolidated income statement include the delivery of goods to customers, services rendered in the course of the Group's ordinary activities and the sale of energy, net of sales-related taxes.

The detail of this heading for 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Turnover corresponding to Traditional Business	963,089	808,057
Turnover corresponding to New Business	144,465	117,070
Turnover corresponding to energy	93,474	44,110
Total	**1,201,028**	**969,237**

Ordinary income from external customers can be traced to the sale of casings and film for food use and other applications, generally made to manufacturers of cold meats, as well as, to a lesser extent, the generation of electricity for sale to third parties through cogeneration systems.

In terms of the sale of casings and film, the Group considers that there is only one type of customer contract: sales correspond to a single performance obligation and are made at a moment in time.

Sales of electricity production are recorded as the energy generated in the cogeneration systems is produced and delivered, applying the tariffs in force, and including the return on the investment to obtain the reasonable return on the asset.

20.2. Other income

The breakdown of "Other Operating Income" for 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Work carried out by the Group on non-current assets	386	255
Capital grants (Note 13)	200	354
Other operating income	7,978	10,900
Total other income	**8,564**	**11,509**

The conditions or contingencies associated to grants received.

20.3. Staff costs

The breakdown of "Staff costs" in 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Wages, salaries, et al	203,984	182,713
Penalties	1,676	1,460
Current service cost of defined benefit plans (Note 14.1)	340	330
Social Security charged to the company	38,541	31,969
Other social charges and taxes	17,647	14,778
Total staff costs	**262,188**	**231,250**

Group employees during 2022 and 2021, by professional category and gender, were as follows:

	Headcount at the end of the period					
	Men	Women	Total 2022	Men	Women	Total 2021
Senior executives	109	27	**136**	104	26	**130**
Technicians and Department Heads	958	368	**1,326**	911	346	**1,257**
Administrative personnel	53	190	**243**	56	178	**234**
Specialised personnel	720	239	**959**	678	236	**914**
Workers	2,059	787	**2,846**	1,939	708	**2,647**
Total	**3,899**	**1,611**	**5,510**	**3,688**	**1,494**	**5,182**

	Average headcount					
	Men	Women	Total 2022	Men	Women	Total 2021
Senior executives	107	26	**133**	101	23	**124**
Technicians and Department Heads	932	357	**1,289**	896	340	**1,236**
Administrative personnel	54	178	**232**	57	176	**233**
Specialised personnel	699	230	**929**	669	229	**898**
Workers	1,991	743	**2,734**	1,889	703	**2,592**
Total	**3,783**	**1,534**	**5,317**	**3,612**	**1,471**	**5,083**

Due to the circumstances of the production process, since 3 May 2017, and renewed on 3 May 2020, Viscofan S.A. has reported, through Resolution 287/2020 of the Directorate of the Navarre Employment Service, the recognition of exceptionality that justifies adopting alternative measures to comply with the reserve quota in favour of disabled workers and authorises, as an alternative measure, the signing of civil or commercial contracts with Special Employment Centres, for a period of three years.

The number of employees at the companies located in Spain, with a recognised level of disability of 33% or more, who are accounted for in accordance with Royal Decree 602/2016, of 2 December, amounted to four (three operators, one administrative assistant); the same as in 2021.

The Group works with special employment centres in Spain and in other countries to perform certain tasks that contribute to the development of our production activity.

The Group had a total number of 71 disabled employees (65 men and 6 women). In 2021, the Group had a total number of 73 disabled employees (67 men and 6 women).

20.4. Other operating expenses

The detail of "Other operating expenses" for 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Research and development expenditure	3,350	3,132
Repairs and maintenance	34,705	30,475
Environment	9,438	6,906
Utilities	99,146	64,982
Plant costs (security, cleaning and others)	38,953	30,617
Leases	5,637	3,801
Insurance premiums	8,391	7,474
Taxes	3,924	4,653
Selling and administrative expenses	75,630	56,308
Other operating expenses	11,792	10,178
Total other operating expenses	**290,966**	**218,526**

"Lease" expenses include fees as well as short-term rentals not affected by IFRS 16 Leases.

20.5. Financial income and expense

The breakdown of financial income and expenses for 2022 and 2021, according to the origin of the items making it up, is as follows:

	Thousands of euros	
	2022	2021
Finance income	**1,194**	**628**
Amounts owed to credit institutions and other financial liabilities	-1,533	-918
Net financial cost of pension plans and long-term remuneration	163	137
Finance costs	**-1,370**	**-781**
Fair value adjustment to financial investments	**-17**	**2**
Exchange gains	30,751	51,777
Exchange losses	-35,795	-49,595
Exchange gains (losses)	**-5,044**	**2,182**
Total financial income (expenses)	**-5,237**	**2,031**

21. Earnings per share

21.1. Basic

The calculation of basic earnings per share is based on the profit for the year attributable to the shareholders of the parent and a weighted average number of ordinary shares in circulation throughout the year, excluding treasury shares.

The breakdown of the calculation of basic earnings per share is as follows:

	Thousands of euros	
	2022	2021
Weighted average number of ordinary shares in issue	46,186,656	46,367,151
Profit for the year from continuing operations attributable to equity holders of the parent company	139,430	132,997
Basic earnings per share (in euros)	**3.02**	**2.87**

	Thousands of euros	
	2022	2021
Average number of ordinary shares outstanding	46,500,000	46,500,000
Effect of treasury shares	-313,344	-132,849
Weighted average number of ordinary shares in issue at 31 December	**46,186,656**	**46,367,151**

21.2. Diluted

Diluted earnings per share are calculated by dividing profit attributable to equity holders of the parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares.

The diluted earnings per share include the effect of the group's share plan, detailed in note 23.3. It includes the ordinary shares that will be put into circulation, based on the degree of compliance with the conditions established at 31 December 2022, the planned deadline for these conditions to be fulfilled.

	Thousands of euros	
	2022	2021
Weighted average number of ordinary shares in issue	46,421,656	46,500,000
Profit for the year attributable to equity holders of the parent company	139,430	132,997
Basic earnings per share (in euros)	**3.00**	**2.86**

22. Risk management

Risk management is controlled by the Group, in keeping with policies approved by the Board of Directors. The risk control system is described in section *E. Risk management and control systems* of the Annual Corporate Governance Report from the parent company, listing those that might affect the achievement of objectives, their materiality in 2022, and response and supervision plans. We will now focus on the financial risks described below.

The Group's activities are exposed to various financial risks: exchange rate risk, credit risk, liquidity risk, cash flow interest rate risk and fair value risk, as well as fuel price risk and emission allowance price risk. The Group's global risk management program focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the Group's profitability. Certain risks are hedged by derivative instruments.

22.1. Exchange rate risk

As the Group operates internationally, it is exposed to variations in exchange rates, particularly the US Dollar. The exchange rate risk arises from future commercial transactions, recognised assets and liabilities and net investments abroad.

The risk management policy of the Group is to cover the net balance between collections and payments in currencies other than the functional currency with the most net risk. Therefore, forward currency contracts were formalised at the time the yearly budget was prepared; EBITDA forecasts were used as the basis for the following year, the degree of exposure, and the degree of risk the Group is willing to assume.

The following table shows the sensitivity of a possible exchange rate variation on net results for the year arising from certain currencies in the countries in which the Group carries out its activities, while maintaining the other variables constant:

	Thousands of euros			
	2022		2021	
	5%	-5%	5%	-5%
US dollar	13,467	-12,940	6,568	-5,943
Czech Koruna	-2,250	2,036	-1,744	1,578
Brazilian Real	-1,512	1,369	1,591	-1,439
Chinese Yuan Renmimbi	1,697	-1,536	1,412	-1,277

The following table shows the impact on consolidated equity of changes in the exchange rates of certain currencies of countries where the Group conducts business:

	Thousands of euros			
	2022		2021	
	5%	-5%	5%	-5%
US dollar	14,259	-12,778	8,151	-7,375
Czech Koruna	3,209	-2,904	2,935	-2,656
Brazilian Real	3,929	-3,555	4,442	-4,019
Chinese Yuan Renmimbi	5,354	-4,844	4,603	-4,164

22.2. Credit risk

The Viscofan Group's main financial assets are cash balances, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk.

The Group's credit risk relates mainly to trade receivables. Amounts reflected on the consolidated balance sheet, net insolvency provisions, estimated based on experiences gleaned from prior years, age, and valuation in the current economic environment. This would be the maximum amount of exposure to this type of risk.

There is no significant concentration of credit risk within the Group; its exposure is spread among a large number of counterparties and customers. No clients or associated group companies represented sales and amounts receivable higher than 10% of total risk.

The Group has a credit policy, with exposure risk managed as part of its normal course of business. Credit evaluation of clients is performed in all cases where amounts exceed a set limit. It is habitual practice of Group companies to partially cover non-payment risk through contracting loan guarantee and sureties covering approximately 90% of each client's debt. For countries at risk, coverage is reduced to 80%. In Countries without insurance coverage, guarantees such as advances and deposits on account are mandatory.

Credit risk arising from liquid funds and derivative financial instruments is limited due to the fact that counterparties are banking institutions with high credit ratings assigned by international agencies.

The Directors consider that at 31 December 2022 there were no significant assets that could be impaired with respect to their net carrying amount.

22.3. Liquidity risk

The Group has a prudent policy to cover its liquidity risks which is focused on having sufficient cash and marketable securities as well as the ability to draw down sufficient financing through its existing borrowing facilities to settle the market positions of its short-term investments. Given the dynamic nature of its underlying business, the Group aims to be flexible with regard to financing through drawdowns on its contracted credit lines.

The Group adequately monitors each month expected collections and payments to be made in the coming months and analyses any deviations from expected cash flows in the previous month to identify any possible deviations which might affect liquidity.

The following ratios show the level of liquidity at 31 December 2022 and 2021:

	Thousands of euros	
	2022	2021
Current assets	720,478	606,459
Current liabilities	–325.739	–219.071
Working capital	**394,739**	**387,388**
Current liabilities	325,739	219,071
Working capital/current liabilities ratio	**121.18%**	**176.83%**
Cash and cash equivalents	51,193	91,352
Available on line of credit (Note 16)	53,131	99,817
Treasury + credit availability and discounting	**104,324**	**191,169**
Cash + credit availability and discounting/current liabilities ratio	**32.03%**	**87.26%**

The amounts available on credit and discount lines do not include confirming lines or multi-risk policies which are described in Note 16.

For certain long-term loans amounting to 15 million euros, the Group must comply with a number of ratios calculated on the basis of the consolidated financial statements. Lack of compliance represents an increase in finance costs and, depending on the case, represents the

early termination of a contract. At 31 December 2022 and 2021, all the main ratios have been satisfactorily met and neither Viscofan, S. A. nor any of its material subsidiaries were in breach of their financial commitments or of any kind of obligation that could trigger their early redemption.

In 2022 and 2021 there were no defaults or other noncompliance of the principal, interest, or repayments of debts with credit entities. No defaults are foreseen for 2023.

22.4. Interest rate risks in cash flows and fair value

The Group manages interest rate risk by maintaining a balanced portfolio of fixed and floating rate loans and credits. The Group's policy is to hold between 50% and 85% of its loans at a fixed interest rate. At 31 December 2021, approximately 66% of the Group's loans accrued interest at a fixed rate (2020: 66%).

The Group does not own significant remunerated assets.

At 31 December 2022 and 2021, the structure of financial liabilities subject to interest rate risk, once hedges through the derivatives arranged have been taken into account, is as follows:

	Thousands of euros	
	2022	2021
Payable to credit institutions	152,458	93,108
Other financial liabilities (*)	15,716	17,852
Total financial debt	**168,174**	**110,960**
Fixed interest rate (**)	71,407	68,082
Variable interest rate	96,767	42,878

(*) Excluding fixed asset suppliers and lease liabilities

(**) Includes sustainable lending

In 2022 and 2021, the floating interest rates on loans are linked to Euribor and Libor dollar.

The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations (Note 14.1).

The following table shows the sensitivity of profit (loss) for the year to a possible 1% variation in discount and/or interest rates:

	Thousands of euros			
	2022		2021	
	1%	-1%	1%	-1%
Pension plan obligations				
Germany	-162	151	-191	190
United States and Canada	-288	305	-329	328
Plans in other countries	-22	21	-22	23
Financial debt				
Euribor	-752	749	-425	423

22.5. Fuel price risk (gas and other oil derivatives)

The Viscofan Group is exposed to fluctuations in the gas price and other fuels that are used in the casing production process.

The Group policy is to set the prices for main fuels through the arrangement of year-long contracts with suppliers, or by using hedging policies (Note 17.1). It thus attempts to mitigate the impact of price variations on the consolidated income statement.

The following table reflects the sensitivity to a possible gas price fluctuation on 10% of operating results.

	Thousands of euros	
	2022	2021
10%	-5,891	-2,739
-10%	5,891	2,739

22.6. Emission rights price risk

In accordance with the 2013-2020 National Emission Allowance Assignment Plan, and after applying the inter-sectoral adjustment factors outlined in Appendix II to EU Decision 2013/448/EU to non-electricity generators, and the annual 1.74% annual reduction in electricity generators, in accordance with Articles 9 and 9 bis of EC Directive 2003/87/EC, the Group was assigned emission allowances equivalent to 356,915 tones.

In accordance with that described in Note 8, the consumption of emission rights for 2022 amounted to 317,106 tonnes (290,592 tonnes in 2021), generating an expense of €21,492 thousand (€7,860 thousand in 2021).

The sensitivity faced with a possible variation in the average price of the consumption of emission rights of 10% of operating results, would be as follows:

	Thousands of euros	
	2022	2021
10%	-2,184	-786
-10%	2,184	786

23. Information on the Board of Directors of the Parent and Key Group Personnel

23.1. Directors

Directors' remuneration is outlined in article 29b of the articles of association and remuneration policies approved by the General Shareholders' Meeting.

The breakdown of remuneration to Board members in 2022 and 2021 is as follows:

	Thousands of euros							
	Salary	Fixed Remuneration	Atten-dance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration membership Committees	Others	Total
Mr José Domingo de Ampuero y Osma	656	160	-	364	-	-	22	1,202
Mr José Antonio Canales García	506	80	-	281	-	-	56	923
Mr José María Aldecoa Sagastasoloa (*)	-	105	30	-	-	52	-	187
Mr Jaime Real de Asúa Arteche	-	80	30	-	-	38	-	148
Ms. Agatha Echevarría Canales	-	80	30	-	-	30	-	140
Mr Santiago Domecq Bohórquez	-	80	30	-	-	28	-	138
Ms. Laura González Molero	-	80	28	-	-	45	-	153
Ms. Carmen de Pablo Redondo	-	80	28	-	-	30	-	138
Ms. Cristina Henríquez de Luna Basagoiti	-	53	21	-	-	3	-	77
Mr Andrés Arizcorreta García	-	53	21	-	-	17	-	91
Mr Javier Fernández Alonso	-	40	12	-	-	15	-	67
Mr Néstor Basterra Larroudé	-	27	12	-	-	8	-	47
Mr Ignacio Marco-Gardoqui Ibáñez	-	27	12	-	-	8	-	47
Mr Juan March de la Lastra	-	40	18	-	-	12	-	70
Total 2022	**1,162**	**985**	**272**	**645**	**-**	**286**	**78**	**3,428**

(*) The fixed remuneration of the director Mr José María Aldecoa includes 80,000 euros as fixed remuneration for membership on the Board and 25,000 euros for remuneration corresponding to its function as Coordinating Director, as established in the Board of Directors' Remuneration Policy.

	Thousands of euros							
	Salary	Fixed Remuneration	Atten-dance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration membership Committees	Others	Total
Mr José Domingo de Ampuero y Osma	656	160	-	358	1,420	-	21	2,615
Mr José Antonio Canales García	506	80	-	276	1,093	-	50	2,005
Mr Ignacio Marco-Gardoqui Ibáñez	-	80	33	-	-	55	-	168
Mr José María Aldecoa Sagastasoloa	-	105	33	-	-	55	-	193
Mr Jaime Real de Asúa Arteche	-	80	33	-	-	38	-	151
Mr Néstor Basterra Larroudé	-	80	33	-	-	25	-	138
Ms. Agatha Echevarría Canales	-	80	33	-	-	30	-	143
Mr Juan March de la Lastra	-	80	31	-	-	25	-	136
Mr Santiago Domecq Bohórquez	-	80	28	-	-	30	-	138
Ms. Laura González Molero	-	80	33	-	-	45	-	158
Ms. Carmen de Pablo Redondo	-	80	31	-	-	30	-	141
Total 2021	**1,162**	**985**	**288**	**634**	**2,513**	**333**	**71**	**5,986**

Mr Ignacio Marco-Gardoqui Ibáñez completed 12 uninterrupted years in the post of director of Viscofan on 1 January 2022, hence he ceased to be considered an independent external director and acquired the status of other external directors. For this reason, Marco Gardoqui, formally communicated his irrevocable resignation as director of the Company by letter addressed to the Chairman and the entire Board and with effect from the date of the Ordinary General Shareholders' Meeting in 2022 so that the shareholders can fill the vacancy created and appoint a new director who, in addition to meeting the appropriate perfil, has the status of independent external director.

Mr Néstor Basterra Larroudé, whose term of office expired on 25 May 2022, considering that the Ordinary General Meeting had been called for 28 and 29 April 2022, a few days before the expiry of the term of office he also tendered his resignation as a director of the Company by letter addressed to the Chairman and the entire Board irrevocably and with effect from the date of the Ordinary General Meeting of Shareholders in 2022.

At the General Meeting held on 29 April 2022, Ms Cristina Henríquez de Luna Basagoiti was appointed as independent director and Mr Andrés Arizcorreta García as independent director, both from the parent company.

By resolution of the Board of Directors of 23 June 2022, Mr Javier Fernandez Alonso was co-opted onto the Board as proprietary director representing Corporación Financiera Alba, replacing Mr Juan March de la Lastra, who resigned effective that date for professional reasons.

The two Executive directors, José Domingo de Ampuero y Osma and José Antonio Canales García earned a variable compensation totalling 645 thousand euros in the short-term (2021: 634 thousand euros in the short-term). These were calculated based on EBIDTA, net profit, sales, and share price values which were determined in accordance with the annual plan as well as personal performance.

In relation to the Long Term Incentive Plan for the 2022-2024 period (Note 23.3), a liability of 320 thousand euros was recognised in the year.

The remuneration of the Long-Term Incentive Plan for the 2019-2021 period amounted to 2,513 thousand euros for the two executive directors, 678 thousand euros in cash and 32,259 shares valued at the closing price of the share on 31 December 2021.

"Other items" includes 78 thousand euros (71 thousand euros in 2021) in respect of life and accident insurance premiums, health care policies and company cars.

The Company has arranged civil liability insurance for both executive and non-executive directors, as well as for executives of the Company and the Group's subsidiaries. In this insurance, the directors will be considered as the insured parties, due to the liabilities that may arise as a consequence of the performance of their activities. During 2022, amounts were paid for insurance premiums covering the civil liability of its directors and executives for damage caused in the exercise of their functions, amounting to 66 thousand euros (66 thousand euros in 2021).

At December 31, 2022 and 2021, no advances or loans had been granted to the Viscofan Group, nor did the Group have any pension commitments or other non-current savings plans. Likewise, no type of guarantee was granted on behalf of any present or former members of the Board of Directors, related individuals or entities. In 2022 and 2021 the members of the Board of Directors and related individuals or entities did not perform any transactions with the Company or with Group companies other than in the ordinary course of business or on terms other than on an arms' length basis.

Viscofan's directors have communicated that insofar as article 229 of the Capital Companies Law is concerned they do not have any conflicts of interest with the Company.

In 2022, all the Group companies had no legal person administrators in any companies

The Viscofan Group has contracts with its two executive directors which include golden parachute clauses. The termination of these contracts in certain objective circumstances not attributable to these board members, may entitle them to indemnification worth twice their fixed remuneration, comprising two years of non-competition.

23.2. Senior management

The breakdown of parties holding executive positions during 2022 follows:

Mr Luis Bertoli	SAM Geographical Area General Manager (South America)
Mr Andrés Díaz	EMEA (Europe, Middle East and Africa) Geographical Area General Manager
Mr Gabriel Larrea	NAM Geographical Area General Manager (North America)
Mr Juan Negri	General Manager Geographical Area Asia Pacific
Mr Oscar Ponz	General Manager New Business Division
Ms. María Carmen Peña	Chief Financial Officer
Mr Jesús Calavia	Chief Operating Officer
Mr Ignacio Goñi	Chief Commercial Officer
Mr José Angel Arrarás	Director General for R&D and Quality
Mr Armando Ares	Investor Relations and Communications Director
Mr César Arraiza	Head of Strategy, Organisation and Systems
Mr Alejandro Bergaz	Head of Internal Audit
Mr José Antonio Cortajarena	Secretary to the Board of Directors and Head of Legal
Mr José Ignacio Recalde	Head of Diversification and Technology
Ms. Beatriz Sesma	Human Resources Director

In 2022, remuneration received by key management personnel totalled 4,234 thousand euros. In 2021 remuneration amounted to 13,297 thousand euros. In relation to the Long Term Incentive Plan for the 2022-2024 period (Note 23.3), a liability of 593 thousand euros was recognised in the year.

The figure as at 31 December 2021 includes the remuneration of the Long-Term Incentive Plan in the amount of 8,133 thousand euros, 3,763 thousand euros in cash and 76,802 shares valued at the closing share price as at 31 December 2021.

This amount does not include the abovementioned payments made to José Antonio Canales García and José Domingo de Ampuero y Osma, which is reflected further on.

The Company has arranged civil liability insurance for both executive and non-executive directors, as well as for executives of the Company and the Group's subsidiaries, as mentioned in point 23.1.

23.3. Long-term Incentive Plan

The Board of Directors of Viscofan, in a meeting held on 24 February 2022, at the proposal of the Appointments, Remuneration and Sustainability Committee, approved a Long-Term Incentive Plan for 2022-2024 intended for the Company's executive directors, managers and other key staff of the Viscofan Group which, subject to compliance with its objectives, will result in a cash payment and a payment in Company shares. In accordance with article 219 of the consolidated Corporate Enterprises Act approved by Legislative Royal Decree

1/2010, of 2 July, and article 29.2 of Viscofan's Articles of Association, the Plan will be submitted, with regard to the Company's executive directors, for approval by the General Shareholders' Meeting, under the terms provided for in the current legislation and in the Directors' Remuneration Policy.

The Plan consists of an extraordinary, multi-year and mixed incentive, payable in cash and in Company shares which, after the application of certain ratios, based on the degree of attainment of certain targets in the evaluation period (2022-2024), determines in favour of the beneficiaries: (i) the payment of a cash amount and, (ii) on the basis of an initial number of assigned shares, the effective delivery of shares in Viscofan S.A. on the scheduled payment date.

The parameters to be taken into account during the measurement period were:

- Total shareholder return
- Creating sustainable environmental value
- Creating sustainable social value

Based on 152 initial beneficiaries, due to the new recruits and employment mobility, the final number of Plan beneficiaries was 160, with respect to the maximum authorised limit both in terms of cash and shares.

The Plan will be due and paid within one month of the approval by the Company's General Shareholders' Meeting of the financial statements for 2024 ("Settlement Date"), i.e. within the first half of 2025. Beneficiaries who voluntarily withdraw before the Settlement Date will lose all rights arising from it.

The Plan has the following limits:

- With regard to the part to be paid in cash, the Plan anticipates a maximum cost or payment of 11,5 million euros in the event of 100% attainment of the Target, and 17,3 million euros if the Target is exceeded.
- With regard to the part to be paid in shares, the Plan provides for a maximum of 235,000 shares for all beneficiaries if the Target is achieved and 350,000 shares if the Target is exceeded.

The amounts and maximum number of shares for the executive directives are as follows:

- For the Executive Chairman a maximum of 413,280 euros and 17,287 shares for achieving the Target (619,920 euros and 25,931 shares if the Target is exceeded).
- A maximum of 318,780 euros for the Group's Chief Executive Officer and 13,334 shares for the target (478,170 euros and 20,002 shares in the event of exceeding the target).

The Group has recorded a total amount of 3,927 thousand euros for this plan under "Wages, salaries et al" (Note 20.3), of which 1,388 thousand euros are included in "Other reserves" (Note 12.3) and 2,539 thousand euros in "Non-current provisions for employee benefits" (Note 14).

24. Transactions and balances with related parties

The operations with directors and members of senior management are detailed in Note 23. No material transactions have been carried out with the Company or its group of companies that were outside the ordinary course of business of the company or were not carried out under normal market conditions.

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 2022, the Group had dealings with Banca March, S.A., a financial institution linked to Corporación Financiera Alba, S.A., which held 14.25% of the Company's shares at 31 December 2022 (13.97% at 31 December 2021). In particular, the Group's 10-million euro loan agreement was terminated on 6 November (10 million euros as at 31 December 2021). In addition, the exchange rate hedges that the Group had contracted with Banca March S.A. have finalised. (in 2021, an asset amounting to 147 thousand euros). No additional services have been received by companies related to this shareholder in 2022 or 2021. All transactions take place in normal market conditions.

25. Environmental information and climate change

Climate change is a specific risk identified in Viscofan's current risk management system, since climate change and the measures for its adaptation or mitigation may have implications that hinder the attainment of long-term objectives and the creation of value for the stakeholders.

To analyse climate change risk, the Task Force on Climate related Financial Disclosure (TCFD) is taken as a reference to conduct the analysis of risks and opportunities at short, medium and long term; the impact of risks and opportunities in the business lines, the organisation's financial planning and strategy and the measures implemented and envisaged for each type of risk and opportunity.

In the preliminary analysis, the most significant risks were identified as the following:

- Transition. Regulatory changes. Viscofan's production process is energy intensive, so legislative proposals related to this resource and aimed at mitigating climate change may have a particular impact on the business. This is the case of the increase in the price of CO2, carbon taxes or emission restrictions, which may affect the industrial and other energy-intensive sectors.
- Physical - Chronic. Water scarcity: The increase in the planet's average temperatures can increase the risk of water stress, causing a lack of supply at production plants. Based on this risk, Viscofan has identified plants located in regions of high or extremely high water stress, in line with the list of the World Resources Institute. Said plants are located in Brazil, Mexico, Belgium and China and, as a whole, represented 22% of the Group's total water collection in 2022. In 2022, these plants did not have water supply problems.
- Transitional - low emission technology: accelerated transition to low-emission technology in the company's production lines and facilities, e.g. by switching from natural gas equipment to equipment that uses renewable energy sources or generates less carbon emissions. If the speed of this transition is faster than the amortisation period of the equipment or requires non-mature energy technologies to be adopted, it can lead to associated costs and investments, as well as loss of overall product competitiveness.
- Transitional - Market. Rising raw material prices. The physical consequences of global warming or climate change regulation itself may lead to higher prices for raw materials, affecting the company's procurement, transport and distribution worldwide. Increases in the price of raw materials may be caused by their reduced access or availability, or by their carbon footprint.

Viscofan's integral risk management system assesses and monitors the risks and their tendency, taking the necessary management measures which, aside from mitigating the risk, may generate opportunities.

The measures to manage climate risk and their implications are defined in the Sustainability Action Plan approved by the Board of Directors, which includes specific decarbonisation initiatives, initiatives to reduce water collection during the manufacture of collagen, to reduce landfill waste and the circular economy, among others.

From the preliminary analysis performed, no impairment was identified on the current assets and no significant investments were envisaged to comply with the commitments established in our 2022-2025 Sustainability Action Plan, nor were any contingencies or liabilities identified or impacts on financial assets or others.

The cost of PP&E related to the Group’s environmental projects maintained at 31 December 2022 was 78,023 thousand euros (December 2021: 65,418 thousand euros), with an accumulated depreciation of 28,751 thousand euros (December 2021: 26,390 thousand euros).

The main investment projects, amounting to 12,605 thousand euros, have been made in energy equipment that contribute to the reduction of CO2 emissions, such as electric boilers, energy recovery or solar panels, as well as in facilities for processing waste from the production process. Investments in environmental management in 2021 amounted to 6,862 thousand euros.

In 2022, the Group incurred in environmental protection and improvement costs amounting to 9,438 thousand euros. In 2021 this amount totalled 6,906 thousand euros.

The Group arranged civil liability insurance coverage for damages to third parties caused by accidental and unintentional contamination; the insurance coverage refers to any possible risk involved and to date no significant claims in environmental matters have been filed.

The Parent's Directors do not deem it necessary to make any provisions to cover environmental contingencies and expenses.

In 2022 and 2021, the Viscofan Group had not received any significant environmental penalties.

26. Audit fees

In the years ended 31 December 2022 and 2021, the auditors of the Group's consolidated Financial Statements, PricewaterhouseCoopers Auditores, S.L. and other companies with which the company has one of the links defined in the fourteenth additional disposition of the Law on Measures to Reform the Financial System, have accrued net fees for professional services, with the exception of "Other Services", which are based on their billing date, as follows:

	Thousands of euros		
FY 2022	In the parent company	In the rest of the companies	Total
PwC Auditores, S.L.	125	150	275
PwC Network	-	479	479
Audit services	**125**	**629**	**754**
PwC Auditores, S.L.	7	1	8
PwC Network	-	36	36
Other audit-related services	**7**	**37**	**44**
Total as at 31 December 2022	**132**	**666**	**798**

	Thousands of euros		
FY 2021	In the parent company	In the rest of the companies	Total
PwC Auditores, S.L.	106	128	234
PwC Network	-	478	478
Audit services	**106**	**606**	**712**
PwC Auditores, S.L.	4	-	4
Other audit-related services	**4**	**-**	**4**
Total as at 31 December 2021	**110**	**606**	**716**

"Other audit-related services" correspond to the review of the information relating to the System of Internal Control over Financial Reporting (ICFR) of Viscofan S.A.

The amount of the audit fees with firms other than the main auditor totalled €139 thousand (€107 thousand in 2021).

27. Events after the balance sheet date

The Board of Directors, at its meeting on 28 February 2023, agreed to propose to the shareholders at General Meeting the distribution of a final dividend of 0.54 euros per share to be paid on 8 June 2023. Thus, total shareholder return amounts to 1.95 euros per share, including the interim dividend of 1.40 euros per share paid on 22 December 2022, the final dividend of 0.54 euros per share and the premium for attending the Meeting of 0.01 euros per share. This proposal increases ordinary remuneration by 6% as compared to the total of 1.84 euros approved for the previous year.

There are no significant events other than those mentioned above, from year-end to the date of preparation of these financial statements.

Viscofan

Reshaping food and wellbeing.
For many, for long.

Management Report 2022



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Chairman's letter





Chairman's letter

The launch of the Beyond25 Strategic Plan in the 2022 financial year coincided with one of the most unstable economic and political years in recent history. This has compelled us from the outset to guide our business activity in the long term to also respond to the demands of a world that has undergone significant changes in just one year.

It should be noted that our working assumptions for 2022 were blown out of the water less than two months into the year by the war in Ukraine, which further accentuated the imbalances that economies were suffering as a result of the fight against the COVID-19 pandemic.

Tightening supply chains and shortages of materials, transport and energy started an unprecedented spiral of inflation, uncertainty and geopolitical tension. In retrospect, on the cost side, the transport strike in Spain, the increase of more than 40% in the prices of the main raw materials and of more than 60% in energy, the flexibility to change suppliers of raw materials, some because they are located in Ukraine or Russia, others due to the need to find more cost-competitive alternatives in this scenario, without forgetting wage inflation, all stand out. On the revenue side, while it is true that the market has accelerated this year, it has not been easy to cope with the strong increase in demand worldwide for all technologies, as well as extraordinary circumstances in some markets, such as the trade embargo on Russia as a result of EU sanctions, and the lower activity in China caused by the strict confinement resulting from the COVID-19 zero policy in that country.

In 2022, the largest investment in the company's history was made with more than 125 million euros

All these challenges have occurred while operationally we were implementing the new strategic plan, with a new organisation, and the most ambitious investment plan in the company's history.

I would like to take this opportunity to congratulate the excellent work carried out by the Viscofan team, more than 5,300 people who have shown that they share a solid commitment, a desire to improve and a search for excellence. Otherwise, it would be hard to understand why they have successfully completed the projects planned for this year and even undertaken new initiatives that strengthen Viscofan's operational profile. In 2022, the largest investment in the company's history was made with more than 125 million euros, of which more than 100 million euros corresponds to the initiatives planned for this year, and another 25 million euros corresponds to new initiatives aimed at strengthening competitive advantages, especially in the field of energy, and the anticipation of projects planned for 2023.

The progress we have made has been underpinned by our four strategic pillars: service, technology, cost and sustainability, where all of us who work at Viscofan, regardless of our position, must contribute to excellence.

As part of the planned initiatives, we have increased collagen casing capacity in Spain, Germany, Serbia, and China and started preparations for new capacity in the United States, which was commissioned in the first months of 2023. In addition, we have invested in new cellulose technology for the Danville plant in the US, and we have started up the new collagen hydrolysates plant in Germany to drive New Business development. As a result, the investment needs for this year have been reduced, with investments for the year amouting circa of 75 million euros.

In this perspective, the results obtained this year are even more significant, as we have achieved the main objectives we set out in our roadmap for the year.

Revenues grew by 23.9%, driven by higher sales volumes of casings and New Businesses, which had to be significantly supported by price increases that could partially offset the increase in production costs, mainly raw materials and energy.

All this work to improve revenues has enabled us to continue improving our operating results, with EBITDA growing by 8.3%, an all-time high in absolute terms, which in turn has required a sacrifice of 3.2 p.p. in the margin, reflecting a disciplined commercial policy that has combined the need for a greater volume of casings by our customers with the necessary increases in sales prices to guarantee sustainable returns.

Net income grew by 4.8%, below the increase in operating income due to the impact of exchange rate differences with the sudden recovery of the euro in the last months of the year, although it was also in line with the growth targets provided to the investment community.

With these results, the Board has proposed for approval at the AGM a shareholder remuneration of €1.95 per share, 6.0% higher than the previous year and equivalent to a pay-out of 64.6%.

The progress we have made has been underpinned by our four strategic pillars: service, technology, cost and sustainability, where all of us who work at Viscofan, regardless of our position, must contribute to excellence.

I would like to highlight progress on the sustainability pillar within the Beyond25 plan. In addition to our explicit commitment to our adherence to the United Nations Global Compact, it is backed by our Sustainability Action Plan with initiatives and projects that have made significant progress this year.

In 2022 we have reduced by 14% our CO2 emissions, above the progress expected in our decarbonisation targets for the year under the Sustainability Action Plan

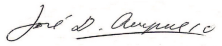
In 2022 we have reduced by 14% our CO2 emissions, above the progress expected in our decarbonisation targets for the year under the Sustainability Action Plan. Examples of the work done in 2022 have been the pioneering trial of the use of green hydrogen in one of our cogeneration engines in Cáseda, the promotion of the use of renewable electricity, the preparations to be able to use our cellulose as biomass, as well as the studies to achieve greater self-consumption of electricity from photovoltaic sources in 2024. However, the volatility in energy prices, the threat of shortages and restrictions, a particularly dry and warm climate this year in Europe, and new regulatory obligations have reinforced the need to work against climate change and to have a greater diversification of energy sources, in order to achieve, as far as possible, greater self-consumption, and to commit to a greater mix of energy from renewable sources.

Within the corporate governance of the company, I would like to welcome Cristina Henríquez de Luna, Andrés Arizkorreta and Javier Fernández, who joined the Viscofan Board in 2022, confident that their knowledge and experience will help to continue building this Group, and sincerely thank the work carried out during their mandate by the directors Néstor Basterra, Ignacio Marco-Gardoqui and Juan March, who have contributed very positively to Viscofan's results and leadership in all these years.

When I was writing these lines last year, I expressed the conviction that Viscofan was better prepared than ever to face the demands of the environment, and the results confirm this. Again I want to reiterate this message. Viscofan can look to the future with optimism. In 2023 we expect to grow revenues by 12% to 6%, driven by volumes, necessary price increases and despite the unfavourable currency environment currently envisaged. In addition, in a context where inflationary risks remain, especially in energy, we expect EBITDA to grow by 6% to 9% and net income by 10% to 15%.

Results to be accompanied by new initiatives. The start-up of the new cellulose technology and the new collagen dry-tech capacity in the USA, the opening of the sales branches in Italy and the Philippines, or the installation of a new converting centre in Thailand are some of the most representative examples.

The context remains demanding for this new financial year, but thanks to Viscofan's formidable team and the support of customers, suppliers and shareholders, we can face them with optimism, setting ourselves new challenges of profitable growth and sustainability.



José Domingo de Ampuero y Osma

2

Statement of Non-Financial Information





2.1. General Information

2.1.1. Foundation

The Non-Financial Information Statement (Sustainability Report) aims to identify risks to improve sustainability and increase the confidence of investors, consumers and society in general, as well as to contribute to measure, monitor and manage the performance and impact on society of the Viscofan Group (hereinafter referred to as "Viscofan Group" or "Viscofan"); Viscofan S.A., parent company of the Viscofan Group, (hereinafter referred to as the "Company") and subsidiaries, providing relevant information that may substantially influence the decision making of stakeholders.

The Sustainability Report aims to identify risks to improve sustainability and increase the confidence of investors, consumers and society in general

This non-financial statement covers the period from 1 January to 31 December 2022 for the financial year of the Viscofan Group.

The scope of this report covers the series of companies that form part of the Viscofan Group at 31 December 2022, detailed in note 2 to the annual consolidated financial statements.

This report was drawn up by the Board of Directors of Viscofan S.A. on 28 February 2023.

This document was prepared pursuant to Law 11/2018, of 28 December, on non-financial and diversity information. Furthermore, Viscofan has prepared this report based on the Global Reporting Initiative (GRI) standards for the aforementioned period.

Alongside this, the United Nations Global Compact, of which Viscofan is a member, has been taken as a reference. In this regard, it is also a progress report on the measures taken by the Group to implement the 10 Principles of the Global Compact, in line with the Global Compact reporting policy.

To contribute to improved climate change reporting, Viscofan has used the Task Force on Climate-related Financial Disclosure (TCFD) as a reference, which recommends general elements on which the organisations must focus to manage climate change risks and opportunities, and the Carbon Disclosure Project questionnaire, which includes the TCFD recommendations.

In addition, the Environmental Pillar section of this report complies with the reporting obligations laid down by Article 8 of the European Union Regulation 852/2020 on the establishment of a framework to facilitate sustainable investments, developed by the Delegated Regulation 2139/2021, which determines the eligible activities with respect to climate change mitigation and adaptation objectives, and in accordance with the Delegated Regulation 2178/2021 which develops the reporting methodology.

This report details and explains the relevant aspects identified in the materiality analysis based on the new Viscofan Group strategy called Beyond25 and the new Sustainability Action Plan for the 2022-2025 period, and with a longer time horizon based on the 2030 commitments related to the United Nations Sustainable Development Goals, and on the goals set out in the European Green Pact to overcome the challenges of climate change and environmental degradation which, among others, seeks to achieve climate neutrality in the European Union by 2050.

In accordance with requirement 7 of GRI Standard 1-Foundation 2021, this report includes a GRI Content Index as a navigation tool in the Annex to the Non-Financial Reporting Statement, item 2.6.2 Global Reporting Initiative (GRI) Content Index.

Furthermore, the traceability of the content of this report with the Non-financial and diversity information Act 11/2018 is detailed in the Annex to the Statement of Non-Financial Information point 2.6.3. Content index of Law 11/2018 on Non-financial and diversity information.

The contact point for questions about the report is the Investment Relations and Communications Department:

- Telephone no.: +34948198436
- E-Mail: info-inv@viscofan.com



Contact point Investment Relations and Communications

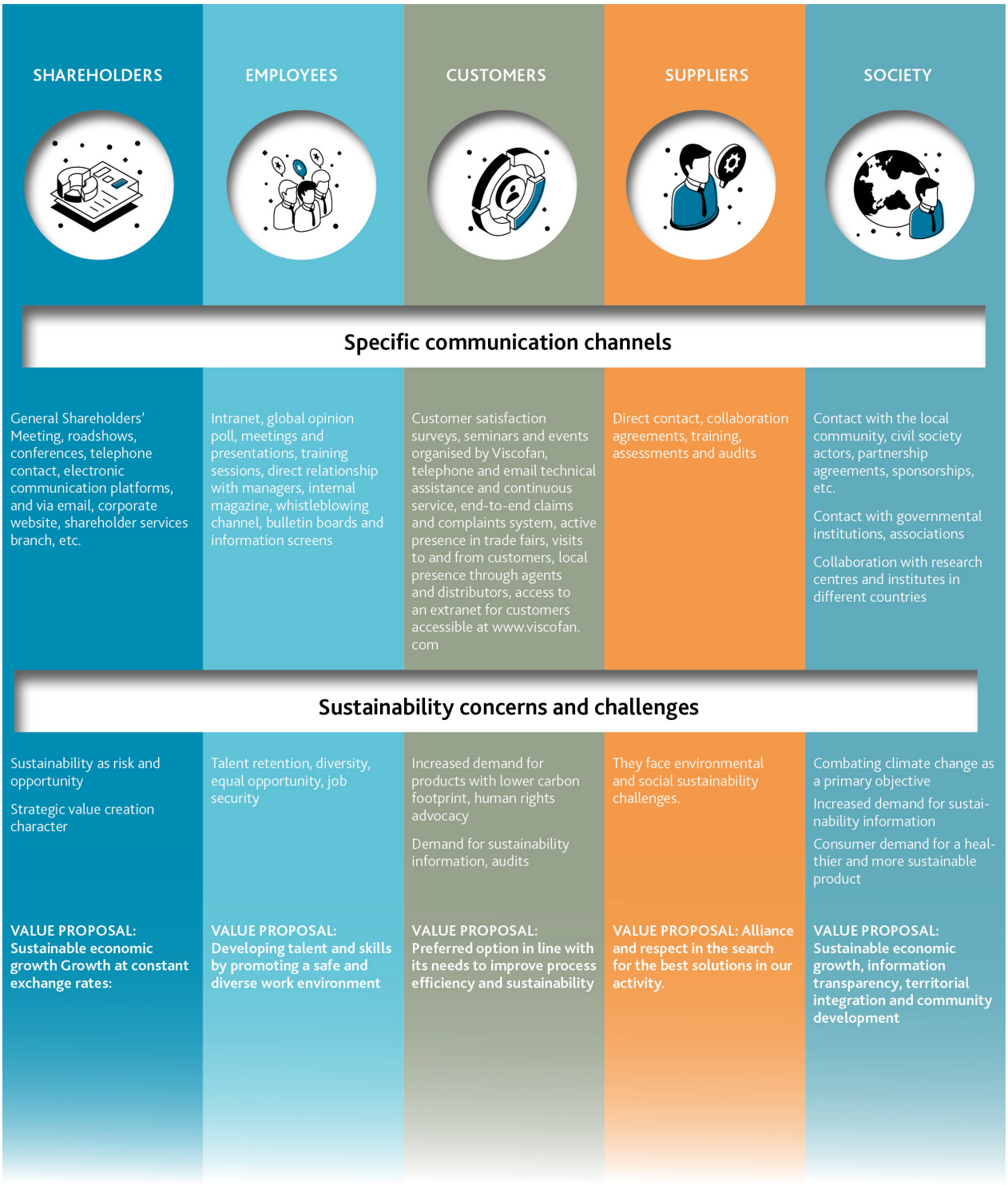
+34 948 198 436
info-inv@viscofan.com

Relations with our stakeholders

The Viscofan Group understands sustainability as the ability to create value among its various stakeholders in the short, medium and long term without compromising the well-being of future generations. To achieve this commitment, appropriate communication channels have been identified and established to ensure an open dialogue and to be aware of their needs and expectations, allowing the identification and analysis of the most relevant aspects of value creation that inspire the Viscofan Group's success strategy.

The details of stakeholders and the communication channels used are as follows:

STAKEHOLDERS AND THE COMMUNICATION CHANNELS



Materiality

This Non-Financial Information Statement is organised in its structure to inform on Viscofan's performance in the most significant matters identified in the area of sustainability.

This report contains the information on the performance and response of the Viscofan Group to the most significant aspects identified, taking into account the findings of the materiality analysis performed with the advisory services of an independent expert.

Within the framework of the Viscofan Group's Beyond25 Strategy and the Sustainability Action Plan, both with a 2022-2025 horizon, the Group has a materiality analysis that identifies the most significant economic, environmental, social and governance impacts of the company that substantially influence the assessments and decisions of stakeholders.

A dual perspective reflected in Directive 2014/95/EU on disclosure of non-financial information and diversity information has been taken into account:

· Outsider's perspective: How the non-financial aspects affect the situation and earnings of the Viscofan Group.

· Insider's perspective: How the Viscofan Group affects the surroundings from the viewpoint of social, environmental and human rights protection aspects and, therefore, how it affects the different stakeholders.

For the preparation of the materiality analysis, 45 material aspects were identified for the different stakeholders on the basis of the following:

· Analysis of the reporting standards used by benchmark companies of the main clients.

· Analysis of different media to identify trends in the most significant aspects for society.

· Sustainability trends. United Nations Global Compact and Sustainable Development Goals (SDG), Taskforce on Climate-related Financial Disclosures (TCFD) and CDP.

· Reporting standards (Sustainability Accounting Standards Board or "SASB").

· Requirement of analysts and institutions.

· Regulatory analysis. Law 11/2018, of 28 December, which amends the Code of Commerce, the consolidated Corporate Enterprises Act approved by Legislative Royal Decree 1/2010, 2 July, and Audit Law 22/2015, in the area of non-financial and diversity information.

· Recommendations of the GRI Standards, which establishes materiality as one of the Conformance Requirements that determine the content of the reports that report under this standard.

These significant issues were then presented to the heads of various areas of the Viscofan Group to assess their impact on the Group's operations, reputation, and the environment.

The results of this analysis have been presented in a materiality matrix, with the vertical axis representing the external importance and the horizontal axis the internal importance.

Of the 45 material aspects analysed, the positioning obtained allows focusing on the 24 topics of greatest external and internal relevance in the matrix obtained, which are disclosed in this Non-Financial Information Statement.

The result of this analysis has served to monitor the Sustainability Action Plan approved by the Company's Board of Directors, in which the most significant aspects identified in the area of sustainability are aligned with the implementation established in the Strategic Plan.

Materiality Matrix

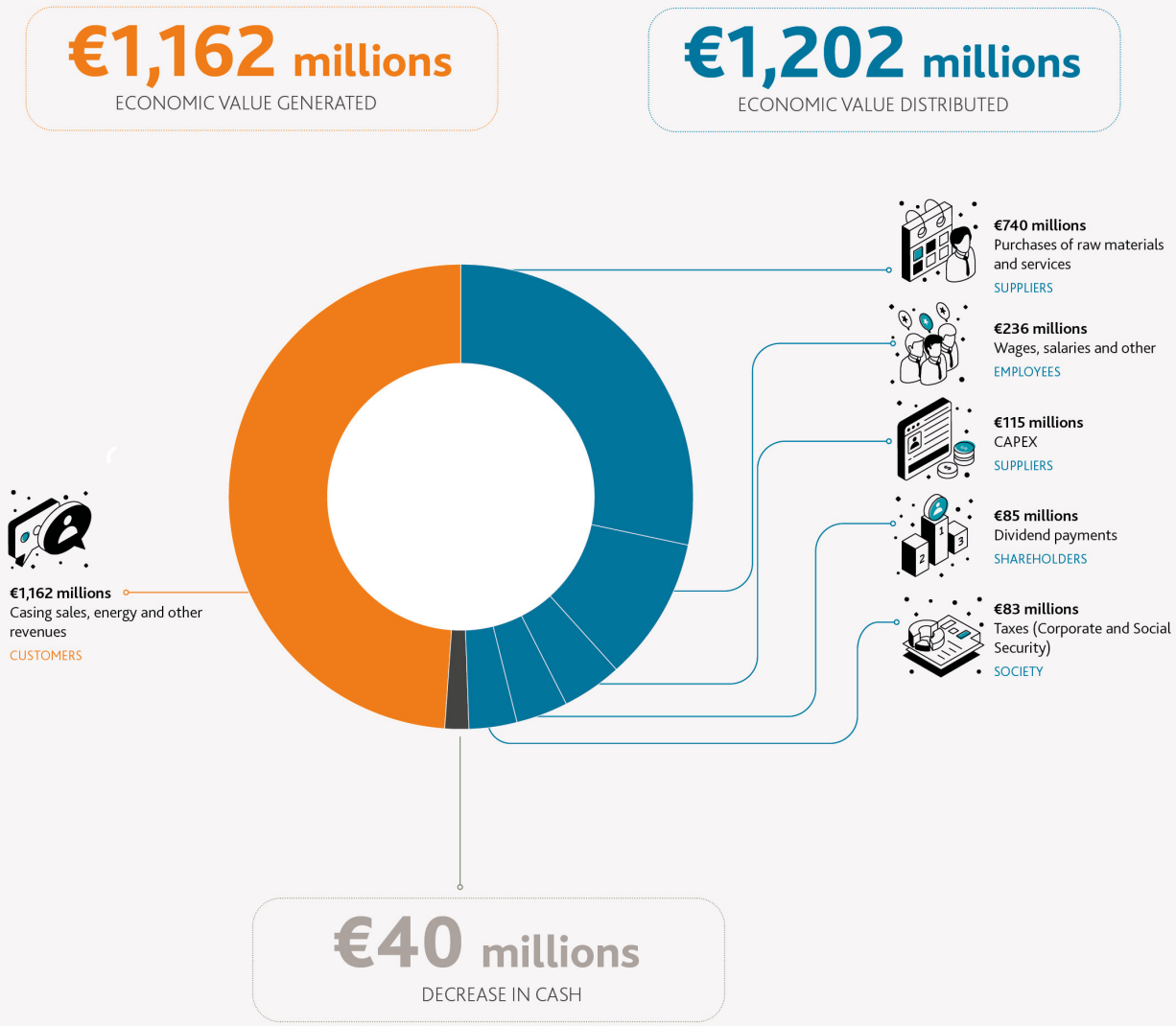


GOVERNANCE PILLAR	SOCIAL PILLAR	ENVIRONMENTAL PILLAR	ECONOMIC AND FINANCIAL PILLAR
• Good Governance	• Diversity, equality and non-discrimination	• Climate change	• Investor and shareholder value
• Sustainability Strategy	• Health and safety	• Energy transition	• Technology and digitisation
• Stakeholder communication	• Quality employment	• Greenhouse gas emissions	
• Corruption and fraud	• Salary gap	• Circular economy	
• Risk management	• Training	• Integrated water cycle	
• Respect for human rights	• Customer satisfaction	• Energy efficiency	
	• Sustainable supply chain management	• Environmental management	
	• Consumer health		
	• Local communities		

Generated and distributed value matrix

Based on the cash flows generated in 2022, the matrix of value generated and distributed by stakeholder is as follows:

Generated and distributed value matrix



2.1.2. Business model

The Viscofan Group has a business model with a technological and geographical proposal that is unique in the market, based on the solid shared values of a team, aimed at creating value in a sustainable manner for all our stakeholders. As a result of this model, Viscofan is a leader in the casing market and offers growth propositions in the food and health sectors outside the traditional business.

Business model

Mission

Meet the needs of the food industry through production and commercialization of tailor-made casings, as well as taking advantage of business opportunities which stem from the know-how achieved by the production and marketing of products based on collagen for food use and bioengineering.

Strategy



Vision

In the current strategic plan, Beyond25 Viscofan aims to accelerate growth compared to previous strategic plans with transformation projects that allow us to strengthen leadership in the traditional Business and gain size in the New Businesses, doing so in a profitable way and while we move steadily towards the achievement of the Sustainability Commitments set for 2030.

Traditional Business Casings

- Raw materials
- Casings production
- Customer *(food industry)*
- Retailer
- Consumer

New businesses

- Collagen hydrolysates
- Veggie
- Edible films
- Transfer of spices
- Plastics
- Nutra-pharma-bio
- Diversification

Competitive advantages

ASSETS



PEOPLE AND VALUES



KNOW-HOW



Stakeholders

SHAREHOLDERS



EMPLOYEES



SUPPLY CHAIN



SOCIETY



Our purpose and mission

Purpose

From 2022, Viscofan has a new purpose with which it wants to go beyond traditional boundaries "Reshaping food and well-being. For many, for long", seeking to help to provide access to food and nutrition throughout the world, and to improve the well-being and health of people.

"Reshaping food and well-being" means that: our technology and our global presence enable us to be in a condition to forge a better world. We contribute to improve access to food throughout the world and we can also help, through nutrition and our knowledge, the well-being of human beings.

"For many" means that: if something characterises us, it is that we have always wanted to be important, to generate an impact; hence, our scope of action in the world is, "for many" - the more people that can enjoy our products, services or solutions, the better it is for our purpose.

"For long" means that: we generate an impact that remains a future project, a project that intends to be forever, "for a long time". It is an impact for everyone, for life, and for the well-being of everybody. It is our sustainable proposal.

Mission

Manufacture, distribution and sale of casings and the films for use in the food industry; collagen-based products for food and bioengineering use, and the generation of electricity for sale to third parties through cogeneration systems.



Strategy

Viscofan has begun the new Strategic Plan Beyond25, maintaining the ambition to transform the Company in the same way as in the previous strategic plans. To this end, Viscofan expanded its business scope with a new purpose "Reshaping food and wellbeing. For many, for long", seeking to help to provide access to food and nutrition throughout the world, and to improve the well-being and health of people.

This means redefining our business model with a new approach to the market that combines our strong competitive advantages: the combination of the world's largest geographical presence, both productive and commercial, with a wide and unique catalogue of products, developed on the basis of its own technology and know-how, which continue to develop continuously thanks to a culture of excellence and continuous improvement, based on solid values and ethical principles shared by a highly committed team.

The new strategic plan has four leading management regions to have greater market proximity and flexibility: Europe, Middle East and Africa (EMEA), North America (NAM), Asia Pacific (APAC) and South America (SAM), completed with a cross-cutting "New Business" division.

The new strategic plan has four leading management regions to have greater market proximity and flexibility: Europe, Middle East and Africa (EMEA), North America (NAM), Asia Pacific (APAC) and South America (SAM), completed with a cross-cutting "New Business" division.

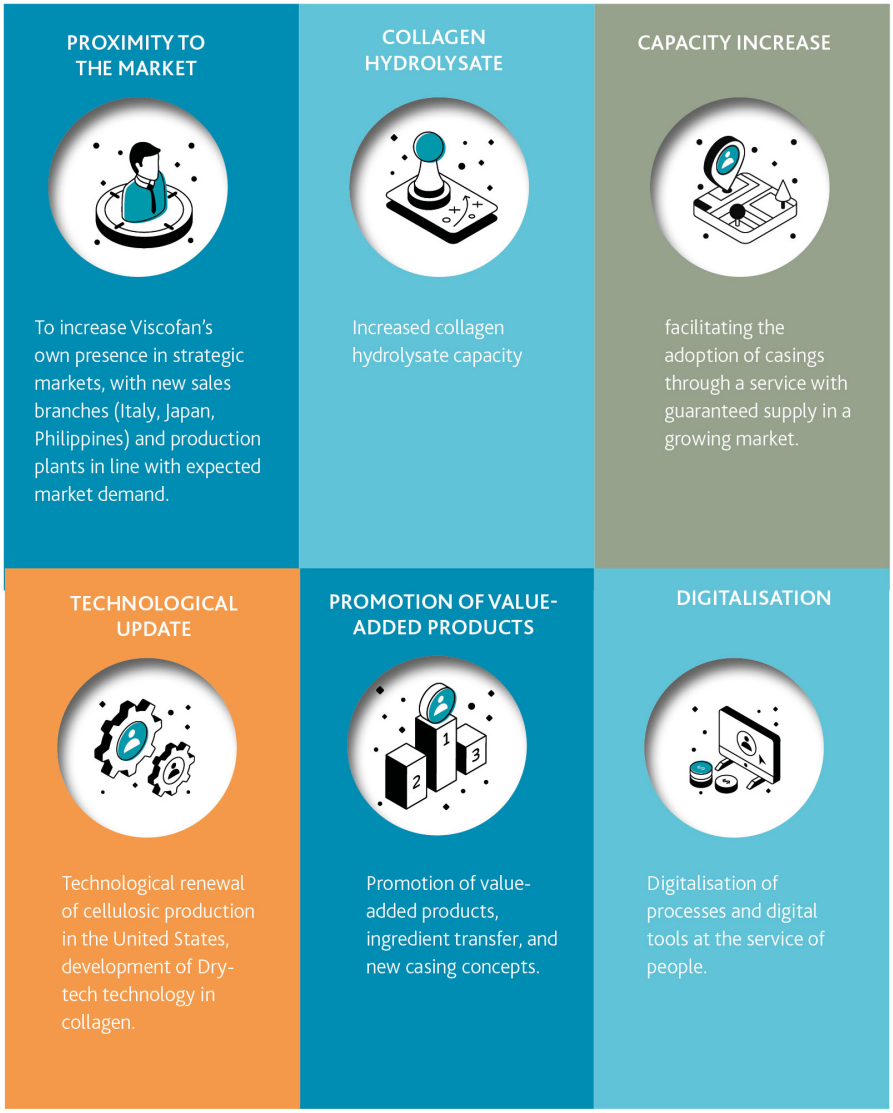
In addition, the strategy is based on a new approach to the market that distinguishes between the Traditional Business (which includes cellulose, collagen and fibrous), where Viscofan is in a privileged position to continue to take advantage of growth opportunities, and the New Business (which includes tubular plastics, packaging and third parties, new edible casings, functional solutions, nutra-medical-pharma products, as well as diversification activities), where Viscofan wants to leverage its know-how as a catalyst for innovation to expand into new markets with attractive growth trends in the food, wellness and health sectors.

The strategy is based on four cross-cutting pillars: service, cost, technology and sustainability, with the ambition to lead the market in each of these areas.

In accordance with the new strategic plan, a new 2022-2025 Sustainability Action Plan has been established with specific projects to combat climate change, measures to reduce water consumption and improvements to transform our processes into a more circular economy and reinforce our commitments to the Sustainable Development Goals of the United Nations 2030 Agenda.

To drive change, the Digitalisation and People lever has been introduced, with people management and digital transformation initiatives to help streamline processes, boost career development and improve work-life balance.

The main strategic projects are:



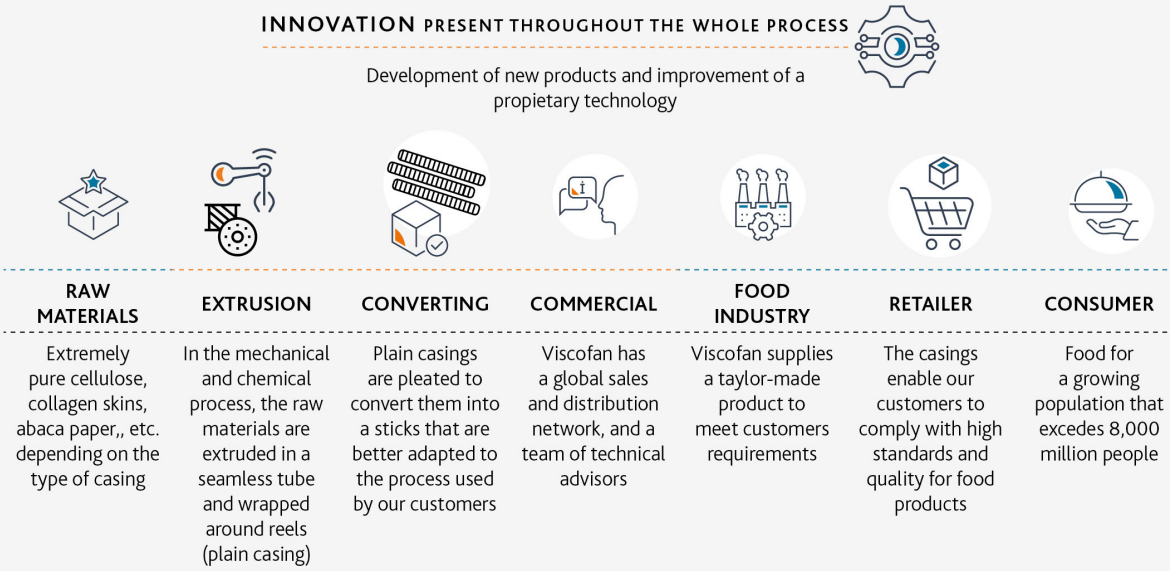
Our markets

Traditional Business - Casings

Casing plays a key role in the food market. They are soft, cylindrical containers made from animal gut or from materials specially designed for stuffing meat or other food ingredients. They give sausages and cold meats their characteristic shape and are of great importance to our customers, who are looking for greater efficiency, increased production speed, reduced waste, and assured quality and consistency. That is why the use of casings is widespread throughout the world.

The casings are characterised by their ease of use and appearance, which contrasts with the high technological component underlying the manufacturing process and which only a few companies worldwide have developed. However, the food industry and, more specifically, the cold meat production sector, increasingly demand more products with greater features, more sustainable and at highly competitive costs, to enable their large-scale manufacture. Responding to this demand involves a huge technological and development challenge that Viscofan has successfully met as the largest casing producer, being the only one in the industry to provide solutions in the main casing families.

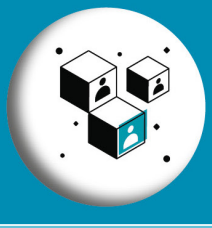
Diagram of the casing production process and value chain



Belonging to the food market carries with it a great responsibility: that of providing millions of people worldwide with access to basic nutrition. A population that is continuing to grow and whose expectations in terms of taste, preparation and consumer experience are also changing and diversifying while providing a maximum guarantee of quality and food safety.

The custom casing market has a historical growth range of around 2-4% in volumes thanks to solid foundations based on:

POPULATION GROWTH



An average annual rate of 1%, with emerging areas driving this expansion.

EATING HABITS



Increased per capita demand for meat led by emerging areas thanks to the increased purchasing power of the middle classes, globalisation of eating habits and the population growth in cities. In developed areas, nutritional trends are evolving towards the search for greater convenience and products of higher nutritional quality and food safety.

GREATER SOPHISTICATION OF MEAT PROCESSORS



Increased search for productivity, food safety and hygiene, and the development of new products drive the replacement of animal casings with artificial casings (mainly collagen), as well as the development of new products.

The 2022 financial year has been characterised by strong demand for casings with an estimated growth in volumes of around 5%, above the aforementioned historical growth range of the market. This behaviour is driven by the growing interest of meat processors in collagen casings as they seek higher productivity and service assurance over other alternatives in a context of high inflation and supply chain disruptions. In addition, demand for casings is increasing in several countries due to the change in the population's eating habits towards a basic diet that includes cold meats, a trend driven by the rising cost of living in households.

The 2022 financial year has been characterised by strong demand for casings with an estimated growth in volumes of around 5%,

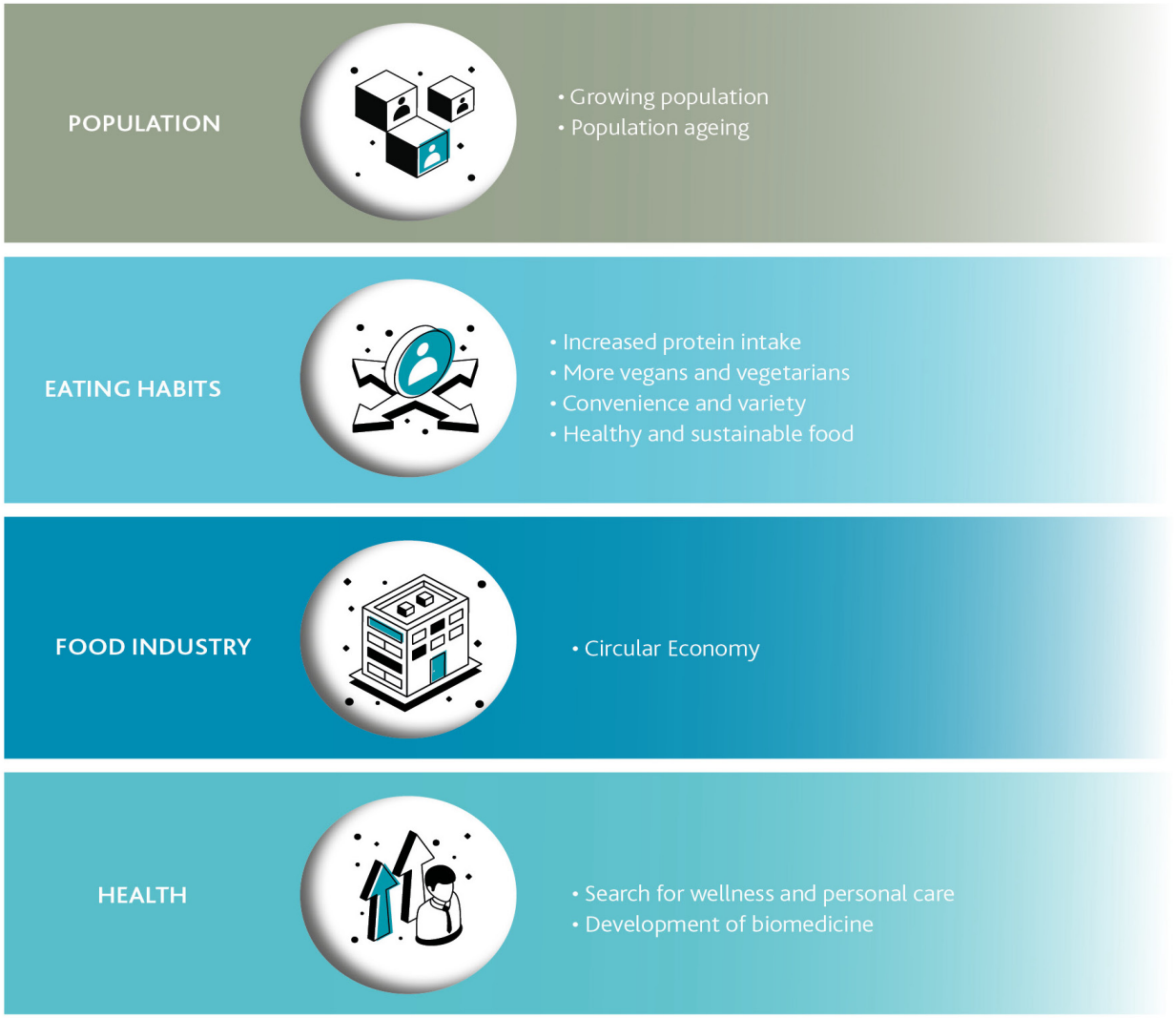
In 2022, the tripe and casings market stood at around 63 billion metres (61 billion metres in 2021) and had an estimated value of €5,000 million (€4,500 million in 2021). In order to meet the stuffing needs, a meat processor must choose from among the different market alternatives, either with animal tripe (46% of the market) or artificial casings, which, in turn, can be produced with different materials, depending on the desired production and product characteristics, combining a better range of casing with production savings.

New Businesses

The know-how and experience acquired in diversification with the use of collagen as an ingredient in different applications not related to the world of casings, our continuous dialogue with the market allowing us to identify needs not always associated with casings, together with the experience we have gained in our own production processes, have given rise to product solutions framed within the New Business division.

With this division, Viscofan goes beyond the traditional casing market and enters a market with a potential of more than €5 billion in which Viscofan has a small size, but it is undoubtedly a great opportunity with products and innovations that seek to provide solutions to trends in the areas of food and health that are becoming increasingly relevant.

The main growth catalysts identified are:



Diversification

Within the New Business division, Viscofan has a diversification-driven unit that actively pursues and develops growth opportunities and cutting-edge innovation in materials and new businesses beyond casings.

These opportunities are explored and developed directly by internal teams and through partnership agreements with third parties that stand out in specific areas (technological, industrial, medical, etc.)

Food, health and sustainability activities are the main pillars of diversification activities.

Of these, Viscofan's ample knowledge in the processing, use and transformation of raw materials of a biopolymeric nature constitutes an innovation opportunity and, hence, a growth opportunity for Viscofan. A good example are the new solutions based on the technological knowledge of collagen.

Collagen is the most abundant protein in the human and animal body, but at the same time, it is a unique and versatile material and therefore finds applications in various fields beneficial to people such as regenerative medicine, nutrition, health, life sciences, etc. Viscofan applies technologies and extraction methods to process bovine skin collagen for the development and production on an industrial scale of new collagen biomatrices in the medical and nutraceutical fields.

In addition, Viscofan explores new business avenues by taking minority stakes in several disruptive start-ups, providing financing, and in some cases, knowledge, resources and access to markets to facilitate their growth. The investee companies are (ODS Protein, Feltwood, MOA Biotech, Insekt Label Biotech, Ekolber).

Viscofan also participates in alliances in which it shares knowledge for the development of innovative solutions in different fields. In this regard, the following stand out: participation in the TriAnkle project, a consortium of companies led by Viscofan and with EU funding to manufacture customised 3D implants based on collagen and gelatine for the regeneration of injured tendons and cartilage, and participation in the European consortium Accelerating Research and Innovation for Advanced Therapies (ARDAT) for the development of advanced therapy drugs; participation in the Protection project, which seeks to investigate new protein sources and their impact on the immune system, and which is funded by the CDTI in Spain.



Our competitive advantages

Viscofan's progress is understood from achieving sustainable competitive advantages, which are the result of the work and commitment of an exceptional team that has been offering the best of each one of them for more than 45 years, to turn Viscofan into the leading company in the casing sector and to expand its frontiers towards new businesses in the fields of food and wellness.

People and values

People are the differential value on which the future of Viscofan is built, the best team in the industry, made up of more than 5,300 people and based on shared values:



We are resolute: we strive for excellence in quality, we are customer and results-oriented, we are committed to our work, and we carry it out in an agile manner.



We work as a team: we perform our work with passion, we value know-how, agility and excellence. We like to work as a team with a common purpose.



We are pioneers: we look for new ways of doing things, taking the risk of going further, diversifying, innovating and contributing to a better future.



We enjoy our work: we are excited about life, we are eager to do things, make decisions and seize opportunities. We value responsibility and commitment to work.

In parallel, these values are underpinned by inalienable ethical principles that stem from the fundamental rights of all human beings (integrity, loyalty, respect and human rights).

The Viscofan Group understands that the creation of long-term sustainable value for all stakeholders can only be achieved through ethical behaviour that favours the development of a culture of best practice in social responsibility within the Group and by contributing to improving people's well-being through the economic, environmental and social development of the communities in which the Viscofan Group is present.

R&D and Innovation. Technology and know-how

Viscofan's position in the constantly evolving, highly competitive world market is sustained by its constant cutting-edge efforts in research, development and innovation (R&D&i), both in technology and products. Only this philosophy enables the company to advance the leadership of innovations in the casing industry worldwide and to drive and develop new business, thus benefiting the various stakeholders.

This activity is possible thanks to an innovation network and culture that extends to the whole organisation, and the corporate research and development centre in Spain coordinates, directs and supports the specific research and development activities and tasks conducted at each production plant and coordinates the multidisciplinary work teams. The corporate centre seeks to share the best practices, technological knowledge and ideas between the different production centres. This team consists of 160 people across the Group (160 in 2021) spread across all factories, including the Diversification team.

Constant innovation required by our **globalised world** must be taken into account. Our products must be compatible and adapt to the food habits and uses of millions of world consumers, their preferences and evolution over time. Viscofan accompanies its growth as a company with the development of its innovative capacity to access, assimilate and improve the best technologies available in the market, as well as to develop its own technologies that provide competitive advantages while promoting continuous improvement, seeking greater efficiency and greater

sustainability in the improvement of processes and products.

In this regard, Viscofan adopts a proactive approach in the search for sustainable solutions at the technology and product level, boosting relevant aspects, such as the circular economy, the search for energy efficiency, the reduction of CO_2 emissions and the reduced need for water.

Progress in the field of **digitalisation** represents a new innovation opportunity that Viscofan wants to take advantage of to lead the industry's digital transformation. In collaboration with third parties, Viscofan's 4.0 industry team wishes to apply the solutions offered by new IT technologies to our operations. We are seeking to improve the quality of our products, to obtain the best information possible to improve our production process and to perform predictive maintenance, etc., through solutions based on artificial vision, the development of technological solutions with the digitalisation of the movement of materials within the facilities, and the development and implementation of a smart 4.0 industry management system.

Innovation is an ongoing process with strategic product and technological development projects in all casing families (cellulose, collagen, fibrous, plastic and vegetable), and in its final product applications, also including other diversification products. Our innovation boosts the innovation of the food sector, enabling applications to be developed aimed at providing Viscofan with the range of products required to reinforce its presence on the global market.

Action projects

In this regard, the main current Research, Development and Innovation projects underway are principally focused on the following areas:

- The development of new products according to the target markets defined in the expansion plan, and those required by our customers, and also new generation executions, designed and oriented towards offering tubular alternatives with differential performance and features.

- The development of films and casings that are able to confer functionalities to the product they contain, gaining efficiency and preventing food waste.

- The development of production alternatives and technological solutions through radical breakthroughs that allow an increase in added value and efficiency levels or significantly reduce production costs for meat casings through modernisation, streamlining and simplification, improving not only Viscofan’s competitiveness but also the sustainability of its products and processes.

- Research aimed at extending the range of adequate materials to manufacture casings and their features while also taking into account sustainability criteria such as their biodegradability or recyclability.

- Technological support for improving existing products and processes, and for the Company’s international expansion, all this adhering to Viscofan’s technological and quality standards and current regulations, as well as the optimisation of production costs.

Our assets. Wide product offer

Viscofan is the only company in the casing industry with the main technologies available, and offers its customers a wide portfolio of casings that allows them to choose the one that best suits their needs in a context of globalisation in food habits and the need to adapt to changing consumer demands where the focus on health, convenience, experience, variety and sustainability awareness are more relevant.

Our casings facilitate access to basic food for a growing world population, especially in emerging areas whose consumption habits increasingly demand more protein, whether of animal or vegetable origin.

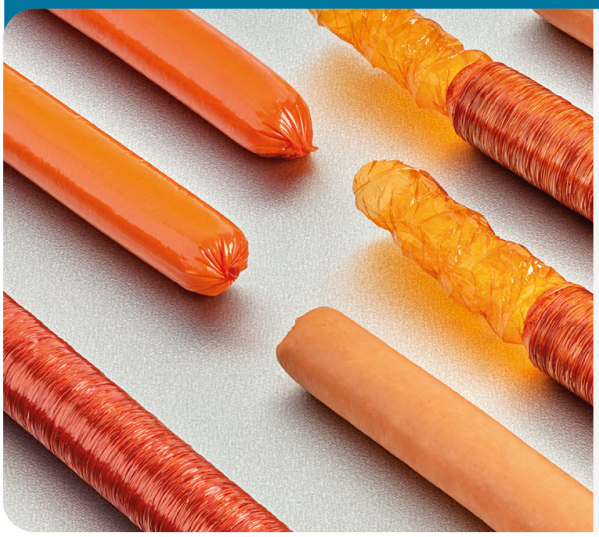
In addition, with the new purpose "Reshaping food and wellbeing. For many, for long" seeks to expand its frontiers beyond traditional casings into the food and health fields with New Business innovations.

Our broad casing product portfolio, the largest in the industry, allows the customer to choose the casing that best suits their needs with 13,673 products sold in 2022, while with the new Beyond25 vision and Strategic Plan, we expand frontiers with innovative New Business solutions that go beyond traditional casings.



Our product categories are as follows:

Traditional Business



Cellulose casings

They are made using natural cellulose as raw material. They are used primarily in the production of industrially cooked sausages.

"Casing that provides competitiveness in an inflationary environment and sustainability due to its plant-based and biodegradable origin."



Collagen casings

They are produced using collagen as raw material, ideal for fresh or pre-cooked or raw/cured sausages.

"Attractive alternative to animal casings supporting customers in their automation challenges and cost savings."



Fibrous casings

Made from a mixture of cellulose and abaca paper, a vegetable-based paper that makes the casing highly resistant and homogeneous for the production of large-calibre sausages.

"The best solution for today's increasingly demanding industrial processes: speed, productivity and efficiency."

New Businesses



Plastics

Casings, films and bags obtained through the processing of plastic polymers also promoting the use of renewable and bio-based raw materials. There is a wide variety of types that allows us to offer the most suitable product for each type of application.

"Focus of growth on sustainability and added value."



Vegetable casings

Plant-based and specially developed for vegetarian and vegan recipes. Suitable for fresh and cooked applications, with good frying results and a tender bite.

"Viscofan has been a pioneer in developing a tubular product."



Transfer of spices

Functional spice transfer solution applicable to a wide range of foods such as fresh produce, processed meats, cheeses, and ready-to-eat products.

"New generation of solutions to help customers in their search for new products."



Edible films

Transparent, edible, soluble film made from plant-based polysaccharides that serves as a carrier for a wide variety of herbs, spices, sauces or marinades.

"Disruptive innovation to reach more markets."



Collagen hydrolysates

Collagen plays an important role in our body. It supports tendons, skin and cartilage, thus supporting the integrity, firmness and elasticity of the musculoskeletal system, soft tissues and skin.

"Premium product leveraged on Viscofan's experience with this raw material."



Nutra-pharma-bio

Processed bovine skin collagen products for the development and industrial scale production of new medical and research grade collagen biomatrices.

Together with partners, Viscofan is developing projects in this field, such as Cardiomesh for infarcted hearts, TriAnkle to regenerate Achilles tendon injuries, among others.

Leveraging our collagen know-how in the medical field."

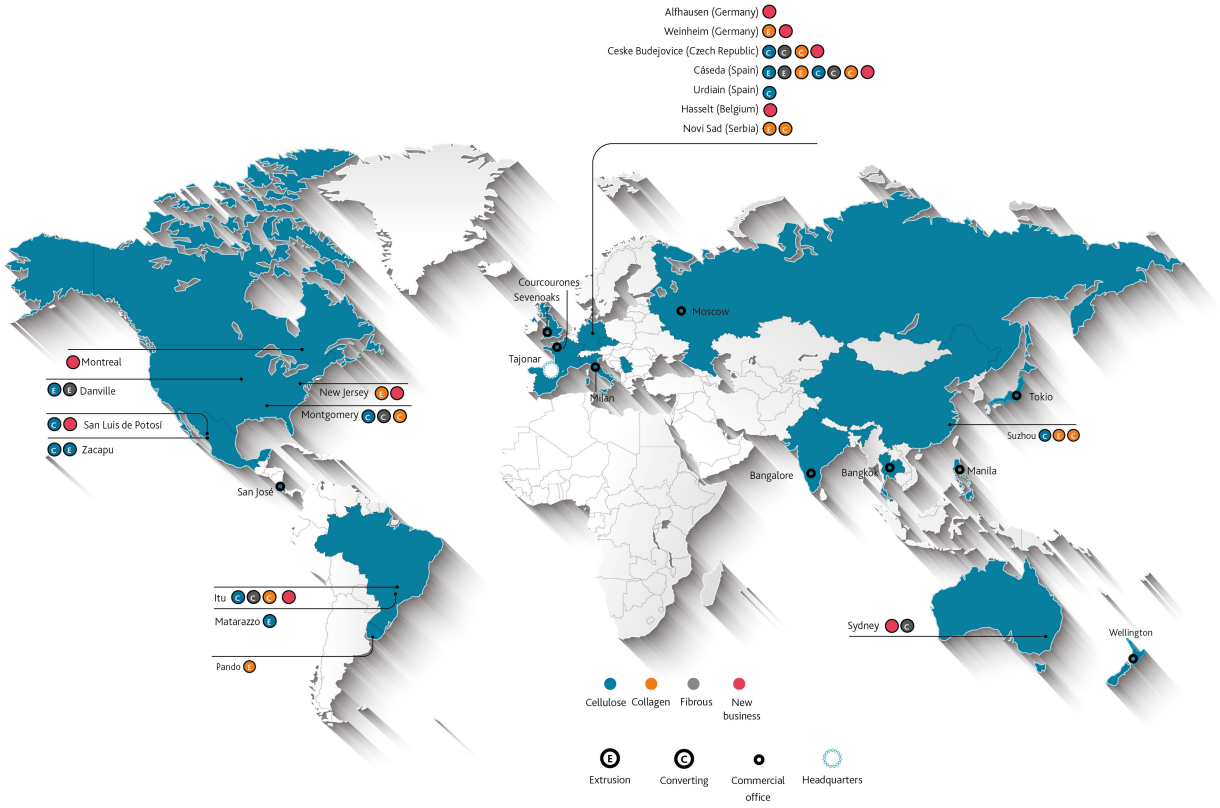
For more information on Viscofan's products, please consult the Products and Markets section of the corporate website.

Our assets. Geographical presence

The casing market is global. Our customers are located in 106 countries around the world, so providing a quick response adapted to their needs is often a differential element of their purchase decision. To improve this response capacity, we have the largest production and sales network in the market, with a presence in 20 countries and 19 production plants.

Geographical expansion is a constant in the Viscofan Group. In 2022, we began the process of opening representative branches in Italy and the Philippines in order to improve our service in these important markets and improve our learning process. Construction of a converting plant in Thailand is also scheduled to begin in 2023.

This expansion joins those carried out in 2021 with the incorporation of the company Viscofan Japan GK with the aim of having its own commercial presence in Japan, one of the main casing markets in the world.



Vision and strategic goals

In the current strategic plan, Beyond25 Viscofan aims to accelerate growth compared to previous strategic plans with transformation projects that allow us to strengthen leadership in the traditional Business and gain size in the New Businesses, doing so in a profitable way and while we move steadily towards the achievement of the Sustainability Commitments set for 2030.

The targets set are:

Financial targets for 2025

REVENUE

Over **€1,450** million and which represents an annual CAGR **growth rate of 10%,** higher than the +6.3% of the Be ONE Strategic Plan, the +7.0% of Be MORE, and the +4.6% of MORE TO BE.

EBITDA MARGIN

25%

CUMULATIVE CAPEX

€425 M

2022-2025

2030 sustainability commitments

CLIMATE CHANGE

30% reduction of CO_2 emissions in tonnes/million metres extruded vs 2018.

CIRCULAR ECONOMY

30% reduction in tonnes of waste disposed/million metres extruded compared to 2018.

WATER

10% reduction in water withdrawal in m^3/million extruded metres compared to 2018.

ACCIDENT RATE

50% reduction in the rate of work-related accidents compared to 2018.

DIVERSITY

30% of women in management positions.

SUPPLY CHAIN

Verification of **100%** of suppliers of the main raw materials committed to the code of ethics.

Contribution to Sustainable Development Goals

Viscofan is committed to the Sustainable Development Goals of the 2030 Agenda through the United Nations Global Compact, of which it has been a signatory since 2015, and it publishes its annual progress report.

From 2022, Viscofan has extended its commitment to the SDGs in the framework of the new strategic plan Beyond2025 and the New Sustainability Action Plan, which generates a new purpose for the Group: "Reshaping food and wellbeing. For many, for long".

Based on the foregoing, our technology and our global presence enable us to be in a condition to forge a better world. We contribute to improve access to food throughout the world and we can also help, through nutrition and our knowledge, the well-being of human beings, generating an impact over a long time. It is our sustainable proposal.

Six essential commitments to our sustainability

SDG 2. Zero hunger: Belonging to the food market carries with it a great responsibility: that of providing millions of people worldwide with access to basic nutrition. As a global leader in casings, the Viscofan Group contributes to the development of products that help to avoid food waste and it invests in R&D&i that enables more efficient and sustainable processes to manufacture cold meats. It also seeks to work with NGOs whose core business is based on reducing hunger and to develop specific products that combat malnutrition.

SDG 13. Climate action: The casing production process operates all year round and requires a lot of heat. However, in our fight against climate change, we are continually investing in improvements to reduce energy consumption and to make the most of the different forms in which energy is present in our processes, promoting the use of renewable energy, and introducing circular economy criteria into company activities focused on reducing global CO_2 emissions.



SDG 3. Good health and well-being. Viscofan undertakes to transform the ample knowledge developed in the processing, use and transformation of raw materials, especially collagen, in products and solutions that contribute to improve the health and well-being of people. Collagen is the most abundant protein of the human body and of animals but, in turn, it is a singular versatile material and, therefore, is used in various areas that are beneficial for people, such as regenerative medicine, nutrition, health and life sciences.

SDG 6. Clean water and sanitation: Viscofan's production process requires the use of water. Hence, the Group focuses on the sustainable management of water in its operations and at its factories, with a strict consumption and re-use policy, improving the quality of wastewater discharges and investing in the best available water management technologies.

SDG 12. Responsible consumption and production: Developing more sustainable activity requires incorporating environmental criteria throughout the value chain that minimises the impact of our business activity caused by the transformation of raw materials by mechanical and chemical means that leads to the generation of waste. It begins with the selection of raw materials and it continues with the reduction of waste generation and the optimisation of its management, prioritising recovery or recycling above other systems such as destruction or disposal.

SDG 8. Decent work and economic growth: People are the differential value on which the future of Viscofan is built. More than 5,300 employees from 20 countries in which the Group has a presence constitute an extraordinary human wealth. People management is key to achieving our goals and that is why we want to attract and develop the best team in the industry, with maximum respect for human rights.

This commitment involves enhancing our leadership in casing and going beyond our technological boundaries, improving our contribution to global food and also to people's wellbeing and health, leading change in the industry to contribute to climate change mitigation and adaptation, to greater sustainable use and protection of water resources, to the transition to a circular economy, and to driving decent work, diversity and economic growth.

With this new purpose, Viscofan adds the objective of improving the health and well-being of people, committing itself to a new Sustainable Development Goal, SDG 3. Good health and well-being.

In this way, Viscofan now has six essential commitments to our sustainability.

Key figures

Financial	Measurement unit	**2022**	2021
Revenue	Millions of euros	1,201.0	969.2
EBITDA	Millions of euros	267.2	246.7
Margin EBITDA	%	22.2%	25.4%
Net profit	Millions of euros	139.4	133.0
Investment	Millions of euros	125.6	92.0
Net bank debt	Millions of euros	101.3	1.8
Dividend	Euros per share	1.95	1.84
Stock market capitalisation. Year-end	Millions of euros	2,799	2,646
Environmental	**Measurement unit**	**2022**	2021
CO_2 emissions. Scope 1 and 2	Tonnes	498,626	547,981
Emissions / Metres of casing extruded	Base 100 year 2018	72	84
Energy consumption	GWh	2,526	2,465
Consumption / Income	GWh / €Mn	2.1	2.5
Water captured	Cubic metres	10,691,735	10,781,067
Water captured / Metres of casing extruded	Base 100 year 2018	89	95
Water discharged	Cubic metres	8,920,830	8,432,622
Waste	Tonnes	68,837	63,410
Recycled	%	54%	47%
Of which disposed	%	46%	53%
Waste disposed of/Metres of casings extruded	Base 100 year 2018	89	102
Social	**Measurement unit**	**2022**	2021
Average workforce	people	5,317	5,083
% women	%	28.9%	28.9%
% women in executive posts	%	19.6%	17.9%
Average number of training hours per employee	hours	12.7	11.2
Number of accidents per million hours worked	unit	14.1	14.2
Hours lost per accident / Hours worked	%	0.26%	0.20%
Hours of training on human rights	hours	3,539	4,933
Governance	**Measurement unit**	**2022**	2021
Percentage of independent directors	%	55%	45%
Percentage of female directors	%	36%	27%



2.2. Governance Pillar



Governance Pillar

Viscofan adds strategic value to its good corporate governance to provide a high level of trust to make its business goals and structure compatible with the protection of the rights of all stakeholders.

Material aspects

Good governance
Sustainability Strategy
Stakeholder communication
Corruption and fraud
Risk management
Respecting human rights



Highlights 2022

- The General Meeting of Shareholders held in April 2022 approved the appointment of Ms Cristina Henríquez de Luna and Mr Andrés Arizkorreta as independent directors of Viscofan S.A. in substitution of the outgoing directors Mr Néstor Basterra and Mr Ignacio Marco-Gardoqui. Likewise, in June 2022, Mr Javier Fernández was appointed as an external nominee director following the request of Corporación Financiera Alba S.A., majority shareholder of the company, replacing Mr Juan March, who resigned as a member of the Board of Directors of the Company for professional reasons linked to the assumption of new responsibilities that will prevent him from duly attending to his duties as a director. The General Meeting also approved the continuity as directors of Mr José Antonio Canales, Ms Laura González Molero, Mr Jaime Real de Asúa, Ms Agatha Echevarría and Mr José María Aldecoa.
- As a result of the changes made to the composition of the Board of Directors in the 2022 financial year, the number of independent directors has increased to 6 out of a total of 11, and that of the least represented gender with four women (36.4% of the Board). Furthermore, in accordance with the new composition of the Board, the composition of the Board Committees has also been updated, maintaining the majority of independent directors on both.
- With the entry into force of the new Beyond25 strategic plan, changes have been made in senior management with the creation of regional (EMEA; APAC; NAM; and SAM) and New Business divisions, complemented by service divisions.
- In January 2022, the Board of Directors of the company approved a new Code of Conduct and the Code of Conduct for Suppliers and Intermediaries.

2.2.1. Good governance practices

Good corporate governance is a key factor in generating value, improving economic efficiency, integrating businesses and bolstering the trust of its shareholders and other stakeholders, thanks to the appropriate division of functions, duties, and responsibilities among all the Company's governing and management bodies.

Good corporate governance is a key factor in generating value, improving economic efficiency, integrating businesses and bolstering the trust of its shareholders and other stakeholders, thanks to the appropriate division of functions, duties, and responsibilities among all the Company's governing and management bodies.

In recent years, it has progressively reinforced its structure to ensure the incorporation of the principles and best practices of good corporate governance, both nationally and internationally, adapting them to the circumstances of the Viscofan Group until reaching the best level of compliance.

The basis of the Viscofan Group's governance is its Articles of Association, the Regulations of the General Shareholders' Meeting, (both updated at the 2022 General Shareholders' Meeting) the Regulations of the Board of Directors and the Regulations of the Board's committees, and it has general ethical principles and guidelines established by the Group's Code of Conduct.

In turn, the good governance commitment of the Company's Board of Directors is expressed in its General Sustainability Policy, which aims to set out the basic principles and commitments that should govern the Group's sustainable development strategy.

This strategy, expressed in the new 2022-2025 Sustainability Action Plan, seeks to favour a culture of best practices in sustainability, and contribute to improving people's well-being, boosting the economic, environmental and social development of the communities in which the Viscofan Group is present, and creating value in a sustainable manner through its ethical performance to all its stakeholders.

Proof of this is the new Beyond25 Strategic Plan, which redefines the business model with a market approach and adds Sustainability as a new transversal pillar of the company.

Alongside this, the General Sustainability Policy is organised into specific policies in the main axes of sustainability procedures:



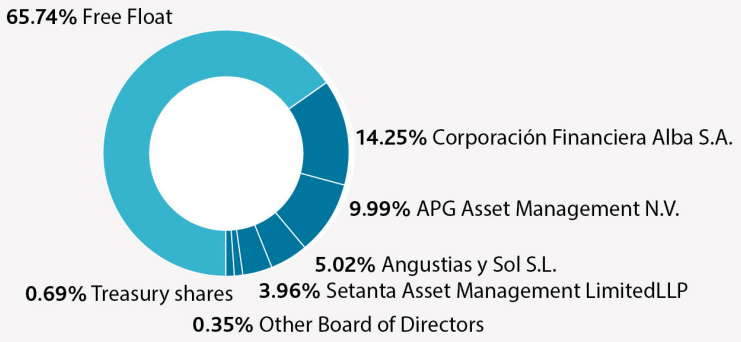
Governing Bodies

The governance structure of Viscofan is based on two main bodies: the General Shareholders' Meeting and the Board of Directors.

Shareholders and the General Meeting

At 31 December 2022, the Parent Company is aware of the following significant shareholders:

Significant shareholders 31/12/2022



The General Shareholders' Meeting is the supreme governing body of the Company in which shareholders decide by a majority vote on the affairs within the scope of their authority.

Viscofan has established the principle of "one share, one vote" which promotes equality among all of the company's shareholders. There is only one class of shares, giving the same rights and obligations to all of the Company's shareholders. There are no restrictions to voting and no limit to the number of votes that can be cast by a single shareholder.

Viscofan has established the principle of "one share, one vote" which promotes equality among all of the company's shareholders.

In recent years, Viscofan has been pursuing a series of initiatives to promote transparency, communication and shareholder participation at the General Meeting, including information on the items on the agenda, an attendance premium of €0.01 per share, facilitating remote voting, electronic voting, electronic forum and a questionnaire to answer the most common questions regarding the General Meeting.

As a result of all these measures, the 2022 General Shareholders' Meeting was attended by 82.7% of the company's share capital, maintaining the high attendance percentage at the General Meetings of recent years, above the average for listed companies, which is especially significant considering the company's high free float.

The breakdown of data on attendance at General Meetings for the last three years is as follows:

Data on attendance at General Meetings

Shareholders Meeting	4/29/2022	4/23/2021	4/24/2020
% present	19.9%	19.3%	19.2%
% in representation by proxy and distance voting	62.8%	62.8%	68.4%
Total attendance	**82.7%**	**82.1%**	**87.6%**

In addition, the General Meeting is broadcast live on the internet and can be accessed via the Company's website, although the connection to this broadcast is not considered to be telematic attendance at the General Meeting.

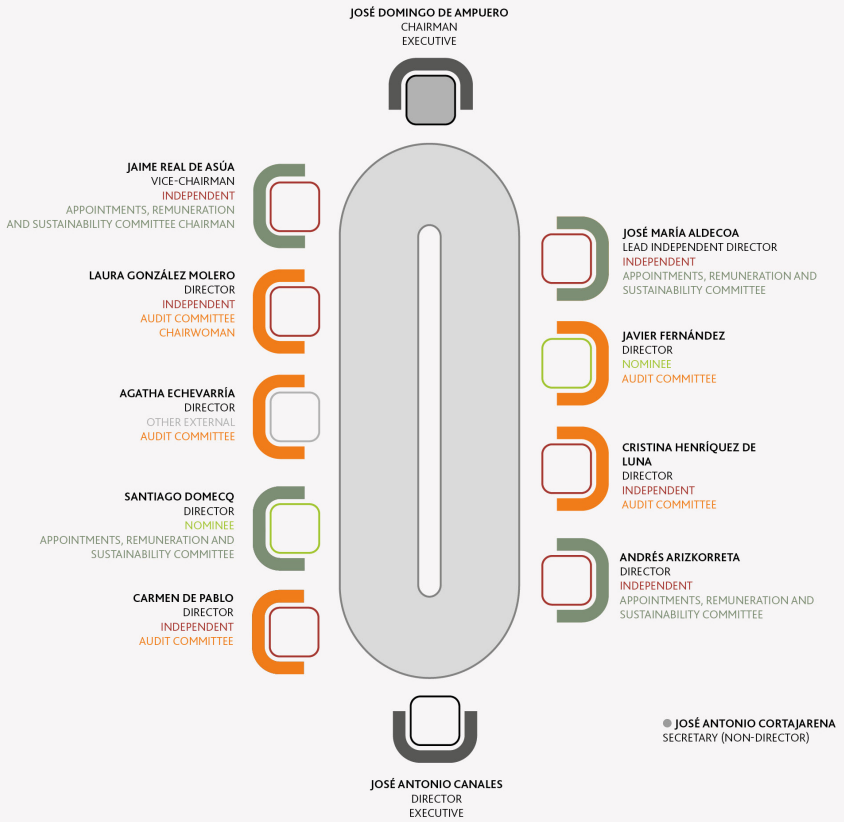
Board of Directors

This is the body in charge of representation and administration of the Company. Its essential function is the approval of the strategy, the basic policies, the draw up of financial statements and, in short, the general supervision of all aspects forming part of Viscofan S.A. and, where appropriate, of the companies forming its group of companies guided by corporate interest.

It is governed by the Regulations of the Board of Directors, which were modified in 2021 to adapt them to the reform operated by Law 5/2021, of 12 April, which amends the consolidated Corporate Enterprises Act, in terms of promoting the long-term involvement of the shareholders of the listed companies; to the amendments of the Code of Good Governance reviewed in June 2020; and to include any improved drafting technique.

The Board of Directors consists of eleven directors, of which two are executive, two are nominee, one is other external directors and the other six are independent, thus complying with the good corporate governance recommendations

Board members



The Board of Directors consists of eleven directors, of which two are executive, two are nominee, one is other external directors and the other six are independent, thus complying with the good corporate governance recommendations stating that the number of nominee and independent directors should constitute an ample majority on the Board of Directors. The Secretary to the Board of Directors is not a director.

The selection of Directors is specifically regulated in the Policy on the Selection of Directors and Diversity on the Board of Directors to ensure that proposals for the appointment or re-election of directors are based on a prior analysis of the skills required by the Board of Directors and to encourage the diversity of knowledge, experience, age and gender required on the Board at all times, taking into account the vacancies to be covered and the structure and composition of the Board.

This policy establishes the principle of diversity. Based on this, the selection of directors should be guided by the aim of achieving a diverse and balanced composition of the Board of Directors, which would contribute different points of view to the discussions it holds, thus enriching the decision-making process. With this in mind, in the selection of candidates for board members, consideration will be given to candidates whose appointment contributes to increasing the diversity of knowledge, skills, experience, origins, nationalities, age and gender. The selection process should avoid implicit biases that may imply discrimination, and, in particular, the selection of female directors is actively promoted. To this end, when the Appointments, Remuneration and Sustainability Committee or the Board itself, as the case may be, has to propose the appointment or re-election of directors, without prejudice to respect for the competence matrix, the inclusion in the process of candidates who contribute to incorporating directors of the least represented gender is actively sought and, when faced with two similar professional profiles, the female candidate will be chosen.

Consequently, the Appointments, Remuneration and Sustainability Committee, in view of the expiry of the term of office of directors in 2022, carried out a search for the most suitable candidates to join the Board of Directors in accordance with the aforementioned Policy and, with the assistance of the consulting firm Russell Reynolds, included in the selection process a higher number of female candidates than male candidates, finally proposing, among others, the appointment of Ms Cristina Henríquez de Luna Basagoiti as a new member of the Board of Directors. Likewise, with regard to the proposals or reports on the re-election of directors, it proposed the re-election of Laura González Molero and reported favourably on the re-election of Agatha Echevarría Canales as members of the Board of Directors. These proposals were approved by the General Meeting of Shareholders held on 29 April 2022. Thus, in 2022, the number of directors of the least represented gender on the Board has been increased from 3 to 4, from 27% to the current 36%.

Changes to the composition of the Board of Directors in 2022 and Board Committees

On 1 January 2022, the director Mr Ignacio Marco-Gardoqui Ibáñez fulfilled 12 uninterrupted years as a director of the company. Under article 529k of the Corporate Enterprises Act, it lost its status as an independent director to become an Other external director. Consequently, to comply with that stipulated in the prevailing legislation and in the company's articles of association and regulations, the director Mr Ignacio Marco-Gardoqui Ibáñez gave up his position as a member of the Audit Committee as on that date.

In April 2022, the directors Mr Néstor Basterra Larroudé and Mr Ignacio Marco-Gardoqui Ibáñez concluded their term of office as directors of Viscofan, giving way to Ms Cristina Henríquez de Luna Basagoiti and Mr Andrés Arizkorreta García both as independent external directors for the statutory period of four years. Both appointments were approved by the General Shareholders' Meeting on 29 April 2022. Mr Andrés Arizkorreta also became a member of the Appointments, Remuneration and Sustainability Committee. As from that date, the number of members of the Audit Committee was reduced from 6 to 5, thus leaving the vacancy left by Mr Marco-Gardoqui unfilled.

In June 2022, Mr Juan March de la Lastra resigned as a member of the Board of Directors of the Company and of its Appointments, Remuneration and Sustainability Committee for professional reasons linked to the assumption of new responsibilities that prevented him from duly attending to his duties as a director. Consequently, and at the request of Corporación Financiera Alba S.A., a significant shareholder of the Company, the Board of Directors, following a favourable report from the Appointments, Remuneration and Sustainability Committee, co-opted Mr Javier Fernández Alonso as an external nominee director to fill the vacancy left by Mr March. His appointment is subject to ratification and re-election at the 2023 Annual General Meeting.

At the time of his appointment as director, Mr Javier Fernández was appointed member of the Audit Committee, replacing Mr Santiago Domecq Bohórquez, who resigned on the same date as a member of said Committee and was in turn appointed as a member of the Appointments, Remuneration and Sustainability Committee.

In November 2022, Mr Jose María Aldecoa stepped down as a member of the Audit Committee and was replaced by Ms Cristina Henríquez de Luna, who became a member of the Committee in December 2022.

Curriculum and Profiles of members of the Board of Directors

The curriculum and profiles of the members of the Board of Directors at 31 December 2022 are detailed in section C.1.3 of the Annual Corporate Governance Report forming part of this Management Report. They are also available on the Company's website www.viscofan.com in the section on Corporate Governance.

Performance of functions

In order to perform their duties with the required rigour and efficiency, the Company's Board of Directors prepares an annual schedule of meetings and the annual work plan of the Board itself and of its various committees, so that the directors can better plan and to facilitate their commitment to and attendance of meetings. Directors receive the information they need well in advance, including, as appropriate, the minutes or reports of the different Board Committees.

The Board of Directors delegates to its Chairman and the General Managing Director the powers of representation, powers relating to the purchase or sale, powers relating to personnel, to charges, payments, contracts, auctions and transactions, to checking accounts, credit or savings, to bills of exchange and promissory notes, securities, guarantees, and supplementary powers to the previous.

Actions are still being carried out to guarantee the participation of the directors, facilitating their dedication and attendance to the meetings, to provide them with tools to give more in-depth knowledge of specific aspects of the activity and specific environments of the different production centres, thus improving the monitoring of the strategy of the Group and of each of its companies.

In this regard, in 2019, the Board of Directors drew up and implemented a programme to update the knowledge of the directors, a programme that continued in 2020, 2021 and 2022, and is expected to do so in subsequent years.

In addition, the annual plan includes visits to some of the Group's production centres and the participation of top management to enable enhanced monitoring of the implementation of the Group's strategy and of the management of each of its companies.

Throughout 2022, the Board met 11 times, the Chairman attended 100% of the meetings, there was 99.2% attendance in person over the total number of votes during the year, and 100% attendance including proxies made with specific voting instructions.

In addition, during the 2022 financial year, the Lead Independent Director, as part of his duties set out in the Regulations of the Board of Directors, held four meetings with non-executive directors to voice their concerns, and was also available for dialogue with investors and shareholders who so requested.



Board meetings

100%
Chairman attendance

99.2%
attendance in person over the total number of votes during the year

100%
attendance including proxies made with specific voting instructions



Assessment

The Board of Directors carries out an annual evaluation of the quality and efficiency of the operation, diversity, and competencies of the Board itself and of the Committees, which is promoted by the Appointments, Remuneration and Sustainability Committee, and coordinated by the Lead Director in the case of the evaluation of the Executive Chairman.

Every three years, the Board of Directors is assisted by an external consultant in this evaluation process, whose independence is verified by the Appointments, Remuneration and Sustainability Committee. In 2022, three years after the last external consultancy, Korn Ferry has been consulted to facilitate this evaluation.

The Board of Directors carries out an annual evaluation of the quality and efficiency of the operation, diversity, and competencies of the Board itself and of the Committees, which is promoted by the Appointments, Remuneration and Sustainability Committee, and coordinated by the Lead Director in the case of the evaluation of the Executive Chairman.

The performance evaluation is carried out based a questionnaire and personal interviews, the purpose of which is to obtain each director's particular view of the strengths and weaknesses, as well as any other suggestions they may have for improving the efficiency of the Board and its committees. The result was analysed by the Appointments, Remuneration and Sustainability Committee of which the Lead Independent Director is a member, by the Audit Committee itself with regard to its own assessment, and the conclusions were presented to the Board of Directors, where the process was concluded and a plan of action approved to include the appropriate improvements.

The conclusions of the evaluation process were presented by the external consultant to the Board of Directors at the January 2023 meeting and, as a result, at the proposal of the Appointments, Remuneration and Sustainability Committee, the Board approved an Action Plan for the 2023 financial year to incorporate the identified improvement opportunities. These include the joint monitoring by both Commissions of the progress of the regulatory framework and trends in the field of Sustainability and continuing to promote the strategy with visits to subsidiaries and focused sessions.

In addition, during the 2022 financial year, the Board of Directors has intensified its dedication to the Group's strategy and has held training sessions with the participation of external experts in the field of sustainability, cybersecurity and trends in corporate governance. And for the 2023 financial year in particular, the market and business situation has been added as a subject.

Remuneration

The Board of Directors' Remuneration is regulated in the directors' remuneration policy, approved at the General Shareholders' Meeting held on 23 April 2021 for a three-year period (2021, 2022 and 2023), and which is available on the company's web page in the Corporate Governance section. This policy establishes a remuneration system for directors based on (i) their capacity as such and (ii) specific executive or senior management functions.

In the short term, variable remuneration included specific CO_2 emission targets, improvement in accident rates and reduced of waste elimination.

In addition, the General Shareholders' Meeting held on 24 April 2020 approved a Long-Term Incentive Plan for 2019-2021 for the Company's executive directors, managers and other key personnel of the Viscofan Group. This plan establishes the delivery of a cash amount and company shares based on the fulfilment of objectives of creation of value for shareholders (TSR) and sustainability which includes the improvement in the indicators of accident rate and reduction of waste in a landfill. Once the measurement period had been complied with, a degree of attainment of 102% was achieved.

The remuneration of the Board of Directors in 2022 was €3,428 thousand (€5,986 thousand in 2021). This difference is due to the fact that the 2021 remuneration included the Long-Term Incentive of the three-year plan (2019-2021) and was paid in 2022 after approval by the General Meeting.

The 2022 Annual Remunerations Report forms part of this Management Report and is available separately on the Company's web page under the Corporate Governance section - Corporate Governance Reports.

In addition, the General Shareholders' Meeting held in April 2022 approved a Long-Term Incentive in shares and cash for executive directors, members of the management team and other employees of the Viscofan Group for the 2022-2024 period. This plan sets out the delivery of an amount in cash and shares in the Company based on the fulfilment of certain objectives for the

creation of shareholder value (TSR) and sustainability, including the reduction of the intensity of Scope 1 and 2 emissions, the improvement in accident rate indicators and the performance of audits of suppliers on compliance with the Viscofan Group's supplier code of conduct.

Committees of the Board of Directors

The Board has created two committees in support of its functions: the Audit Committee and the Appointments, Remuneration and Sustainability Committee.

Audit Committee

The Audit Committee is formed by five members, all non-executive and a majority of independent, appointed by the Board of Directors at the proposal of or pursuant to a report by the Appointments, Remuneration and Sustainability Committee, bearing in mind accounting, auditing and financial and non-financial risk management knowledge, skills and experience. Since the 2020 financial year, its chairperson has been the independent director Ms Laura González Molero.

The composition, functions, rules of organisation and operation, as well as the responsibilities conferred upon the Committee, are regulated in the Articles of Association, in the Regulations of the Board of Directors, and in the Regulations of the Committee itself.

The Committee functions are detailed in section C.2.1 of the Annual Corporate Governance Report of this Management Report.

Actions taken during the year:

The Audit Committee met twelve times in the year. It has covered all its functions attributed with respect to the auditing of accounts, internal audits, financial and non-financial information, internal control and risk management systems, the Ethics and Regulatory Compliance Committee and related party transactions.

The procedures performed by the Committee in 2022 are detailed in section C.2.1 of the Annual Corporate Governance Report of this Management Report.



Montgomery plant (USA)

Appointments, Remuneration and Sustainability Committee

This Committee is composed of four non-executive directors appointed by the Board of Directors: three independent and one nominee director. It is chaired by the independent director Mr Jaime Real de Asúa.

The composition, functions, rules of organisation and operation, as well as the responsibilities conferred upon the Committee, are regulated in the Articles of Association, in the Regulations of the Board of Directors, and in the Regulations of the Committee itself.

The Committee functions are also detailed in section C.2.1 of the Annual Corporate Governance Report of this Management Report.

Actions taken during the year:

The Appointments, Remuneration and Sustainability Committee met on 7 occasions in 2022, and, whenever considered appropriate, the presence of the Chairman, the CEO, and senior management members was required.

The main matters dealt with and analysed by the Committee during the 2022 financial year and which have made up its main areas of supervision have been, among others, issues of Corporate Governance and on the composition of the Board, evaluation of the Board of Directors and Chief Executive, succession plans for executive directors and senior management, updating the organisational structure, the governance model and the governing bodies of the Group's subsidiaries, remuneration policy, and the promotion and supervision of the sustainability strategy.

The procedures performed by the Committee in 2022 are detailed in section C.2.1 of the Annual Corporate Governance Report of this Management Report.



Novi Sad plant (Serbia)

Top Management (31 December 2022)

With the launch of the Beyond25 strategic plan, the Group's top management was reorganised. Reporting directly to José Antonio Canales, Chief Executive Officer, regional general directorates have been created (EMEA, APAC, NAM, and SAM), which group together the operations located in the countries belonging to this geographic region and the general directorate of New Business, with a transversal nature. At the same time, the corporate service directorates general are maintained.

ANDRÉS DÍAZ	*CEO EMEA (Europe, Middle East and Africa)*
GABRIEL LARREA	*CEO NAM (North America)*
JUAN NEGRI	*CEO APAC (Asia Pacific)*
LUIS BERTOLI	*CEO SAM (South America)*
ÓSCAR PONZ	*CEO New Business*
MARÍA CARMEN PEÑA	*Chief Financial Officer*
JESÚS CALAVIA	*Chief Operating Officer*
IÑAKI GOÑI	*Chief Commercial Officer*
JOSÉ ÁNGEL ARRARÁS	*Chief R&D and Quality Officer*
JOSÉ ANTONIO CORTAJARENA	*Secretary to the Board of Directors and Chief Legal Officer*
ARMANDO ARES	*Chief Investor Relations and Communications Officer*
CÉSAR ARRAIZA	*Chief Strategy, Organisation and Systems Officer*
BEATRIZ SESMA	*Chief Human Resources Officer*
IÑAKI RECALDE	*Chief Diversification and Technology Officer*
ALEJANDRO BERGAZ	*Head of Internal Audit*

During the 2022 financial year, the remuneration received by key management personnel amounted to 4,234 thousand euros. In the 2021 financial year, the remuneration amounted to 13,297 thousand euros. In relation to the Long-Term Incentive Plan, a liability amounting to 593 thousand euros has been recognized during the year.

The figure as of December 31, 2021 includes the remuneration of the 2019-2021 Long-Term Incentive Plan amounting to 8,133 thousand euros, 3,763 thousand euros in cash and 76,802 shares valued at the closing price of the share on December 31 of 2021.

These amounts do not include the remuneration of the two executive directors, Mr. José Antonio Canales García and Mr. José Domingo de Ampuero y Osma, which are detailed in the annual report on the remuneration of the board that is part of this management report.

Defence of Human Rights

The Viscofan Group sets common basic guidelines on Human Rights as the guiding principles in various areas of the organisation, from employee management to supplier relationship management. These guidelines can be grouped around three lines of action: 1) rights in relation to work – promotion of non-discrimination, free association of workers, integration of the disabled, rejection of child exploitation, rejection of forced labour and compliance with the minimum wage in each country, among others –; 2) fight against corruption, and 3) the responsible management of the supply chain.

In the area of labour rights, the following measures stand out:

- **Promotion of the principle of non-discrimination**. The Code of Conduct states that "We respect and promote respect for the personal dignity, privacy and individual rights of all persons. In our day-to-day work, we work inclusively with people of diverse ethnicity, culture, religion, age, disability, race, sexual identity and gender".
- **Rejection of any form of child labour**. Viscofan does not permit child labour and requests a similar commitment from its suppliers.
- **Prohibition of forced labour**. Viscofan promotes work in decent conditions, as well as the prevention of forced labour and consequently, as a control and monitoring measure, this risk has been specifically included in the risk matrix of the Global Risk Committee to detect any violations.
- **Protection of the free association of workers**. 73% of the company's employees are covered by general collective bargaining agreements regulating their employment activities, improving the minimum conditions set by different labour legislation.
- **Compliance training**. Viscofan continues with training in regulatory compliance for all employees. Training has been designed in an attractive and multi-format manner that effectively trains employees in ethical standards that must be complied with and, at the same time, empowers all employees to combat any type of conduct that attacks the dignity of people in the employment environment or any corrupt procedures within the company.
- **Site accessibility**. With regard to the accessibility of people with disabilities, Viscofan does not have a global standard that regulates the accessibility of disabled people at its offices and other sites. However, the company complies with all its local regulations and applicable building codes in the countries in which it operates.
- **Salaries above the minimum wage of each country**. The minimum remuneration of employees is considered in accordance with the salary level and legal rules of each country where Viscofan carries out its activities. Given the training needs, the characteristics of the production process, and the internal policies of the Viscofan Group that respect the current legislation in each country, the minimum remuneration of the workforce is not below the minimum wage established in the country.

Furthermore, in line with the objective of extending responsible management to the supply chain, Viscofan's Board of Directors has approved in 2022 the Supplier Code of Conduct, which, among other aspects, establishes guidelines for compliance with laws, ethical behaviour and labour practices. Viscofan S.A. also forms part of Sedex, the largest collaborative platform for the responsible sharing of supply chain data.

2.2.2. Regulatory compliance system

Viscofan considers that integrity and transparency contribute directly to achieving its objectives and managing its business in a sustainable manner. To ensure this, it has an ethics and compliance system whose objectives are to promote an ethical culture in the organisation that strengthens its competitiveness and, long-term sustainability, reputation and ensures compliance with the regulatory system by all employees. This system has elements in place to Prevent, Detect and Respond to potential risks with a negative impact on the Group.

The prevention system is based on internal regulations, consisting of a Code of Conduct indicating ethical principles and behavioural guidelines complemented by internal operational policies and procedures.

Code of Conduct

The Code of Conduct contains a set of binding principles and guidelines for each and every person in the Viscofan Group to guide actions and behaviour within the company and in relation to our shareholders, customers, suppliers and society in general, in accordance with Viscofan's corporate ethics, as well as local, national and international laws and regulations.

The prevention system is based on internal regulations, consisting of a Code of Conduct indicating ethical principles and behavioural guidelines complemented by internal operational policies and procedures.

The Code of Conduct in force in the Viscofan Group was approved by the Board of Directors in January 2022 following a favourable report from the Audit Committee at the proposal of the Ethics and Compliance Committee, replacing the Code of Conduct in force to date.

One of the functions of the Board of Directors is to ensure the correct application of this Code of Conduct, with the collaboration of the Ethics and Regulatory Compliance Committee, which supervises and monitors compliance with the Code and reports on a recurring basis to the Audit Committee.

Internal Regulations in the scope of good governance policy

The internal rules governing the aforementioned bodies, supplemented by the applicable rules to ensure good corporate governance at the Viscofan Group, are available on the Company's website within the Corporate Governance section, as well as in compulsory publications and registrations, on the website of the CNMV and in the Mercantile Registry of Navarre, respectively.

These internal regulations are mainly formed by the regulations of social bodies and committees:

- Articles of Association: These are the basic rules governing the Company and all its bodies. The articles set out the main features and operating principles of the General Shareholders' Meetings, the Board of Directors and its Committees.

The Shareholders' Meeting in April 2022 approved the amendment of the Articles of Association with the main aim of adapting their content to Law 5/2021, of 12 April, amending the consolidated Corporate Enterprises Act, approved by Legislative Royal Decree 1/2020, of 2 July, and other financial rules, with regard to encouraging the long-term engagement of shareholders of listed companies and including certain corporate governance improvements and recommendations.

- Regulations of the General Shareholders' Meeting: This text lays down the regulations governing the General Meeting of Shareholders to ensure transparency and safeguard shareholders' rights and their access to Company information. The rules stipulate the formalities of calling, attending, holding and recording General Meetings of Shareholders and of access to prior and General Meeting information by shareholders.

The Shareholders' Meeting in April 2022 approved the amendment of the Rules of Procedure of the General Shareholders' Meeting for adapting their content to Law 5/2021, of 12 April, amending the consolidated Corporate Enterprises Act, approved by Legislative Royal Decree 1/2020, of 2 July, and other financial rules, with regard to encouraging the long-term engagement of shareholders of listed companies

- Regulations of the Board of Directors: These set down the principles of action of the Board of Directors, including an appraisal mechanism, and its organisational and operating rules, the standards of conduct of Directors, their duties (including the duty to avoid conflict of interest), and the overarching principles that should guide their decisions. They also govern committees existing within the Board of Directors, their organisational and operational rules, and their remit and powers.

- Audit Committee Regulations and Appointments, Remunerations and Sustainability Committee Regulations: These establish the scope and functions of each Committee, its composition and operation, relations with government bodies and other entities, as well as the possibility of requesting advice.

- Internal code of conduct on matters relating to the securities market: This Code lays down rules of conduct to ensure that the institutional and personal acts of the Viscofan Group's directors and employees strictly comply with current laws and regulations on transparency in the markets and to protect investors' interests.



Suzhou Plant (China)

Hence, within the regulatory compliance system, the Viscofan Group has approved procedural policies in the following areas:

GOOD GOVERNANCE



- General sustainability policy
- Climate change policy
- Risk management and control policy
- Policy of Respect for Human Rights
- Anti-corruption policy
- Crime prevention policy
- Policy of communication with shareholders, institutional investors, proxy advisors and of economic-financial and non-financial and corporate information
- Board remuneration policy
- Director selection and diversity policy of the Board of Directors
- Policy to encourage participation in the General Meeting of Shareholders: attendance fee

COMMERCIAL



- Commercial Practices Manual
- Policy of Business Courtesies
- Policy to outsource commercial services: distributors, agents and others
- Export control protocol

FINANCIAL AND TAX RESOURCES



- Internal control policy for financial and non-financial information
- Tax policy

INFORMATION AND SYSTEMS



- Personal Data Protection Policy
- IT security policy
- Confidentiality policy
- Authorisation policy on computer access and profiles
- Password policy
- Computer systems and networks management policy
- Policy on audiovisual information control

PEOPLE



- Diversity and equal opportunities policy
- Policy on Staff Selection and Recruitment
- Policy on welcoming of new recruits
- Training policy
- Staff leave procedure
- Proxy policy
- Policy on Business Expenses
- Code of conduct for trips and stays abroad

PRODUCTION



- Environmental policy
- Occupational health and safety policy
- Food Regulation Policy
- Control procedure instructions in the event of product recalls
- Policy for the management of goods purchases and the arrangement of services
- Transport management policy
- Supplier code of conduct and intermediaries

Supervision and management bodies

The Ethics and Compliance Committee is the body in charge of overseeing and supervising the proper implementation and monitoring of the Group's Compliance System, as defined by the Board of Directors.

Likewise, the Audit Committee supervises the effectiveness and operation of the Ethics and Regulatory Compliance Committee, and, for this purpose, it receives regular information on compliance with the Internal Code of Conduct in matters relating to the Securities Market and the Code of Conduct, and in particular, regarding the whistleblowing channel.

Upon the proposal of the Ethics and Compliance Committee and subject to a report by the Audit Committee, the Board of Directors approves the Group's Compliance Plan, which contains action plans in different areas: improved internal regulations, an annual update of the procedural compliance risk map, training plans, internal control improvement plans.

In relation to the training plans, the company works on a cross-cutting basis with the Department of Human Resources, which, aside from guaranteeing the publication of the Code of Conduct, participates in implementing annual compliance training plans.

Additionally, each of the Group companies has a Local Compliance Head, who is the person appointed by the Ethics and Compliance Committee to monitor the Group's Regulatory Compliance System and to ensure that all local employees, technicians and managers receive ongoing training.

Whistleblowing channel

The whistleblowing channel is a key element of the system. To facilitate supervision of compliance with Viscofan's Code and Ethics and regulations, employees and any person with a legitimate interest can access the Complaints Channel on Viscofan's web page under the Corporate Governance section, on the employee's Intranet or by email to officeofethics@viscofan.com or by post to the Ethics Committee at Viscofan's central offices in Navarre to notify any sign of conduct that they deem to be a possible risk.

The Committee is the body responsible for starting, on its own account or at the request of a third party, an investigation on events or practices that may give rise to a situation of risk for the Viscofan Group because of a breach of the Viscofan Group's Code of Conduct or prevailing regulations.

In 2022, 13 complaints were received, 12 of which were filed, although only on one occasion, following the processing of the corresponding file, was a breach of internal regulations proven, with the competent bodies proposing and adopting the necessary rectification measures.
The Ethics and Regulatory Compliance Committee has met on 13 occasions.

Training and dissemination

It is the first and one of the most important default prevention strategies, empowering people to do the right thing proactively.

Without prejudice to the role of the Ethics and Compliance Committee at corporate level, as the body responsible for the management of the system and the specific training plans it promotes, given the importance of adapting to the needs and local culture of the different countries in which the Group operates, the role of the Local Ethics and Compliance Officers is essential. They plan and develop the necessary training and communication actions at the local level, with the support and monitoring of the Ethics and Compliance Committee.

In this respect, Viscofan understands that training in human rights is a fundamental tool for raising employees' awareness in this area. The breakdown of the number of hours of training in this area is as follows:

Warning:
file_get_contents(/home/www/pandoo.report/http/backend/../assets/multimedia/a8aeb9f93a18b8f3b1606ee8b9
failed to open stream: No such file or directory in
/home/users/feelhosting/gosban/web9/web/http/class/Controller.php on line **438**

Additionally, in 2022, to reinforce awareness and knowledge of regulatory compliance, specific training was provided in different areas:

- Training for top management on the new Code of Conduct, the compliance system, and conflict of interest situations
- Training on the internal rules of conduct in securities market matters
- Training for most of the Group workforce on the new Code of Conduct
- Specific training for purchasing and sales departments on specific compliance issues.



2.2.3. Risk management

Viscofan has approved a risk management control policy, which aims to set the basic principles and the general action framework to identify, measure, prevent and mitigate risks of all types that may affect the attainment of the strategic objectives.

Risk management aims to balance our stakeholders' desire for value creation with the risks associated with business, commercial, operational, labour, financial and social initiatives, as established by the sustainability policy.

Viscofan has approved a risk management control policy, which aims to set the basic principles and the general action framework to identify, measure, prevent and mitigate risks of all types that may affect the attainment of the strategic objectives.

Viscofan seeks to reinforce the risk control system, promoting a solid business model enabling risks to be confronted in a controlled manner. Viscofan's risk management policy aims to identify and assess risks as soon as possible, based on the Code of Conduct, the internal regulations and the strategic plan, and to take adequate measures to reduce them and, in some cases, they can present opportunities.

The risk management system is the responsibility of the Board of Directors, which delegates its supervision and correct functioning to the Audit Committee. Likewise, the Viscofan Group has different bodies that oversee the supervision and control of other risks that could arise in Viscofan's activities with different levels occurrence and materiality:

- **Internal audit**: Their purpose is to promote the application of Risk Management in all activities and supervise to ensure that significant risks are suitably identified, assessed, managed and controlled. It has a broad presence on specific risk committees.

- **Ethics and regulatory compliance committee**: This is the body responsible for supervising the risks specific to the Group with regard to criminal liability or any other non-compliance and for assessing, implementing and monitoring the Compliance System:

- **Global risk committee**: This is a collegial body whose purpose is to identify and assess the main risks threatening the Viscofan Group, making a deeper analysis of their organisation and recommendations for the actions required to manage the risks within the established margins.

- **Credit risk committee**: It is established as a supervisory and control body for those risks related to customer payment management. The objective of this Committee is to delve into the prevention, monitoring and solution of the risks mentioned via the creation and implementation of the instruments considered most appropriate at the time.

- **Investments committee**: Its main purpose is to control and supervise compliance with the Investment Plan approved by the Board of Directors. To achieve this, it meets every quarter periods to perform periodic follow-up checks on the correct application of approved investments and control investments.

- **Cybersecurity committee**: It is in charge of defining the strategic objectives of the Group's Cybersecurity, ensuring the secure management of information and assuring the state of protection, as well as periodically monitoring compliance with regulations, risk projects, situations and incidents.

- **Executive sustainability committee**: This is the body responsible for coordinating and supervising the Sustainability Action Plan, the initiatives, work plans and long-term objectives for the same. The committee reports to the Appointments, Remuneration and Sustainability Committee, the Board of Directors' internal body responsible for supervising, developing and improving the Company's sustainability policies. The Sustainability Committee met three times in 2022 to analyse the development of the 2022-2025 Sustainability Action Plan, promoting strategic initiatives and the evolution of the main indicators; the start of the project to identify climate change risks and opportunities in accordance with the Task Force on Climate-related Financial Disclosure (TCFD); and the analysis of sustainability reporting regulations, with special emphasis on the EU Taxonomy on Sustainable Finance; among others.

- **Top management**: It is responsible for identifying and assessing the risks faced by the Group in the course of its activity and taking appropriate measures to prevent these risks from occurring or, if they do occur, to reduce or eliminate their impact. Therefore, it plays a fundamental role in

The management and control activities enable the risks to be anticipated and detected and the threats to be examined and measured that may prevent the Viscofan Group from attaining its objectives, as well as the creation of value that is sustainable and shared with the stakeholders.

designing and implementing control mechanisms and ensuring their fulfilment across the organisation.

The management and control activities enable the risks to be anticipated and detected and the threats to be examined and measured that may prevent the Viscofan Group from attaining its objectives, as well as the creation of value that is sustainable and shared with the stakeholders.

Moreover, the Viscofan Group monitors the values of the risk indicators and the defined thresholds so that when these thresholds were exceeded, the required management measures are taken to redirect the risks to the defined tolerance level. The information in reference to risk management has been outlined in greater detail in section *E) of the Annual Corporate Governance Report*. In this section, the Viscofan Group describes the main financial and non-financial risks, the bodies responsible for drawing up and enforcing the financial and non-financial risk management system, the description of the main risks, the level of tolerance, the risks that occurred in the year and the plans to respond to and supervise the main risks.

Below are the main risks faced by the company in 2022 and the response and supervision plan:

Risk	Materialisation in 2022	Response and supervision plan
1. COVID-19 Pandemic	1.a) COVID-19: Infection of Viscofan Group workers with the subsequent risk of production shutdowns due to outbreaks of COVID-19 in the workforce or due to a shortage of staff	Viscofan has maintained this 2022 financial year the employee health protection implemented in 2020 with the onset of the pandemic, including the reinforcement of prevention and hygiene measures. There have been no shutdowns of production plants caused by COVID-19. Supply to customers all over the world has been secured.
	1.b) COVID-19: Interruptions in the production of customers due to outbreaks of COVID-19 at their factories.	The diversification of the Viscofan Group's customer portfolio led the impact to be moderated, and action was quickly taken to recover lost volumes.
	1.c) COVID-19: The pandemic has meant that a part of the workforce has had work from home, which could have resulted in connection problems to computer systems and difficulties in the performance of administrative activities	Viscofan has ensured access to computer equipment and connections to corporate programmes in the commercial, financial, purchasing and logistics areas. The security protocols were also strengthened in the Information Systems Master Plan, with the implementation and planning of specific actions in the area of cybersecurity.
2. Environmental and climate change risks:	2.1) Significant increase in the price of CO2 emission allowances.	The deployment of a sustainability strategy and plan, together with the corresponding policies approved by the Board of Directors and the creation of a committee to manage sustainability risks that include environmental risks and those resulting from climate change. The Group has continued implementing the Environmental Policy, the renewal and extension of certifications in this sphere (mainly ISO 50001 and ISO 14001) and specific projects to improve management. As part of its decarbonisation plan, Viscofan has installed energy equipment with green hydrogen capability and has performed the first tests with this renewable fuel source in a co-generation engine at the Cáseda plant in Spain.
3. Operational risks	3.1) Increase in the cost of raw materials: Disruptions in manufacturing and consumer activity, transport disruptions, and the conflict in Ukraine have led to global shortages of raw materials and commodities. In this context, the price of some critical raw materials for the Viscofan group has increased.	To offset the impact of the increase in operating costs Viscofan has implemented price increases to customers. In addition, the Group has taken other measures such as detailed monitoring of costs, needs and the risk of non-availability, the search for diversification of suppliers, and a plan to reduce consumption.

3. Operational risks	3.2) Increase in the cost of energy: The energy cost, both of gas and of electricity, increased significantly in 2022.	Viscofan has implemented price increases to customers to offset part of the impact of energy costs. Likewise, the energy hedging carried out, the supply contracts with the main energy suppliers, and the cogeneration facilities at the Cáseda and Weinheim plants have allowed us to partially mitigate this risk. In parallel, the Group has carried out a detailed analysis of energy needs and the examination of various scenarios, and the search for energy diversification of operations. With a view to the 2023 financial year, and in view of the forecast increase in energy costs, especially for natural gas in Europe, partly due to the shortage caused by the cut in supply from Russia, the Viscofan Group has entered into purchase contracts with a fixed price for part of the natural gas consumption in its European operations.
	3.3) Lack of availability of natural gas in Germany due to the supply cut from Russia, which could lead to a halt in production.	In the second half of the 2022 financial year, this risk was latent but did not materialise. However, Viscofan has implemented several measures to mitigate the occurrence of the risk, such as the electrification of part of the energy equipment, constant contact with the Administrations, and analysis of the energy needs of the references produced, among others.
	3.4) Disruptions in the supply chain: The imbalance between supply and demand in certain sectors, jams at ports, the war conflict in Ukraine and mobility restrictions caused by the COVID-19 pandemic, have led, inter alia, to transport delays in certain goods, thereby representing a risk of production stoppages.	To mitigate this risk, the Viscofan Group increased safety stock, secured purchase volumes, and applied innovative R&D solutions. This risk has not led to shutdowns in production plants.
	3.5) The transport strike in Spain in the first quarter of the year has caused delays in the receipt of key raw materials for the production of casings.	The safety inventory management procurement policy, together with the efficient management of the supply chain during the days of the strike, enabled the Cáseda plant to maintain its operations and service to customers.
4. Regulatory	4.1) In view of the European Commission's ban of 8 April 2022 due to Russia's actions destabilising the situation in Ukraine, justified by the fact that the use of these casings improves the capacities of the industry in Russia compared to the traditional alternative of animal casings, the Board of Directors of Viscofan S.A. adopted the decision to discontinue exports of casings to Russia	In this situation, within Viscofan's risk control and management system - taking into account the dynamism of the market - we have worked on commercial and operational mitigation measures that have enabled us to maintain the growth prospects for the year.

2.2.4. Prevention of corruption, fraud and money laundering

As stated in Principle 10 of the United Nations Global Compact, of which Viscofan is a signatory, "Businesses should work against corruption in all its forms, including extortion and bribery".

This principle governs at Viscofan, being expressed in the Code of Conduct, and it has been enacted and reinforced in recent years with the approval by the Board of Directors of the Anti-corruption Policy and the Crime Prevention Policy, which, encompassed within the Regulatory Compliance System, demonstrate the Group's commitment to the permanent monitoring and sanctioning of fraudulent acts and conduct and the development of a business culture of ethics and honesty.

To avoid any type of corruption, the regulations establish a series of guidelines, and communication and training is encouraged in this area on forbidden procedures that may form the scope of corruption: bribery, extortion, facilitating payments and influence peddling, gifts, business courtesies, donations and sponsorships and relationships with third parties.

Further, the Global Risk Committee analyses fraud risks, and its different forms are regulated in various policies; it sets specific, controls and mechanisms to reduce their likelihood of occurrence. The identified risks are: conflict of interest and internal fraud, private corruption, and fraud and misleading advertising.

In addition, the Ethics and Compliance Committee carries out the more specific management of Ethics and Compliance Risks.

The definition and assessment of these is reviewed, evaluated, and the controls in place in the organisation are identified to reduce the likelihood of their occurrence. The Ethics and Compliance Risk Map sets out the identification and assessment of risks and controls, specifically identifying criminal risks.

In particular, the Group has a control system with financial, tax and commercial policies to combat money laundering, which is considered a low risk.

During the financial year 2022 there have been no acts that have been the subject of relevant legal actions related to unfair competition, monopolistic practices and against free competition, nor have processes or complaints been opened for breach of laws or regulations in the social field. and economic.





2.3. Environmental Pillar



Environmental pillar

Viscofan is committed to preventing climate change and promoting economic growth that is decoupled from the use of limited natural resources.

This sustainable future means facing challenges throughout the supply chain, from the selection of raw materials and packaging with a better use and reuse of these, the optimisation and depuration of water used in the production process, the efficient use of energy and the promotion of renewable energies as a path towards decarbonisation while collaborating with our customers in their sustainability challenges.

Material aspects



- **Climate change**
- **Energy transition**
- **Greenhouse gas emissions**
- **Energy efficiency**
- **Environmental management**
- **Circular economy**
- **Integrated water cycle**
- **Supply chain responsible management**

Our commitment

- We invest in technologies in the pursuit of decarbonisation, such as the installation of energy equipment with the capacity to use green hydrogen in Cáseda and we promote the use of renewable electricity and the implementation of energy efficiency measures.

- Viscofan is committed to sustainability in the main raw materials used.
- Viscofan invests in technologies that allow production with less production waste, seeks to reduce the intensity of waste disposed of, and also develops and promotes the use of natural, biodegradable or recyclable materials, highlighting the advances in the family of plastics with the new EFAN casing.

- We carry out a sustainable management of water by investing in technology with reduced water collection requirements.
- We invest in water purification facilities to improve discharge quality.



Highlights 2022

- 14.5% improvement in the ratio of Scope 1 and 2 emissions per metre produced compared to 2021, driven by the promotion of the use of renewable energy.
- Installation of dry-tech technology in capacity expansions in collagen casings with reduced water uptake and energy requirements.
- Start of the Biomass installation project at the Cáseda plant, which will enable the Group's largest production plant to improve the circular economy and the use of energy efficiency.
- Progress on the Group's decarbonisation plan: Green hydrogen tests have been successfully completed on a co-generation engine at the Cáseda plant.
- 93% of Viscofan's revenue corresponds to activities that do not significantly impact climate change according to the EU 2020/852 Taxonomy Regulation.

The Board of Directors is ultimately responsible for environmental sustainability management.

2.3.1. Governance, strategy and resources for environmental sustainability

Environmental sustainability encompasses relevant aspects identified in the materiality analysis and as such is included in the Group's long-term governance and operational management processes. It is an essential part of our risk mitigation in our Sustainability Action Plan.

Governance

The Board of Directors is ultimately responsible for environmental sustainability management. By extension, the Board's Appointments, Remuneration and Sustainability Committee, among its functions, promotes and supervises compliance with sustainability policies in environmental

matters, ensuring that they are improved and that they consider the legitimate interests of stakeholders.

The Audit Committee is also responsible for reviewing the effectiveness of the Group's internal control systems and management of financial and non-financial risks, including environmental risks, and for monitoring and evaluating the process of preparing and presenting the Group's non-financial information.

As the chief executive officer of Viscofan's activities, the CEO is the first executive responsible for environmental sustainability and leads the Executive Sustainability Committee in charge of coordinating and supervising the objectives, initiatives and long-term work plans established by Viscofan in the field of sustainability, and in particular in environment.

In addition, the management of environmental aspects at the Group level is the responsibility of the Corporate Operational Sustainability Department, reporting to the Chief Operations Officer, which is in charge of coordinating and supervising this matter in all the Group's production plants.

Firstly, climate change management is regulated in the Climate Change Policy, and demonstrates the Group's commitment to controlling atmospheric emissions, energy efficiency, and a business strategy related to developing alternative energy sources.

Secondly, the Group has an Environmental Policy which sets out that the Group's procedures must be carried out with respect for the environment, which means incorporating sustainable development criteria in all areas of activity, guaranteeing the efficient management of natural resources and minimising the undesirable effects of the activity.



Strategy, risk and opportunity management

The Group has a Sustainability Action Plan for the 2022-2025 period, in line with the new strategic plan and approved by the Board of Directors in January 2022. This plan, among other aspects, identifies risks and opportunities and establishes the Group's metrics, objectives and initiatives in relation to them.

Environmental sustainability brings with it a number of risks and opportunities for the casing industry that need to be identified and managed to minimise negative impacts on our environment, while taking advantage of all the associated positive aspects.

The Group has a Sustainability Action Plan for the 2022-2025 period, in line with the new strategic plan and approved by the Board of Directors in January 2022. This plan, among other aspects, identifies risks and opportunities and establishes the Group's metrics, objectives and initiatives in relation to them.

In particular, climate change is a risk identified in the Global Risk Map since its implications may hinder the achievement of long-term objectives and the creation of value for stakeholders. See section 2.2 Governance Pillar, Risk Management section, in which the Viscofan Group's Risk Management System is detailed, together with the main risks and the risks that occurred in the year.

Within the framework of this plan, and based on the methodology established by the Task Force on Climate Related Financial Disclosure (TCFD), Viscofan has started a climate change analysis for the Group in 2022. Material risks and opportunities and their time horizon have been identified. Three global warming scenarios (1.5ºC, 2.4ºC, and 4.0ºC) have then been established to analyse the possible financial impact of these scenarios and the resilience of the Group's business model in 2023.

Material risks associated with climate change and mitigation measures

Transition. Regulatory changes. Viscofan's production process is energy intensive, so legislative proposals related to this resource and aimed at mitigating climate change may have a particular impact on the business. This is the case of the increase in the price of CO_2 emission allowances, carbon taxes or emission restrictions, which may affect the industrial and other energy-intensive sectors.

In this respect, the increased price of greenhouse gas emissions impacts the Group's operating costs. In 2022, the CO_2 emission rights expenditure was €21.5 million. Based on this, Viscofan is implementing actions within its decarbonisation plan:

- Investment in energy equipment that can use green hydrogen as a renewable energy source. Specifically, the Cáseda plant has energy equipment to use this energy vector and which has replaced others whose useful life had come to an end. In 2022, Viscofan also carried out the first tests on the use of green hydrogen in a co-generation engine, testing the feasibility for the production of casings.

- Work has begun on installing a biomass boiler at the Cáseda plant.

- Study and approve a project to implement an energy PPA (Purchase Power Agreement) for solar panels for the Cáseda plant for the self-sufficiency of renewable electricity.

Physical - Chronic. Water scarcity: The increase in the planet's average temperatures can increase the risk of water stress, causing a lack of supply at production plants. Based on this risk, Viscofan has identified plants in regions of high or extremely high water stress, in line with the list of the World Resources Institute. Said plants are in Brazil, Mexico, Belgium and China and, as a whole, represented 22% of the Group's total water withdrawal in 2022. During the year these plants did not have water supply problems. Viscofan is implementing measures to mitigate this:

- Within the Sustainability Action Plan, Viscofan is analysing possible scenarios and measures to be implemented faced with this potential long-term risk.

- Likewise, the 2030 commitments include reducing the intensity of water withdrawal. To comply with this, Viscofan is developing and investing in technologies that require less water, promoting and studying the viability of reusing water in the production process and investing in the best available water treatment and discharge technologies.

Transitional – low-emission technology: accelerated transition to low-emission technology in the company's production lines and facilities, e.g. by switching from natural gas equipment to equipment that uses renewable energy sources or generates less carbon emissions. If the speed of this transition is faster than the amortisation period of the equipment or requires non-mature

energy technologies to be adopted, it can lead to associated costs and investments, as well as loss of overall product competitiveness.

At the moment, based on the preliminary analysis carried out following the IEA Sustainable Scenario and IEA Current Policies scenarios, the transition commitments to low-emission technology of the different governments of the countries in which Viscofan is present have a time horizon longer than the useful life of the energy equipment. However, Viscofan, as part of its decarbonisation objective, is seeking to invest in energy equipment that uses renewable energies to the extent that the existing ones have reached the end of their useful life, as well as the diversification of energy sources, in order to achieve greater self-consumption.

Transitional - Market. Rising raw material prices. The physical consequences of global warming or climate change regulation itself may lead to higher prices for raw materials, affecting the company's procurement, transport and distribution worldwide. Increases in the price of raw materials may be caused by their reduced access or availability or by their carbon footprint. Viscofan has mitigation tools to compensate for the increase in raw material prices:

- Passing on cost inflation through higher selling prices to customers.

- Specific R&D projects and production trials encouraging diversification of sources of supply and suppliers for collagen hides and cellulose.

- Investment and development of more efficient and less wasteful production processes. One example is the recent installation of new cellulose casing technology in Danville (USA) in 2022.

Thus, from the preliminary analysis performed, no impairment was identified on the current assets, and no significant investments were envisaged to comply with the commitments established in our 2022-2025 Sustainability Action Plan.

Climate change opportunities

Viscofan's integral risk management system assesses and monitors the risks and their tendency, taking the necessary management measures which, aside from mitigating the risk, may generate opportunities.

Access to new markets: Viscofan has extensive experience in the sector, and based on its knowledge of processing raw materials, processes and continuous dialogue with the food sector, it can identify business opportunities related to other forms of food alternatives to the current ones.

Efficiency of production processes: the reduction in the intensity of use of resources such as energy or water, as well as a reduction in the generation of waste, could lead to savings for Viscofan and represent a competitive improvement compared to other market players that do not adopt this type of strategy. To this end, it is necessary to optimise and improve manufacturing processes, establishing circularity and efficiency measures in terms of water, waste and energy.

Viscofan's integral risk management system assesses and monitors the risks and their tendency, taking the necessary management measures which, aside from mitigating the risk, may generate opportunities.

Promoting renewable and sustainable energies: Viscofan is working to promote decarbonising its processes using green hydrogen as an energy vector. If this technology were available on a competitive and continuous basis, it would save CO_2 emissions and the associated cost of emission allowances. In particular, the tests carried out with green hydrogen in 2022 on a co-generation engine in Cáseda have led to a saving of 63 Tn of CO_2, equivalent to more than 7,660 tonnes of CO_2 annually. Also, in terms of energy transition, Viscofan could improve efficiency and favour the purchase of renewable energy with Power Purchase Agreements PPAs, gaining in turn in self-sufficiency.

Resources allocated

Viscofan's commitment to environmental improvement and the fight against climate change is also revealed in its human, operating and financial dimension.

Management systems

Environmental. ISO 14.001:

We are working to attain this environmental management certification at all our production plants. At 2022 year-end, 89% of the Group's plants now have this certificate. During the year, the necessary work was carried out at the plant in New Jersey (USA), which will be certified in January 2023.

The breakdown of the Group's plants with the ISO 14001 certificate at 31 December 2022 is as follows:

Country	Plant	ISO 14001
Spain	Cáseda	Yes
	Urdiain	Yes
Germany	Weinheim	Yes
	Alfhausen	Yes
Serbia	Novi Sad	Yes
Czech Republic	Ceske Budejovice	Yes
Belgium	Hasselt	Yes
US	Danville	No
	Montgomery	Yes
	New Jersey	(Received January 2023)
Mexico	Zacapu	Yes
	San Luis Potosi	Yes
Brazil	Itu	Yes
	Matarazzo	Yes
Uruguay	Pando	Yes
China	Suzhou (2 plants)	Yes
Australia	Sidney	Yes

ISO 50001 energy efficiency certificates

The Cáseda and Urdiain (Spain), Weinheim (Germany) and Ceske Budejovice (Czech Republic) plants have an ISO 50001 standard certificate, enabling the plants to improve their efficiency, energy costs and green greenhouse emissions.

Other certificates

Viscofan's New Business division obtained the ISCC PLUS certification from the plastic extrusion and plastic converting centres in Brazil, Mexico, Belgium, and Germany. Furthermore, the extrusion and converting centre in the Czech Republic obtained the ISCC PLUS recertification. This certification system ensures the sustainability of raw materials and products for diverse markets.

Environmental investment

Part of Viscofan's industrial asset base relates to environmental management, seeking the best available technology in the management of water, energy and waste, among others. Hence, at the end of December 2022, the gross value of this type of asset was €78.0 million (€65.4 million at 31 December 2021).

Viscofan continues its quest to improve environmental management and with this objective in mind, in 2022, it invested €12.6 million in this area (€6.9 million in 2021). The investment projects in energy equipment contribute to the reduction of CO_2 such as electric boilers, energy recovery or solar panels; and installations for processing waste from the production process.

Environmental training

Being more sustainable and reducing our impact on the environment is a commitment for all of us. In addition to allocating financial resources, measures are also promoted to further the Group's values and commitments with regard to environmental management among employees, with training courses standing as an essential element of the management approach.

Environmental fines and penalties

In 2022, the Viscofan Group had not received any significant environmental penalties.



Zacapu Plant (Mexico)



2.3.2. Climate change management and energy efficiency

Viscofan is committed to energy efficiency and global climate protection. We seek to reduce the intensity of our atmospheric emissions by investing in and developing more efficient production technology, increasing the use of renewable energy and leading the change in the industry towards technology that helps to fight against climate change. We also wish to positively influence the value chain through sustainable casings that help our customers to reduce their emissions.

Casing production is an ongoing process all year round that requires a lot of heat, especially in the casings drying processes. The main energy input used in the process is natural gas, electricity and steam.

The reduction in energy consumption with new technologies and the availability of renewable energy sources are essential aspects of Viscofan's undertaking to contribute to climate change protection and, hence, Viscofan works on three main axes:

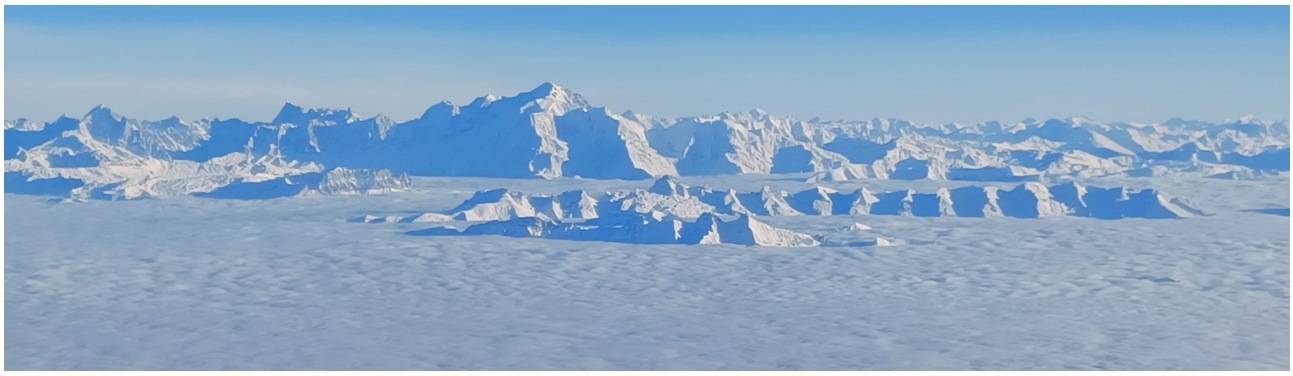
- Development and investment in more efficient production technologies: As far as possible, Viscofan invests in improvements to reduce energy consumption and to make the most of the different ways in which this energy is present in our processes. Viscofan's strategy for reducing overall CO_2 emissions includes using heat, even in the effluents from our production processes, or replacing systems requiring high amounts of energy with more efficient systems.

  Specifically, the Viscofan Group has cogeneration plants that allow greater efficiency from an environmental point of view with savings in CO_2 emissions, cost savings and which ensure the continuity of the energy supply. These facilities are located in Cáseda (Spain), with an installed capacity of 48MW and in Weinheim (Germany), with 8.7MW.

- Fostering the development of technologies that help to combat climate change: In the current technological state, the most efficient way to generate energy to produce casings is on the basis of natural gas combustion. However, within its decarbonisation plan, Viscofan boosts collaboration with public bodies and companies in the energy sector to develop green hydrogen capacities as an energy source in the future casing production process.

- Viscofan promotes the use of renewable energy: within this commitment, in 2022, Viscofan increased the use of renewable electricity at its plants, representing 54.8% of the total electricity acquired by the Group.

In particular, the production plants in Urdiain (Spain) and Alfhausen (Germany) use exclusively renewable energy sources.



Energy consumption

The internal energy consumption expressed in Giga Wh is the following:

Energy consumption	2022	2021	2020	2019	2018
Gigawatt-hour (GWh)	2,526	2,465	2,371	2,294	2,276

In 2022, internal energy consumption increased by 2.5% versus 2021 in a context of increased production activity.

The breakdown by type of energy is as follows:

In GWh	2022	2021
Natural gas	2,118	2,091
Electricity and other non-renewables	190	259
Renewable electricity	213	115
Renewable fuels	5	0
Total energy	**2,526**	**2,465**
Total renewable	218	115
% of total	*8.6%*	*4.7%*



Electricity from renewable sources

54.8%

in 2022, compared to 31.2% the previous year

Due to the decarbonisation measures framed in the Sustainability Action Plan, the use of renewable energy has increased compared to 2021. Given the characteristics of the production process, the greatest energy intensity corresponds to thermal energy, the most efficient alternative being the use of natural gas. However, as far as possible and as long as the processes have been electrified, the use of a higher percentage of electricity from renewable sources has been actively pursued. Thus, in 2022, 54.8% of the group's electricity was from renewable sources, compared to 31.2% the previous year.

The detail of the Group's production plants with electricity purchased from renewable sources is as follows:

Detail of plants with electricity from renewable sources	2022
Cáseda. Spain	100%
Urdiain. Spain	100%
Weinheim. Germany	100%
Alfhausen. Germany	100%
Novisad. Serbia	100%
San Luis Potosi. Mexico	100%
Zacapu. Mexico	50%
Itu. Brazil *	33%
Ermelino Matarazzo. Brazil *	32%
Group	**55%**

**Brazil's plants have started to purchase electricity from renewable sources from September 2022.*

In addition, the Group promotes and encourages implementing energy efficiency projects in its operations. The most relevant have been:

- The installation of collagen casing production capacity in several of the Group's plants under dry-tech technology, where less water is used in the process, which means less heat is used to dry the casing.
- At the Cáseda plant, the operational temperature parameters have been optimised in different production phases in fibrous, cellulose and collagen facilities.
- Installation of LED lights in the plants of Weinheim in Germany, Serbia, Belgium, Czech Republic, and Australia.
- Renewal of equipment with greater energy efficiency both in the production process and in energy equipment.

These measures and the consolidation of projects from previous years have improved in 2022 in the ratio of energy consumption intensity over metres of extruded casings. Its development is as follows:

Base 100 year 2018	2022	2021	2020	2019	2018
Consumption in GWh /Metres produced	87	90	94	102	100

Emissions

The breakdown of direct and indirect CO_2 emissions and their intensity is as follows:

CO_2 emissions in tonnes	2022	2021	2020	2019	2018
Direct	415.182	405.299	397.959	386.221	378.128
Indirect	83.444	142.682	165.228	154.580	164.138
TOTAL	**498.626**	**547.981**	**563.188**	**540.801**	**542.266**

Other emissions in tonnes	2022	2021	2020	2019	2018
NOX	762	735	713	657	643
SOX	32	29	29	32	N/A

Base 100 year 2018	2022	2021	2020	2019	2018
Intensity of CO2 emissions/millions of extruded	72	84	94	101	100
Intensity of NOX emissions/millions of extruded metres	93	95	100	103	100
Intensity of SOX emissions/millions of extruded metres	77	74	80	100	N/A

In 2022, CO_2 emissions decreased by 9.0% compared to the previous year due to the fact that the plants in Serbia and Brazil started to purchase electricity from renewable sources in the year and to the energy efficiency measures implemented.

Main projects in 2022

During the 2022 financial year, in addition to the energy efficiency measures mentioned above, the following projects have been implemented to decarbonise our production processes:

- Viscofan has successfully completed the tests to use green hydrogen as fuel in one of the cogeneration engines located in the production plant in Cáseda. The use of hydrogen as a fuel reduces the carbon footprint of the combustion processes, as each cubic metre of natural gas replaced saves 2.15 kg of CO_2 from being emitted into the atmosphere, so the contribution to the reduction of the carbon footprint is immediate. In fact, the implementation of this test has led to a saving of 63 Tn of CO_2, equivalent to more than 7,660 tonnes of CO_2 per year.
- In Cáseda (Spain), permits have been obtained for installing an energy production centre that uses biomass from our cellulose waste as fuel, contributing not only to a reduction in greenhouse gas emissions, but also to improving the circular economy by obtaining renewable energy from our production processes.
- The plant in Alfhausen (Germany) has achieved zero greenhouse gas emissions (Scope 1 and 2) by 2022 by replacing natural gas with biomass and purchasing electricity from renewable sources.

Emission savings:

Electricity production through co-generation

In 2022, Viscofan avoided the emission of CO_2 into the atmosphere by using cogeneration compared to the theoretical emissions from co-generation steam using conventional boilers at the Cáseda (Spain) and Weinheim (Germany). Below is a detail of the equivalent tonnes of CO_2 avoided:

	2022	2021	2020	2019	2018
CO2 avoided by Energy optimisation	85,845	94,033	90,449	90,531	91,715

Thanks to the cogeneration installed, it is worth noting that over the last ten years, the Viscofan Group has managed to avoid the emission of nearly one million tonnes of CO_2 into the atmosphere.

2030 commitment to reduce the intensity of CO2 emissions

As a signatory member of the United Nations Global Compact, Viscofan is committed to SDG 13. Climate action. This commitment has materialised with a target by 2030 of a 30% reduction in scope 1 and 2 CO_2 emissions over a million extruded metres with respect to 2018.

The ratio evolution on a baseline of 100 for 2018 are as follows:

Base 100 year 2018	2030 Commitment	**2022**	2021	2020	2019	2018
CO2 emissions scope 1 and 2/Extruded metres	70	72	84	94	101	100





2.3.3. Responsible management of the end-to-end water cycle

Water is essential for life and also for the viability of Viscofan's business, since the casing production process and a large part of raw materials used depend on water. We acknowledge that it is a resource whose availability is affected by climate change and by a growing global demand.

Viscofan's production plants require water withdrawal for different phases of the process, such as casings cleaning, refrigeration, steam production and moistening of casings.

At Viscofan, in 2022, during the production of casings, 17% of the water collected evaporates, is incorporated into the product, or is consumed, while the remaining 83% is taken to depuration plants installed at Viscofan's production plants to be processed before being returned to freshwater surfaces, or to municipal processing plants.

Viscofan's water management focuses its efforts two-fold. Firstly, by seeking production technology with a lower water requirement, mainly in phases of the process that involve the casings cleaning. Once the water has been used, Viscofan works to improve the quality of the water that we discharge even further and to understand the risks associated with the availability and use of water in the areas in which we operate.

Withdrawal, responsible use of water

In 2022, water use efficiency measures have led to a reduction in water withdrawal and an improvement in the indicator of intensity over extruded metres. Of particular note:

- The installation of dry-tech production lines for the production of collagen casings.
- In New Jersey, optimisation measures and installing more efficient collagen raw material processing and washing technology have been carried out.
- Installation of filtering systems in Spain and Brazil to reduce water flow.

Water collection by source type. m^3	2022	2021	2020	2019	2018
Surface water	4,127,443	4,269,619	4,107,250	3,849,469	3,755,026
Groundwater	2,929,859	2,810,428	2,756,290	2,643,301	2,636,088
Municipal supplies	3,634,433	3,701,020	3,515,107	2,947,574	3,021,961
Rainwater	0	0	0	0	0
Wastewater	0	0	0	0	0
TOTAL	**10,691,735**	**10,781,067**	**10,378,646**	**9,440,345**	**9,413,076**
Consumption in process	**1,770,905**	**2,348,446**	**2,107,470**	**1,679,531**	**1,745,719**

Likewise, as part of its efficient water management strategy, Viscofan seeks the greatest possible water reuse. In 2018, it was endeavoured to make greater use of reused water in China, but it did not have the expected results. However, the reuse project at the Pando plant (Uruguay) commenced in 2020 is being consolidated, and it has been implemented in Brazil to reuse water from the production process to supply the fire system and to water the garden.

These projects, of great importance and technical complexity, have increased the percentage of water reuse

	2022	2021	2020	2019	2018
Water reused in m^3	57,077	16,942	15,172	1,069	26,635

All captures are strictly regulated by the public sector, which assigns permits and determines the maximum permitted capture volumes to preclude significant effects. Hence, there was no record in 2022 of the organisation's water collection activities significantly affecting any water sources.

Furthermore, according to the World Resources Institute list, the plants of Belgium, Mexico, Brazil and China are located in countries of high or extremely high-water stress, a risk that the Group has identified. They account for 22% of total water withdrawal and 24% of the Viscofan Group's total water discharge in 2022. In the year, problems of water supply were not declared in these areas.

Responsible discharge

Protecting the quality of the water that we discharge is one of Viscofan's commitments. Adequate water management also includes a correct treatment of its wastewater and minimising the impact of its activities on the environment; thus, we apply the best available technologies in an ongoing process such as that of the Group.

As a result, Viscofan has water treatment plants at its manufacturing facilities, where water treatment makes it possible to improve the quality of discharges. Factories that treat 100% of the water are: Cáseda (Spain), Zacapu (Mexico), Koteks (Serbia), Itu (Brazil), Pando (Uruguay) and Suzhou (China).

Water discharge broken down by destination is as follows:

Water discharge in m3	2022	2021	2020	2019	2018
Freshwater surface	5,157,283	4,643,755	4,588,313	4,354,863	4,279,568
Municipal processing plant	3,763,547	3,788,866	3,682,863	3,405,950	3,387,789
TOTAL	**8,920,830**	**8,432,621**	**8,271,176**	**7,760,813**	**7,667,357**

2030 commitment to reduce the intensity of water withdrawal

As a signatory member of the United Nations Global Compact, Viscofan is committed to SDG 6. Clean water and sanitation. Viscofan's commitment has materialised with a target by 2030 of a 10% reduction in water withdrawal over a million extruded metres with respect to 2018.

The evolution of the ratio on a baseline of 100 for 2018 are as follows:

Base 100 year 2018	2030 Commitment	2022	2021	2020	2019	2018
Water withdrawal in Extruded metres m3 / Extruded metres	90	89	95	100	101	100





2.3.4. Circular economy

Population growth influences the availability of the planet's resources, making their efficient use and the circularity of the economy essential. A global challenge that requires incorporating environmental criteria throughout the value chain that minimizes the impact of Viscofan's activity.

Working in conjunction with the whole value chain, Viscofan promotes the sustainable use of resources. Firstly, through the selection, search and homologation of raw materials, which are then transformed by mechanical and chemical means, producing millions of metres of casing per year. In this process, Viscofan is constantly searching for more efficient technology, which leads to less waste generation and a circular life cycle. Finally, Viscofan's product innovations aim to foster customer innovation and help them in their sustainability challenges.

Selection of raw materials

We take the utmost care with the raw materials we work with, ensuring that the highest standards of health and food safety are maintained at all stages of production. In addition, a significant proportion of these products are of natural, biodegradable or recycled origin.

The breakdown of consumption expenditure by category of the ten most relevant raw materials is as follows:

Key raw materials	2022	2021
Animal and plant origin	65%	70%
Plastic polymers	10%	11%
Auxiliary chemicals	25%	19%
Total	**100%**	**100%**

Animal and plant origin

- **Cellulose:** Cellulose is a linear polymer composed of glucose units found in the wall of cells in plants, wood and natural fibres, usually combined with other substances such as lignin, hemicelluloses, and other components. To produce casings, the cellulose chain must be broken to obtain a polymer with the appropriate length for its extrusion in the form of a casing and with very specific elastic properties. This process requires cellulose with a high level of purity, also called "Premium cellulose" or "special cellulose" by our approved suppliers.

- **Collagen:** Collagen is a very common long fibrous protein with remarkable chemical and mechanical properties. It has been used for many years as a basic raw material for several applications, as well as for sausage casings. Among others, it is used in the fields of biomedicine and cosmetics, as well as applications in the food industry. It is also the basic material used in the extensive gelatine industry. The corium, or inner part of the skin of cattle, is mainly used to produce collagen casings since it is very rich in collagen.

- **Abaca paper:** This is obtained from a herbaceous plant called Musa textilis. Paper made from its fibres has a high mechanical and moisture resistance and is used at Viscofan to produce fibrous casings. Other industries also use abaca fibre to produce high-quality paper and non-woven textiles for various uses such as tea bags, paper money and filters.

Plastic polymers: Plastic casings are obtained by treating different plastic polymers widely used in various industries. The most commonly used polymers are polyethene, polypropylene and polyamides.

Chemicals used as auxiliaries in the production of different types of casings, the most relevant are caustic soda and glycerine.

Packaging

Viscofan's business model is characterised by the sale of ingredients or auxiliary raw materials in large volumes to food production companies so that the packaging sent by Viscofan to the customer is not individualised by product or unit of use. For this reason, packaging is a reduced cost and has not been identified as a relevant aspect within Viscofan's materiality matrix, which, moreover, does not end at the final consumer. The majority by relevance and weight are caddies, boxes, and pallets, mostly of renewable origin, being packaging used to protect the quality and safety of the casings sent to the customer.

Furthermore, in terms of raw materials, a part of these use reusable packaging, such as the containers that store the collagen skins; another part is biodegradable and recycled, such as the cardboard containing the cellulose paper; and to a lesser extent, other packaging is of synthetic origin, for which Viscofan promotes the recycling of these as far as possible.

Efficient management and waste circular

Viscofan is constantly searching for a more efficient production technology that allows, among other things, a reduction in production waste. Furthermore, as established by the Environmental Policy, the concept of circular economy is included in the decision-making processes on investments and in the planning and execution of activities.

The production of casing is an ongoing process whose characteristics mean that waste will be generated throughout, notably, viscose, collagen mass and discarded casing in the converting process. Likewise, associated with environmental management at the water purification plants and the gas treatment facilities, the Group generates a material amount of waste.

To manage the waste generated, we use disposal methods that have been determined locally based on local regulations and good practices within the Group, considering the characteristics of the production process and the raw materials used.

The trend in waste by typology is as follows:

In tonnes	2022	2021	2020	2019	2018
Recovered	37,345	29,400	26,648	22,673	25,755
Disposed	31,492	34,010	30,696	26,634	27,668
Total waste	**68,837**	**63,410**	**57,344**	**49,307**	**53,423**

In 2022, the tonnes of waste increased by 8.6%, mainly due to the higher level of casing production and the start-up process of new production machinery, which is associated with an occasional rise in waste that normalises once the learning curve is completed.

As part of the Sustainability Action Plan, a special effort is being made to identify waste and search for recovery alternatives, as well as to prevent waste from ending its life cycle in landfills or incineration. In addition, waste managers are being asked to identify the final destination of the waste better, making it possible to reduce the classification of Other (waste managed by third parties pending classification of its final destination) and to assign it to the different waste categories according to its final destination. Furthermore, the Executive Sustainability Committee agreed to raise the bar in the waste management targets, extending the 30% reduction target compared to 2018 levels for waste that is considered disposed of, i.e. destined for landfill, incineration or to a third party that does not identify a final destination.

As a consequence of better identification of the final destination of waste, the tonnes of waste reported to landfill has increased, and the tonnes reported in the "Other" category has been significantly reduced.

In tonnes	2022	2021	2020	2019	2018
Incinerated	3,314	4,009	4,035	3,902	3,989
Landfill	27,918	23,192	20,700	18,706	20,734
Other	260	6,809	5,960	4,026	2,945
Total waste disposed	**31,492**	**34,010**	**30,696**	**26,634**	**27,668**

In addition, work is being done on the further valorisation of waste by increasing the reuse of products, or the recycled use of waste after the corresponding transformation, such as composting or energy recovery as a thermal source:

In tonnes	2022	2021	2020	2019	2018
Reused	6,216	7,966	3,333	2,892	3,412
Recycling	7,299	6,393	5,142	5,103	7,069
Composting	16,107	12,995	17,173	13,694	14,029
Energy recovery	7,723	2,045	1,000	984	1,245
Total waste recovered	**37,345**	**29,400**	**26,648**	**22,673**	**25,755**

As part of its commitment to efficient and circular waste management, Viscofan is implementing and analysing the implementation of projects in different subsidiaries. In this area, it is worth highlighting the following:

- In Cáseda (Spain) permits have been obtained for installing an energy production centre that uses biomass from our cellulose waste as fuel, contributing to improving the circular economy by obtaining renewable energy from our production processes.
- A recycling programme for packaging has been implemented at the Montgomery converting plant.
- In Serbia, the process of feeding and unloading materials has been modified to reduce waste. Work has also been carried out in this country on implementing a quality process using artificial intelligence that enables better use of resources and waste reduction.

The following is a breakdown of the categorisation of waste according to its destination and hazardousness:

	2022			2021		
In tonnes	Non-hazardous	Hazardous	TOTAL	Non-hazardous	Hazardous	TOTAL
Recovered	31,802	5,543	37,345	28,206	1,194	29,400
Disposed	28,950	2,542	31,492	27,424	6,586	34,010
TOTAL	**60,752**	**8,085**	**68,837**	**55,630**	**7,780**	**63,410**

Moreover, the Viscofan Group has implemented an environmental management system to prevent spillages and leaks, in which it has established management mechanisms and technical control elements. There were no spills or leaks at Viscofan Group facilities in 2022 that had to be reported to the competent authorities, understood as those that cause damage to the external environment of the facility.

Commitment 2030 to reduce waste disposal

As a signatory member of the United Nations Global Compact, Viscofan is committed to SDG 12. Responsible consumption and production. Viscofan's commitment has taken the form of a target with a 2030 horizon and a 2018 base for reducing non-circular waste.

Initially, the objective was focused on the reduction of waste destined for landfill, although, in the course of the 2022-2025 Sustainability Action Plan, the requirement has been increased in accordance with a greater identification of the destination of the waste, incorporating the objective of reducing everything that is not recovered, so that by 2030 there should be a 30% reduction in the tonnes of disposed waste out of a million extruded metres.

The variations in the ratio on a baseline of 100 for 2018 are as follows:

Base 100 year 2018	2030 Commitment	**2022**	2021	2020	2019	2018
Tonnes of waste disposed/Metres extruded	70	89	102	100	97	100





2.3.5. Responsible supply chain management

In a world where consumption habits can lead to the use of unsustainable materials, at Viscofan, a very significant part comes from raw materials considered to be renewable, i.e. of natural origin, or are biodegradable or come from raw materials that have already been recycled. Thus, 81% of our revenue comes from the sale of casings with these characteristics.

However, Viscofan also considers how sustainability issues impact not only on its own operations but also along the value chain: raw materials, packaging and helping customers with their sustainability challenges.

Raw materials

Viscofan has the following sustainability commitments for both renewable raw materials and the rest:

· **Cellulose and abaca pulp:** All our suppliers are certified by the international (PFEC and FSC) certification programme, which ensures that the cellulose they obtain comes from sustainably managed trees and forests and, therefore, does not contribute to the deforestation of the planet.

· **Collagen:** Our collagen casings are a good example of a circular economy in the world of casings, as the cowhide is used for recovery in the food industry. In addition, Viscofan seeks as far as possible to contribute to animal welfare under strict controls and by working with European leather suppliers that comply with animal welfare codes.

· **Plastic:** In 2022, the development and processing of plastic have continued to progress in accordance with the 3R rules (reduce, reuse and recycle), and measures have been taken in favour of a circular economy:

- *Reduce:* The possibility of reducing the thickness of the main references of plastic casings and other packaging by 2% without affecting their properties has been investigated and achieved. With this project, Viscofan has saved 66.2 tonnes of plastic raw material.

Work on this axis has also reduced the thickness of the adhesive layer by more than 10% in multilayer plastic casings through improvements in process control and product redesign, a project started in 2021 at the Czech Republic plant and extended to Brazil in 2022, achieving savings of 11.6 tonnes of plastic materials.

- Reuse and recycle: eFAN casing, which contains up to 95% recycled or bio-based plastic material, has been commercially promoted in 2022.

Likewise, and in line with the promotion of the eFAN casing, by the end of 2022 Viscofan had 32,000 tonnes of recycled or renewable plastics in its warehouses.

Also, in 2022, Viscofan's Plastics division achieved ISCC PLUS recertification of all plastic extrusion and plastic converting facilities

· **Vegetable proteins:** This raw material used for the veggie casing is a GMO (Genetically Modified Organism) free product

Packaging

Viscofan works with the ambition to make responsible use of and minimise as much as possible the packaging of raw materials and the final product by promoting the circular economy. In recent years, concepts of reduction, reuse, redesign and recycling are being used in the packaging management strategy. The main initiatives implemented during the year are:

On the cardboard caddies used for the collagen casings, a project has been carried out and implemented in cooperation with the supplier to reduce the amount of cardboard by about 20% while maintaining the strength of the packaging.

Reduction in the number of pallets and associated packaging by optimising the number of metres of casing per pallet surface area.

In the EMEA region, Viscofan has provided a solution to a customer's logistical problem thanks to a new packaging that has enabled them to stack four carton heights, eliminating an intermediate pallet, while remaining stable during handling by warehouse and shrink-wrapping personnel.



Customers

With our developments, we seek to help customers meet consumer needs and achieve greater sustainability in their production processes, providing them with products with greater production efficiency that generate less food waste and, in addition, enable the reduction of CO_2 emissions during their processing.

Key achievements in 2022 at the product level to help customers with their sustainability challenges have been:

- In the New Business division, work has been done on reducing the thickness of the plastic casings, achieving a product with the same properties and with less need for raw materials.
- Cellulose casing with transfer of annatto, a spice used as a food colouring. It is a solution that makes life easier for our customers, allowing a more efficient application of the spice with less waste.
- Promoting and increasing growth in value-added transfer plastics as a sustainable alternative that allows customers to reduce specific cooking cycles and their products' carbon footprint.



2.3.6. European taxonomy for environmentally sustainable economic activities

In accordance with the European Union's environmental taxonomy criteria, around 93% of Viscofan's revenue has no significant impact on climate change, with the only eligible transition activity being the co-generation of heat/cold and electricity based on natural gas, where the technical alignment requirements need further development of the green hydrogen industry to facilitate fossil fuel substitution in line with the pioneering decarbonisation work that the Group is carrying out in Spain.

Foundation

In its notification dated 8 March 2018, the European Commission published its "Action Plan: Finance sustainable growth", with which it commences an ambitious integral strategy with which it endeavours to ensure that the finances become an essential driver to move towards an economy that guarantees compliance with the objectives of the Paris Agreement and the agenda 2030 of the European Union (EU) for Sustainable Development.

In this context, the package of measures presented defines ten specific actions, one of the main objectives of which is to redirect the capital flows towards sustainable investments. As a result of the first of these actions, the Taxonomy Regulations were published, Regulation (EU) 2020/852, which endeavours to establish a classification system which, based on objective criteria, determines which economic activities are sustainable.

The Taxonomy Regulations establishes six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and the ecosystems

On 4 June 2021, the Delegated Regulation (EU) 2021/2139 was published on sustainable activities for the objectives to mitigate and adapt to climate change. Therefore, technical selection criteria were established to determine the conditions in which it is considered that an economic activity substantially contributes to these two objectives and to determine if such economic activity does not cause significant harm to any other environmental objectives.

Likewise, on 6 July 2021, the Commission adopted the Delegated Regulation (EU) 2021/2178, completing article 8 of the Taxonomy Regulation. This delegated act specifies the content, methodology and presentation of the information that must be disclosed to the financial and non-financial companies in relation to the proportion of environmentally sustainable economic activities with regard to its commercial, investment or lending activities.

On 9 March 2022, the European Commission published Delegated Regulation 2022/1214 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards public disclosure of specific information on these economic activities.

In order to determine that an activity is "environmentally sustainable", it is necessary to start from the distinction established by the Regulation between two types of activities:

- Eligible activities: Those that significantly impact the achievement of any of the six environmental objectives set out in the Regulation, irrespective of whether that economic activity meets any or all of the technical selection criteria set out in those delegated acts.

- Aligned activities: Those that have a significant impact on the achievement of any of the six environmental objectives set out in the regulation and in addition:

- Does not cause any detriment to the other environmental objectives set out in the Regulation.
- It complies with technical selection criteria established by the Commission.
- It is carried out in accordance with the minimum guarantees set out in Article 18 of the Regulation.

Analysis of implications for Viscofan

Eligibility analysis

The Viscofan Group has conducted an analysis to identify the eligibility of the Group's activities with respect to climate change mitigation and adaptation objectives.

From this analysis, it is concluded that:

- The manufacture and distribution of all types of casings for sausage and other applications; the manufacture and distribution of collagen-based products for food use and bioengineering have not been identified as having a significant impact on climate change. Therefore, they are not eligible for activities that are included in Annexes 1 and 2 of the Regulation that establish the technical selection criteria for determining the conditions under which an economic activity is deemed to make a substantial contribution to climate change mitigation or adaptation.

- Furthermore, the co-generation activity, which in the Viscofan Group consists of the sale to third parties of the electricity that the Group does not use in the production process of its main activity, is included in Annexes 1 and 2 of the Regulation as an eligible activity.

Alignment analysis

Viscofan has analysed the co-generation activity (eligible activity) based on the provisions of Annex 1 of the Regulation, which includes the criteria that this activity must meet to be considered as making a substantial contribution to climate change mitigation.

In this regard, the technical criteria for selection of substantial contribution set out in section 4.30 (High-efficiency co-generation of heat/cold and electricity from gaseous fossil fuels) of this Annex set a minimum level of greenhouse gas emissions for a cogeneration activity to be aligned that is technically impossible to achieve with the use of 100% fossil fuel, requiring the blending of non-fossil fuels and the development of new technologies that would allow such consumption.

In this respect, within the search for decarbonisation of its processes, Viscofan is being a pioneer, and in 2022, it has successfully completed for the first time in Europe the use of green hydrogen as fuel in a co-generation. In addition, although a regular, continuous supply of green hydrogen is not currently available, Viscofan has already installed two co-generation engines with the capacity to partially use green hydrogen and thus be prepared for a rapid transition when such a supply becomes available.

Based on these requirements, the main key performance indicators have been calculated in accordance with the EU Delegated Regulation of the Commission supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by companies subject to Articles 19a or 29a of Directive 2013/34/EU with respect to environmentally sustainable economic activities, and the specification of the methodology for complying with the disclosure obligation with regard to the presentation of information on environmentally sustainable economic activities.

Calculation of indicators

Calculation of the key performance indicator on revenue

To calculate the indicator, the accounts required by the Regulations have been identified in the denominator, with revenue being the amount included as "Sales and rendering of services" (see note 20 of the Notes to the Consolidated Financial Statements).

For the calculation of the numerator, the amount of sales and services of the eligible activities has been used.

Calculation of the key performance indicator for capital expenditure (CapEx)

To calculate the CapEx indicator, the denominator includes total investments in intangible assets, investments in property, plant and equipment and investments in assets for rights of use of the Viscofan Group, see notes 5, 6 and 7 of the Notes to the Consolidated Financial Statements.

For the numerator, projects carried out during the year that can be considered as eligible activities for the CapEx indicator, as indicated in Article 8 of the Regulation, are taken into account.

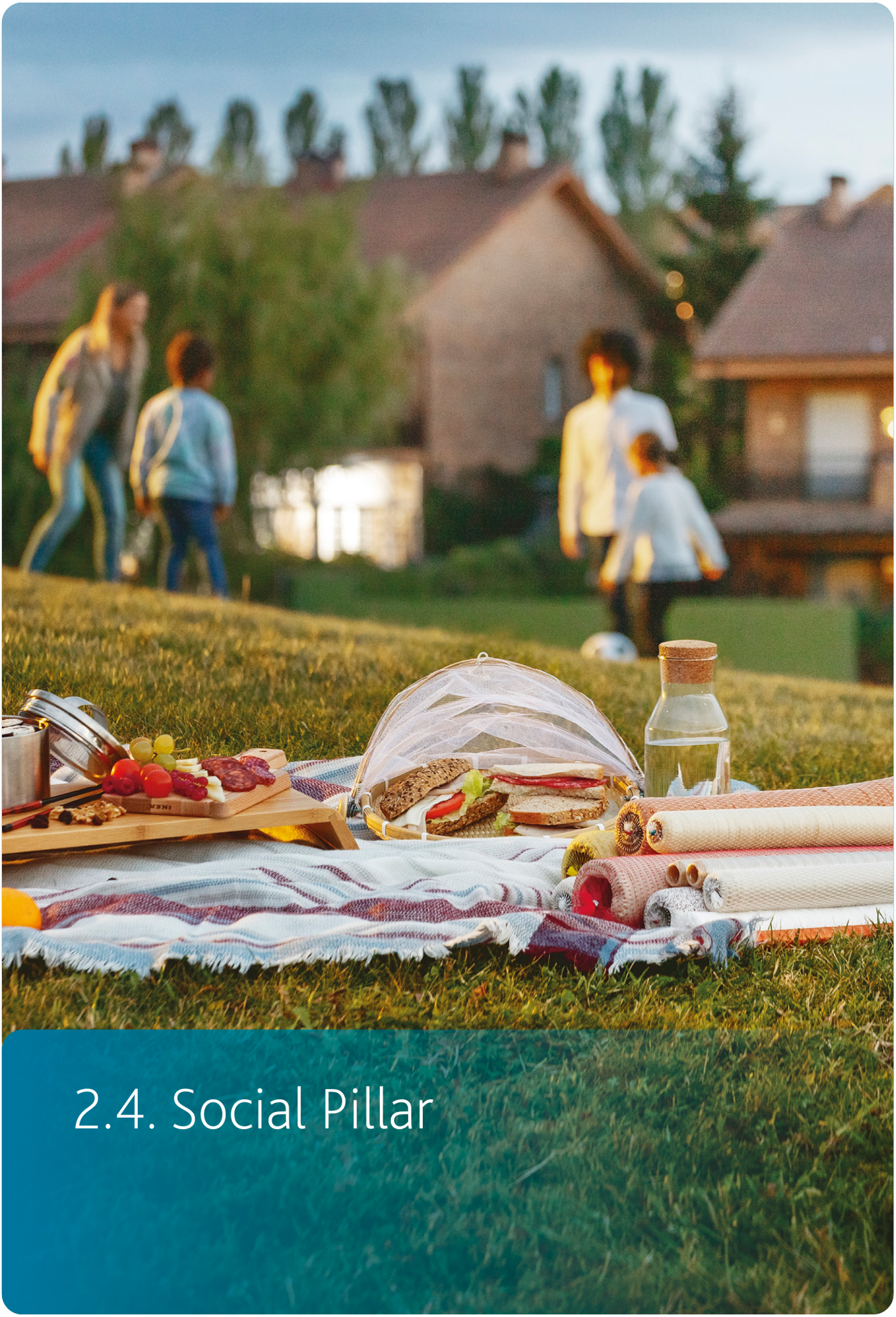
Calculation of the key performance indicator for operating expenses (OpEx)

To calculate the OpEx indicator, the Viscofan Group's accounting accounts for research and development expenses, building renovation measures, short-term leasing expenses and maintenance and repairs or expenses to ensure the proper functioning of the assets have been identified. The sum of these accounts is the denominator.

For the numerator, the breakdown of the accounts by Cost Centre has been extracted by analysing the nature of the expenditure in order to identify whether it is associated with an eligible activity as indicated in Article 8 of the Regulation.

The tables with the calculations of the indicators can be found in the Annex Tables of environmental taxonomy indicators of this Consolidated Management Report.

This Annex also contains the standardised templates for the information referred to in Article 8(6) and (7) of Delegated Regulation (EU) 2022/1214 of 9 March 2022 for the applicable key performance indicators on fossil gas activities.



2.4. Social Pillar



2.4.1. Work management

People are the differential value on which the future of Viscofan is built. Over 5,300 employees in 20 countries constitute an extraordinary human wealth. People management is key to achieving our goals and that is why we want to attract and develop the best team in the industry.

Material aspects

Diversity, equality and non-discrimination
Health and safety
Quality in employment
Salary gap
Training

Our commitment

8 DECENT WORK AND ECONOMIC GROWTH

- SDG 8. Decent work and economic growth
  Ensure decent working conditions for all company employees, with non-discriminative hiring. Likewise, Viscofan maintains its commitment to create ongoing employment.
- We back the promotion and professional development of our teams, especially among young people. We inform employees of the opportunities and processes that arise at the company so that they can opt for new goals and challenges.
- Guaranteeing freedom of association and collective bargaining.
- Creating a stable working environment, supporting full-time permanent contracts, in a climate of respect and non-discrimination. 88% of our workforce have permanent contracts.
- Encouraging youth employment through recruitment and internship programmes. Almost a third of our workforce is under 35.
- Having occupational health and safety management systems at all the company's factories. We set the target of reducing the accident rate by 50% with respect to 2030.
- Maintaining public-private partnerships with universities to carry out projects that contribute to sustainable economic growth.

Highlights 2022

- In 2022, there was a 4.6% increase in the group's average workforce due to the recruitment needs associated with increased production capacity.
- The percentage of women in managerial positions continues to increase, rising to 19.6%, although it is still far from the 30% target for 2030.
- In a context of increased production activity, the Group's accident rate increased from 0.20% in 2021 to 0.26% in 2022, although it is below the average of the last five years.

Human team

Viscofan is made up of a large team of professionals in 20 countries where the company is present, reflecting its marked international character and a multicultural, competitive, qualified team in constant training, which shares solid values and ethical principles, despite having different cultures. In short, a rich and complex multicultural environment, which is both a challenge and an opportunity for the international development for all employees.

People

The average workforce in 2022 amounted to 5,317 people, a rise of 4.6% (234 people) compared to the average workforce reported the previous year, due to the hiring needs to deal with production increases. Of this workforce, 3,783 are men (3,612 in 2021), and 1,534 are women (1,471 in 2021).

At 2022 year-end, the workforce comprised 5,510 employees (up 6.3% on the workforce at 2021 year-end), of which 3,899 are men (3,688 in 2021) and 1,611 women (1,494 in 2021).

The breakdown of the average workforce by country and their coverage by collective agreements is as follows:

Breakdown of the average workforce by country	2022				2021			
	Men	Women	TOTAL	% covered by agreement	Men	Women	TOTAL	% covered by agreement
Spain	689	252	941	66%	644	226	870	68%
Czech Republic	374	294	668	100%	367	280	647	100%
Serbia	437	237	674	100%	406	223	629	100%
Germany	484	80	564	81%	473	76	549	81%
Belgium	59	12	71	100%	58	10	68	100%
France	7	7	14	100%	7	8	15	100%
United Kingdom	10	2	12	0%	6	8	14	0%
Russia	4	2	6	0%	4	2	6	0%
EMEA	**2,064**	**886**	**2,950**	**85%**	**1,965**	**833**	**2,798**	**86%**
China	227	151	378	0%	211	142	353	0%
Australia	57	17	74	39%	55	14	69	42%
Thailand	6	9	15	0%	8	5	13	0%
New Zealand	4	3	7	0%	10	2	12	0%
Japan	1	0	1	0%	-	-	-	-
India	0	1	1	0%	-	-	-	-
APAC	**295**	**181**	**476**	**6%**	**284**	**163**	**447**	**6%**
US	436	170	606	48%	418	184	602	51%
Mexico	521	115	636	73%	464	93	557	69%
Canada	38	16	54	0%	59	30	89	0%
Costa Rica	6	8	14	0%	8	8	16	0%
NORTH AMERICA	**1,001**	**309**	**1,310**	**58%**	**949**	**315**	**1,264**	**55%**
Brazil	355	145	500	100%	344	146	490	100%
Uruguay	68	13	81	95%	70	14	84	95%
SOUTH AMERICA	**423**	**158**	**581**	**99%**	**414**	**160**	**574**	**99%**
TOTAL	**3,783**	**1,534**	**5,317**	**73%**	**3,612**	**1,471**	**5,083**	**73%**

As part of Viscofan's internationalisation strategy, every year, various initiatives are implemented in the area of international mobility to strengthen the exchange of the Group's best practices to all subsidiaries through benchmarking. In fact, there are numerous projects to share knowledge between the various production plants and to develop specific global training seminars for Group workers.

Since the outbreak of the COVID-19 pandemic in 2020, the Group has had to adapt to the difficulties and constraints inherent in this situation. However, international mobility within the Group remained stable, with an average of 34 employees that participated in international projects and which were posted abroad for long durations (38 in 2021). Likewise, short trips were

adapted to the travel guidelines and the travel restrictions imposed by the company. Faced with this scenario, Viscofan reinforced investment in technology and new digital tools to overcome travel restrictions and reduce the risk and the associated economic and environmental costs.

In this regard, it should be noted that 65% of the top local managers in the countries where Viscofan has a production or commercial company are recruited from the local community, i.e. they were born in the country where they hold their position.

Age

The team combines young talent and experience. The average age of the staff is 41 years. Of the total of the average workforce, 32% are people under 35 years old, 43% are between 35 and 50 years old, and 25% are over 50 years old.

	2022			2021		
Breakdown of average workforce by age	Men	Women	Total	Men	Women	Total
17-34 years old	1,199	516	1,715	1,099	499	1,598
35-50 years old	1,557	705	2,262	1,482	665	2,147
More than 50 years old	1,027	313	1,340	1,031	307	1,338
TOTAL	3,783	1,534	5,317	3,612	1,471	5,083

	2022			2021		
Average workforce by age and contract type	Permanent Contract	Temporary Contract	TOTAL	Permanent Contract	Temporary Contract	TOTAL
17-34 years old	1,314	401	1,715	1,272	326	1,598
35-50 years old	2,062	200	2,262	2,004	143	2,147
More than 50 years old	1,296	44	1,340	1,299	39	1,338
TOTAL	4,672	645	5,317	4,575	508	5,083

Likewise, in line with the rules of the International Labour Organisation that appear in the Conventions 138 and 182 on child labour, Viscofan does not employ children under 14.



Hiring and professional category

Our business model has a marked industrial nature: 51% of those working at Viscofan are operators, and 17% are specialised personnel. Within this industrial context, Viscofan is committed to stable quality employment, and 88% of the workforce have permanent contracts and 99% are full-time workers.

Average workforce. Type of contract	2022			2021		
	Men	Women	TOTAL	Men	Women	Total
With permanent contract	3,372	1,300	4,672	3,274	1,301	4,575
Temporary contract	411	234	645	338	170	508
TOTAL	3,783	1,534	5,317	3,612	1,471	5,083

Average workforce. Workday type	2022			2021		
	Men	Women	TOTAL	Men	Women	Total
Full-time contract	3,749	1,505	5,254	3,577	1,439	5,016
Part-time contract	34	29	63	35	32	67
TOTAL	3,783	1,534	5,317	3,612	1,471	5,083

Average workforce by category	2022			2021		
	Men	Women	TOTAL	Men	Women	Total
Management	107	26	133	101	22	123
Technicians and Department Heads	932	357	1289	896	341	1237
Administrative personnel	54	178	232	57	176	233
Specialised personnel	699	230	929	670	229	899
Workers	1,991	743	2,734	1,888	703	2,591
TOTAL	3,783	1,534	5,317	3,612	1,471	5,083

Average workforce by category and type of recruitment	2022			2021		
	With permanent contract	Temporary contract	TOTAL	With permanent contract	Temporary contract	TOTAL
Management	132	1	133	121	2	123
Technicians and Department Heads	1,213	76	1,289	1,197	40	1,237
Administrative personnel	207	25	232	215	18	233
Specialised personnel	823	106	929	813	86	899
Workers	2,297	437	2,734	2,229	362	2,591
TOTAL	4,672	645	5,317	4,575	508	5,083

Average workforce by category and part-time	2022			2021		
	Men	Women	TOTAL	Men	Women	TOTAL
Management	1	0	1	1	0	1
Technicians and Department Heads	10	6	16	11	6	17
Administrative personnel	2	8	10	2	8	10
Specialised personnel	4	6	10	3	7	10
Workers	17	9	26	18	11	29
TOTAL	34	29	63	35	32	67

Average workforce by age and part-time	2022			2021		
	Men	Women	TOTAL	Men	Women	TOTAL
17 - 34 years old	7	8	15	7	8	15
35 - 50 years old	7	7	14	7	10	17
More than 50 years old	20	14	34	21	14	35
TOTAL	34	29	63	35	32	67

In a growing group, talent management policies such as selection and recruitment, training and career development are key to ensuring leadership continuity. In this regard, these areas are being promoted, updating talent management policies and developing internal employee communication channels (People channel) through which employees can access the company's job offers. Likewise, the attraction of talent is promoted through various Employer Branding activities, including the promotion of relations with different educational centres and the offer of internships at international level, for which the Viscofan Global Graduate Program has been created.

Viscofan aspires to be a company where the talent of its employees can develop and reach the highest level. In 2022, José Antonio Canales, CEO of the Group, received the Navarre Manager of the Year award from the Association for Progress in Management (APD) and Diario de Navarra. Previously, several of its corporate directors have been recognised with awards for the best professional career, as is the case of the Group's Financial Director and R&D Director.

Also, Viscofan has 1,137 employees with university degrees (1,061 in 2021), of which 44 had a doctorate (50 employees in 2021). A very high level of training that demonstrates Viscofan's rigorousness and the means used to achieve excellence in production and maintain the levels of innovation necessary in our activity.



Equality and work-life balance

Viscofan's employment environment enables the professional and personal development of all people that form part of the company, integrating them and allowing them to participate in the company's future regardless of their race, ethnic group, gender, sexual orientation, age, religion or nationality, among others.

The high percentage of men (71%) compared to women (29%) continues to be significant. A similar percentage to that of the companies in the sector.

	2022		2021	
Average workforce by gender and category	Men	Women	Men	Women
Management	80.4%	19.6%	82.1%	17.9%
Technicians and Department Heads	72.3%	27.7%	72.4%	27.6%
Administrative personnel	23.3%	76.7%	24.5%	75.5%
Specialised personnel	75.2%	24.8%	74.5%	25.5%
Workers	72.8%	27.2%	72.9%	27.1%
TOTAL	71.1%	28.9%	71.1%	28.9%

Commitment 2030: Promotion of female talent and professional development

Increasing the weight of the less represented gender is one of the challenges that we face, especially with respect to the retention, development and promotion of female talent. That is why we have set ourselves the target of 30% women in management by 2030.

Talent management identifies opportunities to incorporate the under-represented gender, both with internal and external candidates, in those positions that are foreseen in the future based on vacancies, growth opportunities or within the succession plan.

The trend in the objective is as follows:

Base 100 year 2018	2030 Commitment	2022	2021	2020	2019	2018
Percentage of women in executive posts	30%	19.6%	17.9%	14.8%	15.4%	15.6%

In 2021, the III Equality Plan for Viscofan SA and the I Equality Plan for Viscofan España SLU were approved, both with four-year terms (2021-2025), in which areas of improvement were detected, and different objectives were set to achieve equality and a work-life balance at the company, and the measures and/or actions were envisaged to obtain such balance in all the analysis areas detailed in RD 901/2020 which regulate the equality plans, as well as adding others that are considered fundamental to correctly develop and implement the plan and, in this regard, the Group has a negotiating committee charged with its promotion and follow-up.

This III Equality Plan of Viscofan SA is based on evaluating the previous plan, analysing the actions performed and implemented or pending performance. Likewise, since the end of 2020, unbundled data was gathered by gender, in line with the new legal regulations, pursuant to RD 901/2020 and RD 902/2020 on remuneration equality, thereby including a remuneration audit.

To promote diversity, Viscofan works with special employment centres in Spain and other countries to perform certain tasks that contribute to developing our production activity. It also employs people with disabilities. It also employs people with disabilities. The breakdown of this heading is as follows:

	2022			2021		
	Men	Women	TOTAL	Men	Women	TOTAL
No. of employees with disability	65	6	71	67	6	73

Furthermore, in the area of equality, Viscofan has joined the CEO alliance for Diversity, a pioneering initiative in Europe, in which a total of 81 male and female executives have participated in the whole of Spain. Following the mission of uniting the CEOs of the main companies around a common innovative vision of diversity, equity and inclusion, acting as promoters and ambassadors that help to accelerate the development of strategies that contribute to business excellence, the competitiveness of talent in Spain and the reduction of inequality and exclusion in the Spanish society. The participation of Viscofan in the alliance involves its presence at meetings and symposiums, all in line with the commitment to going into depth in our policies and strategies of diversity, equity and inclusion, seeking synergies among different member companies.

In addition, the Viscofan Group participates as a collaborating entity and a member of the Management Committee of the Observatory of Conciliation and Joint Responsibility of Universidad Pontificia de Comillas.

Viscofan's work centres contribute to human development, basing themselves on a culture and shared values, and where they offer conditions that facilitate collective talent, the exchange of ideas, innovation, contrasted opinions and shared initiatives.

The executive Sustainability Committee has analysed the tendency of the workforce by gender, monitoring the universal leave for the birth of children and the death of spouses and children, even in countries whose legislation does not provide for this, and no work disconnection policies were envisaged.

Employment and remuneration

Workers are a key part of the Viscofan Group's success and leadership. Their constantly evolving commitment and work and improvement represent a clear competitive advantage for the Group.

In 2022, the workforce was increased due to the need to create new capacity, while the efficiency and productivity improvements have enabled the earnings ratio per employee to be improved.

	2022	2021	2020
Average workforce	5,317	5,083	4,967
Revenue in Mn €	1,201	969	912
Revenue per employee (thousands of €)	225.9	190.7	183.6

The average workforce increased by 4.6% in 2022 as opposed to 2021, situating the net variation in employment[1] at 234 people. The net variation in employment by category, gender and age is broken down as follows:

Net variation in employment	**2022**			2021		
Breakdown by age	Men	Women	TOTAL	Men	Women	TOTAL
Between 17 and 34 years old	100	17	117	34	20	54
Between 35 and 50 years old	75	40	115	42	23	65
More than 50 years old	-4	6	2	14	-17	-3
TOTAL	**171**	**63**	**234**	**90**	**26**	**116**

Net variation in employment	**2022**			2021		
Breakdown by category	Men	Women	TOTAL	Men	Women	TOTAL
Management	6	4	10	-3	4	1
Technicians and Department Heads	36	16	52	21	8	29
Administrative personnel	-3	2	-1	0	-2	-2
Specialised personnel	29	1	30	0	13	13
Workers	103	40	143	72	3	75
TOTAL	**171**	**63**	**234**	**90**	**26**	**116**

(1) The net variation in employment is calculated as the difference between the 2022 average work force and the 2021 average work force.

The importance of these stakeholders - the employees - can be seen in the generated and distributed value table. In 2022, employees received €236 million of the total value generated by the Group (€208 million in 2021).

The necessary training in the production process, the strategies for creating long-term value, and the high level of commitment of the people who make up our team are reflected in the voluntary redundancy rate of the average workforce for 2022, which stands at 3.5% (4.4% in 2021).

The Group's business activity requires adapting to various market needs in the different locations under criteria of competitiveness and efficiency, which in some cases, requires workforce reductions.

The breakdown of average redundancies by category, age and gender is as follows, having increased by 22.6% in a context of the reorganisation of operations in North America:

Average number of redundancies by category	**2022**	2021
Management	2	3
Technicians and Department Heads	17	12
Administrative personnel	4	9
Specialised personnel	15	3
Workers	65	57
TOTAL	**103**	**84**

Average workforce redundancies by age	**2022**	2021
Between 17 and 34 years old	55	30
Between 35 and 50 years old	32	34
More than 50 years old	16	20
TOTAL	**103**	**84**

Average workforce redundancies by gender	**2022**	2021
Men	76	57
Women	27	27
TOTAL	**103**	**84**



Remuneration

The contracting policy of the Viscofan Group is based on objectivity, equal opportunities and training, and one of its aims is to favour gender diversity, among other aspects. This implies competitive remuneration adapted to the capacities and competences of the different profiles required according to the industrial or commercial process and also according to the realities of the multitude of countries in which Viscofan is present.

Average annualised gross remuneration[1] expressed in euros per category and age is as follows:

The contracting policy of the Viscofan Group is based on objectivity, equal opportunities and training, and one of its aims is to favour gender diversity, among other aspects

Average remuneration (€)	2022	2021
Management *	219,816	127,103
Technicians and Department Heads	51,196	46,462
Administrative personnel	33,488	31,801
Specialised personnel	27,836	26,326
Workers	27,138	25,504
TOTAL	36,805	32,610

Average remuneration (€)	2022	2021
17 - 34 years old	25,848	22,641
35 - 50 years old	33,999	30,848
More than 50 years old	59,254	50,860
TOTAL	36,805	32,610

** Excludes executive directors' remuneration in 2022 and 2021*

[1] Gross remuneration excludes remuneration to executive directors, expatriates and those who cannot be standardised in an annual remuneration because of their special nature.

The increase in average remuneration in 2022 compared to 2021, especially for directors and key personnel of the organisation, largely corresponds to the payment in this financial year of the long-term variable remuneration contemplated in the Long-Term Incentive Plan for the 2019-2021 period, whose objectives have reached a level of compliance of 102%.

Minimum wage paid in the country vs the legal minimum wage in the country:

Minimum wage paid in the country vs legal minimum wage in the country (% difference over minimum wage)	
Spain	111%
Czech Republic	16%
Germany	87%
Serbia	5%
Belgium	65%
United Kingdom	52%
France	9%
Russia	n.s.
China	5%
Thailand	103%
Australia	19%
New Zealand	19%
Canada	0%
US	47%
Mexico	36%
Brazil	86%
Uruguay	19%
Costa Rica	74%
Japan	n.s.
India	n.s.

Within the area of remuneration, 73% of the company's employees are covered by general collective bargaining agreements, therefore improving the minimum conditions set by the different employment legislation. Collective Bargaining Agreements regulate the remuneration received by the workers who sign them, and in particular, establish criteria of equity between similar jobs, thus avoiding gender discrimination and the wage gap between equivalent jobs. The Group's average remuneration is €36,805 (€32,610 in 2021): €40,215 for men (€35,218 in 2021) and €28,525 for women (€26,168 in 2021). This difference in average remuneration corresponds to a multitude of factors, from the gender composition of the Group to its geographical presence, the different distribution of jobs, their level of specialisation, the night shifts for a continuous production process of 24 hours, danger and seniority bonuses, etc., which are in line with the industrial context, the composition of the workforce and the history of the Viscofan Group.

In order to be able to carry out internal monitoring of possible gender-based pay differentials, the guidelines of the job evaluation project carried out in Spain in 2021 have been followed, with the aim of identifying comparable grades, i.e. those which, due to the nature of the functions or tasks effectively entrusted, the educational, professional or training conditions required for their exercise, the factors strictly related to their performance and the conditions in which these activities are carried out, are equivalent. This analysis was performed with the help of the consultant Willis Tower Watson, which enabled up to 21 equivalent degrees to be identified within Viscofan.

Within the area of remuneration, 73% of the company's employees are covered by general collective bargaining agreements, therefore improving the minimum conditions set by the different employment legislation

Based on this experience, the equivalent in degrees was analysed internally for all the companies included in the scope of consolidation. Hence, the remuneration by degrees and gender was analysed in the different towns to identify salary gaps, understood to be the difference between the fixed salaries of men and women with respect to the fixed salary of men in each of its degrees. Based on this analysis, the Sustainability Committee can monitor the performance of this indicator in the most significant degrees and therefore be able to establish the measures for its improvement.

The result of this analysis is summarised in the salary gaps per country, understood to be the weighted average of the remuneration differences between the salary of men and women with respect to all female employees of that country:

	2022	2021	2020
Grade	**GPG avg by Company/ Grade (Weighted Female)**	GPG avg by Company/ Grade (Weighted Female)	GPG avg by Company/ Grade (Weighted Female)
Germany	11.0%	7.3%	14.2%
Australia	7.8%	2.7%	7.8%
Belgium	0.0%	-1.9%	2.1%
Brazil *	12.7%	17.1%	16.3%
Canada *	1.2%	12.7%	13.7%
China	10.8%	6.8%	17.0%
Costa Rica	-84.5%	-2.7%	-27.2%
Czech Republic	9.3%	11.9%	15.0%
Spain	8.8%	11.2%	9.9%
France	1.3%	6.0%	11.9%
Mexico *	6.9%	15.3%	15.6%
New Zealand	4.8%	-2.4%	19.9%
Russia	4.3%	5.1%	3.3%
Serbia	5.6%	2.6%	4.2%
Thailand	-16.1%	25.5%	24.0%
United Kingdom	-9.9%	-22.9%	-35.6%
Uruguay	6.1%	5.1%	11.1%
US	19.4%	12.6%	13.1%

*Excludes workplaces with a gender representation of less than 5%.

If we compare the last two years, the most significant changes in the wage gap have occurred in Costa Rica (-84.5% in 2022 vs -2.7% in 2021), Thailand (-16.1% in 2022 vs 25.5% in 2021) and the UK (-9.9% in 2022 vs -22.9% in 2021), commercial branches with small staff sizes and individualised salary conditions. In addition, to provide comparable information, the table presented excludes from the calculation those centres where one of the two genders is under-represented (less than 5% of the workforce), which is the case in Brazil, Canada and Mexico.

The individual remuneration of all members of the Board of Directors is detailed in the Annual Report on Remuneration in section 4. of this Directors' Report.

Moreover, the Group makes contributions to various defined benefit plans. The significant information is set forth in note 14 to the consolidated financial statements.

Professional development

We promote people's personal and professional development through different initiatives that allow us to manage knowledge and take advantage of employees' abilities to achieve the group's objectives.

Likewise, the industrial nature of Viscofan requires combining a large number of operators with specialised staff. This is an increasingly demanding and global industry in terms of requirements, which requires greater knowledge and expertise of the workforce. To take on this challenge, the Group constantly invests in staff capabilities, added to the continuous training effort carried out in the organisation.

Continuous training is one of Viscofan's primordial goals for its personnel, thereby boosting personal and professional development.

Continuous training is one of Viscofan's primordial goals for its personnel, thereby boosting personal and professional development. The methodology has changed, with training through e-learning platforms, both at the corporate and local level, which have allowed continuity to be given to training activities that could not be given face-to-face. Over the past year, work has been carried out on the development of Viscoacademy, with the aim of housing all the group's training on a single platform, thus promoting knowledge sharing.

As part of this continuous training, February 2022 saw the start of the global roll-out of the Leadership Programme, an education and training programme aimed at establishing a common leadership model in the Group aligned with the company's values. The Leadership programme consisted of 4 different sessions, in which Viscofan leaders had the opportunity to learn tools and be trained in competencies such as: Viscofan DNA, constructive feedback, communication with the manager, and teamwork. Over the past year, several sessions of the Leadership Programme were completed in 10 of the 11 countries where deployment was envisaged (the COVID-19 situation forced the postponement of the programme's deployment in China, where it is scheduled to take place in the first half of 2023).

The Transversal Leadership Programme was also launched last year, aimed at people who, although they do not have a hierarchical team, need to drive and manage people in the organisation to achieve the desired objectives, mainly with regard to transversal projects.

For all this commitment to human capital training, the group has invested €1.4 million (€1.4 million in 2021), of which €0.26 million (€0.3 million in 2021) correspond to training and explicit awareness in health and safety (more information in the workplace safety section).

	2022			2021		
Training	Men	Women	Total	Men	Women	Total
Number of hours	43	24	68	37	19	57
Average number of hours per employee	11.4	16.0	12.7	10.4	13.1	11.2
% of employees who have received training	93.9%	95.1%	94.3%	89.0%	88.1%	88.7%

Within the training plan, subjects related to aspects of human rights have been addressed, such as the use of non-sexist language, corporate social responsibility, gender equality and sexual harassment, for a total of 3,539 hours, compared to the 4,933 hours invested in 2021.

The number of training hours by category are broken down as follows:

Training. Number of hours by category	2022			2021		
	Men	Women	Total	Men	Women	Total
Management	1,581	997	2,578	972	498	1,470
Technicians and Department Heads	17,664	10,160	27,825	14,773	6.627	21,400
Administrative personnel	654	3,972	4,626	644	2.042	2,686
Specialised personnel	6,937	4,561	11,497	6,720	6.032	12,752
Workers	16,385	4,806	21,191	14,276	4.134	18,410
TOTAL	43,221	24,496	67,717	37,385	19.333	56,718

The total number of hours spent on training reported in 2022 has increased by 19% compared to the previous year.

Facilitating training is one of the most effective measures to encourage professional development within the Group. The new processes and vacancies at Viscofan are notified internally so that the people that wish to can set themselves new challenges and goals at the company itself, strengthening and preserving the talent of the human team.

Looking towards promoting employment, the Group also fosters participation in the main universities of the countries in which it carries on its activities. Within the objective of attracting and developing talent, in 2022, there were an average of 44 internships (51 in 2021).

In line with the results from the Work Environment surveys, the purpose of the Viscofan Group is to forward development of a personal high-performing culture and evaluate the established objectives through a performance assessment process. In particular, performance assessment is an ongoing process of planning, monitoring and evaluating the objectives that are defined by each head with each team member. This methodology improves the professional capacity of each person and aligns individual expectations with the strategy and objectives as a company.

In 2022, 44% of the Group's staff was subject to a performance assessment process, compared with 40% in the previous year. The breakdown by gender and professional category is as follows:

Performance assessment	2022				2021			
	Men	Women	TOTAL	% average workforce	Men	Women	TOTAL	% average workforce
Management	98	23	122	92%	90	13	103	84%
Technicians and Department Heads	605	218	823	64%	536	211	747	60%
Administrative personnel	28	87	115	49%	28	79	107	46%
Specialised personnel	220	102	322	35%	209	100	309	34%
Workers	660	294	954	35%	575	189	764	29%
TOTAL	2	723	2	44%	1	592	2	40%

In line with the development of a high-performance culture, in 2022, Viscofan implemented a more digital and collaborative workspace at the whole Group, the Modern Workspace, through the implantation of innovative solutions that adapt to the different user profiles at Viscofan (personnel at offices, at the factory or commuting), and which will enable the teams to work more effectively thanks to the adoption of new tools, platforms and work methodologies.

The Group promotes bilateral evaluation through the implementation of multi-year global opinion surveys (Viscofan Opinion Survey). In this regard, the fourth Viscofan Group opinion survey was carried out in 2022 with a response rate of 68%. Two key dimensions were explored throughout this survey: “Engagement” and “Enablement”. In the “Engagement” dimension, which refers to the employees' commitment to the company, the result obtained indicated that 67% of the participants in the survey feel committed to Viscofan. The “Enablement” dimension analyses whether the skills and competencies of Viscofan employees are adequately used in their work, as well as whether the working environment is conducive to their performance. In this case, the result obtained indicated that 66% of the participants consider that their role and environment allow them to develop their skills and perform the functions of their position adequately. The results of the survey have enabled Viscofan's strengths and areas for improvement to be identified in collaboration with Korn Ferry, an international organisational consultancy firm.

Occupational safety

Corporate workplace safety policies are overseen by the Operational Sustainability department, in close collaboration with the corporate and local Human Resources departments.

Viscofan works with the belief that it is possible to avoid all occupational accidents. Hence, it not only ensures that its facilities are safer but also that its staff throughout the whole Group are aware of the fundamental importance of safety issues. A reality that was doubly imposed in 2022, due to the urgent need to protect the teams at all locations at which Viscofan is present and to ensure strict compliance with the prevailing safety measures with respect to COVID-19.

Corporate workplace safety policies are overseen by the Operational Sustainability department, in close collaboration with the corporate and local Human Resources departments. To a large extent, this coordination has enabled the immediate application at all subsidiaries of the safety measures and protocols to prevent and minimise cases of COVID-19 among the workforce, which has permitted Viscofan to maintain its production activities at its factories.

It has boosted measures and investments to improve the employment conditions of our workers and to obtain reliable and consistent indicators to measure and compare performance in the various countries in which the Group operates. The best health and safety practices are thereby extended to the production centres.

Improvements in the field of occupational health and safety in 2022 include the following: the implementation of fire protection projects in Pando (Uruguay), Weinheim (Germany) and Ceske Budejovice (Czech Republic); the renovation of pleating machines in the group, including safety improvements; and the adoption of new collagen and cellulose extrusion technologies in the US plants, which will lead to significant improvements in health and safety conditions in both processes. In addition, the investigation of any incidents and the drawing of lessons for dissemination to the rest of the group is encouraged through monthly meetings of the corporate Operational Sustainability department with all subsidiaries.

For Viscofan, the material aspects that affect safety are essentially based on the characteristics of the position and the activities that are required. This explains the constant effort of Viscofan to standardise procedures and distribute them among the workforce with regard to the company's safety policy, providing workers in this regard with specific courses and information in their areas of work.

In order to carry out these initiatives, the Group has an Occupational Health and Safety policy which establishes the following relevant guidelines:

- Provide employees with a safe and healthy workplace.

- Identify and comply with applicable legislation and regulation in terms of Environment, Health and Safety (EHS) in each of the locations where the group does business, and any other voluntarily-acquired commitments of Viscofan to improve these areas.

- Ensure that management, employees and all staff working for the organisation (or on its behalf) are aware of this policy and are trained, according to their responsibilities, to comply with it.

Alongside this, certain specifications are determined within the collective bargaining agreements of the different locations in which the Viscofan Group is present in matters related to health and safety. In turn, the participation of employees in health and safety matters is guaranteed at all factories through health and safety committees (in which the company's risk prevention procedures are regularly and frequently consulted), suggestion boxes, as well as other communication channels established.

The performance of the health and safety indicators of the Viscofan Group is as follows:

	2022	2021	2020
Hours lost per accident	25,014	18,278	23,745

	2022			2021		
	Men	Women	Total	Men	Women	Total
Number of accidents	107	30	137	103	28	131
Occupational diseases	5	0	5	8	3	11
Accident rate [1]	0.28%	0.21%	0.26%	0.21%	0.17%	0.20%
Severity index [2]	0.34	0.26	0.32	0.29	0.14	0.25
Occupational accidents. Frequency [3]	15.9	9.3	14.1	15.3	10.9	14.2
Absenteeism rate [4]	4.83%	5.14%	4.92%	4.60%	6.00%	5.00%

1. Hours lost per accident / Hours worked
2. Number of equivalent days lost per accident per thousand hours worked
3. Number of accidents per million hours worked
4. Hours lost per illness or accident / Total hours worked

In 2022, the accident rate criteria were revised and standardised across the Group, indicating those occurring at the workplace and excluding those occurring in itinere and occupational illnesses. For comparable purposes, the same criterion is maintained for 2021 and 2022.

In 2022, the number of accidents in the group has increased (137 in 2022 vs 131 in 2021), as well as their severity, reaching a severity index of 0.32 (compared to 0.25 in 2021), below the 0.87 benchmark reported by the industrial sector in Spain in 2022. As for the accident rate, it has increased by 0.06 p.p. compared to 2021. The number of occupational diseases, however, has decreased considerably compared to last year (5 cases of occupational diseases in 2022 vs 11 cases in 2021).

Reducing the accident rate is one of Viscofan's priority objectives in the field of health and safety, which is why it has set itself the target of reducing the accident rate by 50% by 2030

Reducing the accident rate is one of Viscofan's priority objectives in the field of health and safety, which is why it has set itself the target of reducing the accident rate by 50% by 2030. The variations in the ratio on a baseline of 100 for 2018 are as follows:

Base 100 year 2018	2030 Commitment	2022	2021	2020	2019	2018
Accident rate	50	62	48	63	83	100

A reduction in the accident rate has also been set as an objective within the Long-Term Variable Remuneration Plan for Viscofan's senior management and key personnel, reflecting the number of hours lost due to accidents with respect to the total number of hours worked.

Training in accident prevention and about the importance of safe behaviour patterns is one of the cornerstones of health protection of our employees. This training includes basic prevention measures that have to be adopted in the workplace, or the importance of day-to-day heart-healthy habits, the role of middle-level management and the improvement of its leadership in safety. The breakdown of the number of hours of training in this area is as follows:

	2022			2021		
Health and Safety Training	Men	Women	Total	Men	Women	Total
Number of hours	14,039	3,306	17,345	16,253	3,061	19,314
Average number of hours per employee	3.7	2.2	3.3	4.5	2.1	3.8
% of employees who have received training	72%	70%	71%	69%	61%	68%

In order to meet the organisation's occupational health and safety commitments as set out in the group's policy, our plants operate Health and Safety Management Systems based on the guidelines issued by the corporate department and certified according to the ISO 45001 standard, the international benchmark for occupational safety management systems. Most of our plants are currently certified or have plans for certification in the short term (2024).

The details of the Group's factories that already have these certificates is as follows:

Country	Plant	Certified	
Spain	Cáseda	ISO 45001	Yes
	Urdiain	ISO 45001	Yes
Czech Republic	Ceske Budejovice	ISO 45001	Yes
Germany	Weinheim	ISO 45001	Yes
Serbia	Novi Sad	ISO 45001	Yes
Belgium	Hasselt	ISO 45001	Yes
China	Suzhou extrusion	ISO 45001	Yes
	Suzhou converting	ISO 45001	Yes
US	Danville	*ISO 45001*	Planned for 2024
	Montgomery	*ISO 45001*	Yes
	New Jersey	*ISO 45001*	Yes
Mexico	San Luis	ISO 45001	Yes
	Zacapu	ISO 45001	Yes
Uruguay	Pando	ISO 45001	Yes
Brazil	Itu	ISO 45001	Yes
	Ermelino	ISO 45001	Yes





2.4.2. Taking care of the supply chain

With our products and global positioning we contribute to the nutrition and well-being of millions of people, which requires responsible management of the entire supply chain. From the selection of raw materials, the cooperation with our suppliers on efficiency, social and environmental challenges, to the relationship with our customers, helping them to meet the changing needs of consumers and solve their sustainability challenges, while facilitating food safety.



Material aspects

Sustainable supply chain management
Human rights
Consumer health

Our commitment

- We include in our portfolio products adapted to the standards of the Islamic religion (Halal) and to the standards of the Jewish religion (Kosher), taking into account the cultural particularities of our customers.
- We also manufacture products of vegetable origin for vegans and vegetarians.
- We design sustainable products that help to avoid food waste.
- Through our products, we provide more efficient and sustainable cold meat manufacturing processes, contributing in the long term to meeting the growing demand for food.

- Through the Supplier Code of Conduct, Viscofan establishes a series of ethical, social and environmental commitments that all its suppliers must comply with.

- Viscofan is committed to sustainability in the main raw materials used.
- Our production policy in proximity through a production presence of up to 19 factories contributes to reducing the impact of transportation on the environment.
- We have food safety and quality certifications.
- We promote energy efficiency throughout the value chain, developing packaging that minimises waste generation - such as gas emissions and wastewater generation, among others - during manufacturing and subsequent processing.



Highlights 2022

- In the face of disruptions in global supply chains and accelerating growth in the casing market, Viscofan's strategy has been to collaborate and promote with key suppliers to secure and increase supply in order to keep plants operational and service customers.
- In January 2022, the Board of Directors of Viscofan S.A. approved the Viscofan Supplier and Intermediary Code of Conduct.
- In the Multi-Year Incentive Plan for the 2022-2024 period established for Viscofan's executive directors, managers and other key personnel, a target has been included for audits of compliance with Viscofan's Supplier Code of Conduct in the volume equivalent to 50% of purchases from suppliers of cellulose, collagen skins, cellulose paper and polyamide suppliers.
- 100% of our production plants are certified by the Global Food Safety initiative. In addition, 71% of the production plants have obtained the maximum mark (AA) in the BRC food safety certificate

Supplier relations

Viscofan expects suppliers to comply with applicable laws and to follow recognised environmental, social and governance standards. The Group also makes a global commitment to its suppliers and establishes relationships with them based on respect and trust, and on the quality of products and services,

As a result of this objective and commitment, Viscofan has implemented outstanding elements in supplier management:

Codes and policies:

Supplier Code of Conduct: approved in 2022 by the Board of Directors, seeks to extend Viscofan's culture to suppliers of goods or services in terms of compliance with applicable laws and generally accepted standards, ethical behaviour, labour practices, the environment, the legality of goods and raw materials, and respect for the communities in which they operate.

This Code has been sent to the main raw material suppliers in 2022 and their signed acceptance has been requested.

Sustainability Policy: This establishes commitments and actions for the responsible management of the supply chain from the point of view of human rights, respect for the environment and the fight against climate change.

Code of Conduct and Human Rights Policy: Viscofan rejects any type of child labour and, in accordance with this, a commitment similar to that included in our code of ethics is requested from suppliers.

Anti-Corruption Policy, which includes the company's commitment to fight against bribery and corruption, and establishes the dealings and commercial relationships with third parties.

Whistleblowing channel: All suppliers can contact the Viscofan Ethics and Compliance Committee through the channel provided for this purpose on the website.



Selection and approval

Viscofan has established a supplier approval system that ensures non-discriminatory treatment in the selection processes of suppliers and contractors while seeking to ensure their compliance with quality, safety and cost criteria.

In particular, the system for suppliers of raw materials and packaging includes a declaration of conformity with their performance commitments in accordance with internationally accepted ethical principles and human rights.

Viscofan has established a supplier approval system that ensures non-discriminatory treatment in the selection processes of suppliers and contractors while seeking to ensure their compliance with quality, safety and cost criteria.

Moreover, all suppliers of raw materials, packaging and maintenance must approve an internal approval procedure consisting of verification, either in person or through the completion of a questionnaire. In both cases, among other matters, the following systems are assessed: quality management (ISO 9001, IFS), food safety management in the case of suppliers of raw materials (FSSC 22000, BRC Global Standard, BRC Packaging), occupational health and safety management (OHSAS 18001/ISO 45001), environmental management (ISO 14001) and human rights management (UN Global Compact, BSCI). In the specific instance of collagen, the acquisition of animal hide (mainly cows) is required. In Europe, this must comply with the European regulations on the welfare of animals at the time of slaughter.

Commitment to verification and compliance with the Supplier Code of Conduct

As part of the new 2022-2025 Sustainability Action Plan and on the basis of the Supplier Code of Conduct, a commitment has been made to conduct audits of compliance with the Code.

In this respect, within the multi-year incentive plan for the 2022-2024 period for Viscofan's executive directors, managers and other key personnel, the objective has been set to carry out audits on compliance with Viscofan's Supplier Code of Conduct in 2024 on a volume equivalent to 50% of purchases from suppliers of cellulose, collagen skins, cellulose paper and polyamide suppliers. This target has been extended to 100% by 2030.

Value creation and local suppliers

In addition, the Viscofan Group's activities in the countries in which it operates are geared towards value creation for all stakeholders, including suppliers. Thus, in 2022, the company allocated €739 million to reflect the distribution of value to suppliers of goods and services, and 52% of raw materials were purchased from local suppliers[1] (52% in 2021), which favours the economic development of the communities in which Viscofan is present.

Average Payment Period - Reporting Requirements in Spain

The payment period for the Viscofan Group during 2022 was 24 days (2021: 23 days), which is lower than the maximum established by payment arrears regulations.

Likewise, the monetary volume and number of invoices paid in a period lower than the maximum established in the late payment regulations and the percentage that they represent of the total number of invoices and of the total monetary payments to suppliers is detailed in note 15 of the Consolidated Annual Report.

[1] Local suppliers are understood as those with a tax domicile in the same country where Viscofan makes the purchase.

Helping our customers grow

Our casings facilitate access to basic food to the world's population, achieve greater efficiency in production, following strict quality and food safety controls, and clarity in labelling. Listening to the customer is key to meeting these demands in order to offer them the most suitable product and to promote them in order to achieve a more sustainable industry.

Product safety and food hygiene

In order to guarantee the excellence of products and services for both customers and for the end consumer at all times, Viscofan has a food safety system that covers all of these aspects: manufacturing facilities are built to food safety specifications, employees are trained in food hygiene and product safety, raw materials are tested for compliance with specifications previously agreed with certified suppliers, systems are in place to detect defective materials in the production system, pest control is implemented and policies are in place to monitor hazardous substances, personal hygiene and visitors.

Our casings facilitate access to basic food to the world's population, achieve greater efficiency in production, following strict quality and food safety controls, and clarity in labelling.

These protocols configuring our product food safety and quality system are based on the following core principles:

Hazard analysis and critical control point. Viscofan has a hazard analysis and critical control point (HACCP) system in place. Hence, an inter-disciplinary team assesses every step of the production process to detect possible hazards (physical, chemical and microbiological pollution, including allergens), identify critical control points, establish relevant controls and take any required corrective action. The system is annually updated in line with any changes in the production process.

Compliance with the applicable laws. Casings manufacturing is becoming more tightly regulated, in the area of food safety, by countries and supranational institutions, making up a growing and constantly changing battery of rules. This regulatory framework directly affects the activity of different production plants due to laws in the country of origin and requirements in the receiving countries, and internationally recognised standards. For this work it has a specific department of Patents and Regulatory Affairs.

Product traceability and certification. Viscofan operates a product traceability system that enables us to identify, at any time and in full detail, the history of every unit and even sub-unit sold, from receipt of raw materials to product use by our customers. In Europe, Viscofan fully implements a food traceability system under Regulation (CE) 178/2002.

Audit and certification. To ensure that our product safety and food hygiene systems comply with requirements, our production processes are audited internally on a regular basis. Our production facilities are also continuously audited by the health authorities, numerous customers and certification authorities. In this regard, all the Group's plants are Global Food Safety Initiative (GFSI) certified, which is an initiative of key food industry partners working together to drive continuous improvement in food safety management systems around the world.

Viscofan also has internationally recognised certifications for meat processors to approve their suppliers and market their products in the world's main distribution chains, and as part of its commitment to food safety and hygiene, it seeks to improve on the marks obtained with these certificates. This effort and commitment has paid off in 2022, with 71% of the plants obtaining the maximum (AA) rating in the BRC food safety certificate, a considerable improvement compared to 40% five years ago.

Certificates that prove the organisation's commitment to product safety, health and quality at its work centres as well as in all the activities carried out around the world are shown below:

Country	Plant	Certifications	
		Food safety	Quality
Spain	Cáseda	BRC Pack	ISO 9001
		BRC Food	
	Urdiain	BRC Pack	
Czech Republic	Ceske Budejovice	BRC Pack	ISO 9001
		BRC Food	
Germany	Weinheim	BRC Food	ISO 9001
	Alfhausen	BRC Pack	
Serbia	Novi Sad	BRC Pack	ISO 9001
		BRC Food	
Belgium	Hasselt	BRC Pack	ISO 9001
China	Suzhou	BRC Pack	ISO 9001
		BRC Food	
Canada	Montreal	BRC Pack	
	Moncton	BRC Food	
US	Danville	BRC Pack	ISO 9001
	Montgomery	BRC Pack	
		BRC Food	
	New Jersey	FSSC 22000	
Mexico	San Luis	BRC Pack	ISO 9001
	Zacapu	BRC Pack	
Uruguay	Pando	BRC Food	ISO 9001
Brazil	Itu	BRC Pack	ISO 9001
		BRC Food	
	Ermelino	BRC Pack	
Australia	Sidney	FSSC 22000	ISO 9001

The Viscofan Group is also Halal and Kosher certified. These certifications, referring to food products, are based on regulations that are key to servicing different markets and exploring new growth opportunities. The Halal certification is specifically designed for products sold in Muslim countries and Islamic communities, while the Kosher certification is a requirement for food consumption by the Jewish community.

In addition, within the New Business division, the Weinheim (Germany) plant has a Bioengineering unit with DIN ISO 9001 quality control certificates for the industrial production of collagen-based biomaterials and EN ISO 13485 for medical grade collagen products.



Estimated market share

41%

Customer satisfaction is, along with service quality and product safety, a fundamental objective for Viscofan.

Customer satisfaction

2022 was a year of high logistic demand marked by the disruptions in the global supply chains, and also by the successive rises in COVID cases, especially in China. In this context, Viscofan has endeavoured to maintain excellence in customer service and care, supported by an ample geographical positioning that enables greater proximity and an extensive product portfolio. Customer satisfaction is, along with service quality and product safety, a fundamental objective for Viscofan. A commitment backed by what is reflected in an estimated 41% market share that has placed their trust in our products in 2022.

In this regard, the sales team has a satisfaction evaluation system that allows it to directly obtain customers' opinions by measuring mainly four parameters (product quality, delivery service, economic competitiveness and technical assistance). In the latest global survey conducted, a total of 322 questionnaires were sent out and an 80% satisfaction rate was obtained.

Likewise, Viscofan has a very comprehensive integrated complaints and claims system that facilitates dialogue and communication to record, identify, follow up and analyse any notification of dissatisfaction with the product or service provided by the Viscofan Group to its customers. It is a system of cross-sectional, continuous improvement in which the departments involved must analyse the cause of the dissatisfaction and provide the corrective actions that will be established

in the organisation to avoid its repetition. Any dissatisfaction is analysed, making it possible to control both the material that is returned as a result of the complaints and compensations paid to customers.

In 2022, a total of 3,927 complaints were registered in our systems[1], including both service and administrative or product complaints, compared to 3,532 complaints in the previous year, and none were registered regarding customer data protection.

In addition, the Code of Conduct of the Viscofan Group establishes that "relationships with customers will be based on respect and transparency". Therefore, commercial messages fall within principles of transparency and veracity where no subjective comparisons are made nor is information given when it conflicts with third-party rights. These procedural policies extend to all geographical areas where the Viscofan Group has a commercial presence.

In 2022, no penalties or complaints were filed for breaches relating to marketing notices or to the labelling of products and services, nor were there any incidents related to violations of customer privacy or the loss of data.

Sales team and technical assistance service

Viscofan has the largest commercial network in the industry and the level of service of its technicians is widely recognised throughout the market. As experts in artificial casings, we are the only company in the sector that has its own technology in the main families of casings and therefore offers a global and integrated service to customers, providing the casing option that best suits their needs.

Viscofan offers customers a Technical Support service, which is a competitive advantage and of great help to customers when deciding, from the wide range of casings, which one is adequate for the needs of each product. This work is of growing importance because our customers are not divided by technology, but rather they use various technologies for different products, depending on the degree of sophistication of the meat processor.

[1] Does not include those third-party products converted and distributed by Viscofan Globus Australia and New Zealand





2.4.3. Local communities

In its Sustainability policy, the Viscofan Group has a firm commitment to Human Rights, undertaking to carry out its activities in a responsible manner and to generate positive impacts on the communities in which it operates. In this regard, in 2022, Viscofan implemented different social initiatives through the help of different bodies and institutions in the communities in which it is present, while collaborating with institutions or research centres.

Material aspects

Human rights
Local communities

Our commitment

- Donations to NGOs to fight hunger, especially in the context of the crisis generated by COVID-19
- Development of specific products to combat malnutrition.

- Grants for the improvement of health facilities and equipment in hospitals, senior citizens' centres, paediatric centres and centres for the care of disabled persons.
- R&D&i seeking solutions based on our knowledge for the development of Advanced Therapies in our Bioengineering division and food supplement products.

- Working towards full, productive and decent employment for people with disabilities.
- Promote the formation and growth of microenterprises and SMEs for the creation of decent jobs.
- Support for public institutions in projects to promote local industry.

Commitment to our communities

The human rights principles and standards set out in the Agenda 2030 for Sustainable Development encompass a wide range of social, economic and environmental objectives. Of all of these, Viscofan has identified the Sustainable Development Goals (SDGs) where the company can generate the greatest positive impact, and to do so it has taken into account both the nature of its business activity and the corporate mission and vision.

The description of Viscofan's priority SDGs can be found in section 2.1.2 Business Model of this Management Report. Viscofan also contributes to other SDGs with projects to support local communities in several countries where it is present. As a whole, the amount earmarked in 2022 was €305 thousand (€288 thousand in 2021).

Within the projects, Viscofan contributes with donations to the improvement of facilities and health equipment in hospitals, senior citizen centres, paediatric centres and centres for the care of disabled people in various countries. In addition, donations are made to various NGOs to support local projects and micro-projects in the fight against hunger and poverty.

Below, are some of the initiatives that most stand out, by country:

Canada

Support for medical research and health facilities

Donation to Harvest Meats to support their Health Foundation project by raising funds for the purchase of medical equipment for the ICU at Yorkton Hospital.

Donation to the Centre de Pediatrie Sociale Laval to cover the medical care needs of sick children.

Funds to support research into childhood diseases.

Aid to vulnerable groups

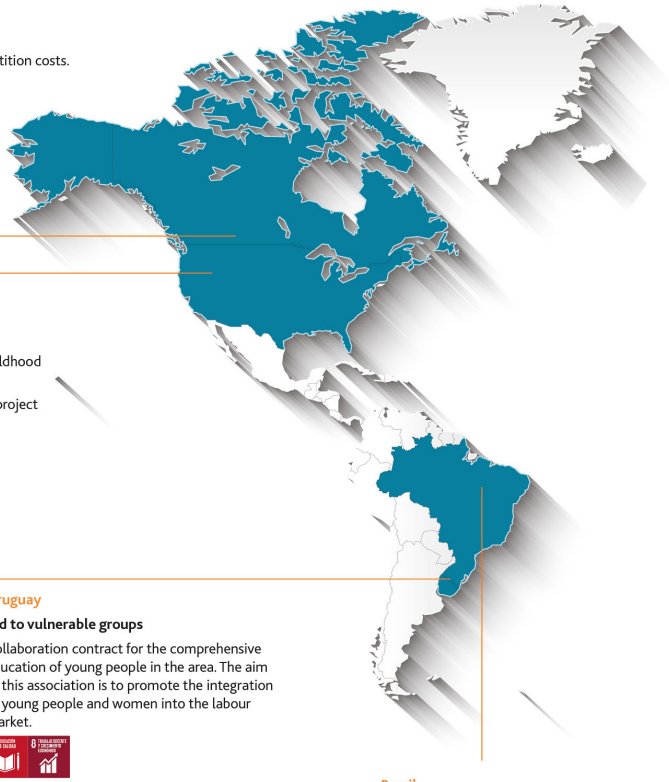
Donation in favour of people with disabilities.

Donation of proceeds from a volleyball tournament to Osmow's Shawarma's Osmow's Hope Fund project to serve homeless shelters and food banks throughout the Toronto area and beyond.

Support for SJ Fine Foods to fund education and home building in Africa and Asia..

Actions for the promotion of sport

Sponsorship of hockey team and financial contribution to cover competition costs.



USA

Support to non-profit associations

Support for the Monogram Loves Kids Foundation to promote research into childhood illnesses.

Financial contribution to the Young Life project aimed at children and young people.

Uruguay

Aid to vulnerable groups

Collaboration contract for the comprehensive education of young people in the area. The aim of this association is to promote the integration of young people and women into the labour market.

Brazil

Aid to vulnerable groups

To cover the monthly maintenance costs of the Football, School and Citizenship social inclusion project.

Financial donation to the CAEF home for the elderly (Reception centre for needy families, Ermelino Matarazzo).

Donation of clothes to the NGO Projeco Bom Samaritano.

United kingdom

Aid to vulnerable groups

Donation of food for homeless or vulnerable people. .

Donation to non-profit associations

Financial donation to the British Heart Foundation.

Financial donation to Diabetes UK.



Germany

Support for disadvantaged groups

Support for the reconstruction of the former farmhouse in Weinheim to accommodate families and orphans in view of the increased needs following the humanitarian crisis caused by the war in Ukraine.

Donations to facilitate the distribution of food to people in need.

Actions for the promotion of sport and culture

Donation of sports equipment and funds for the practice of sport with special emphasis on the promotion of youth sport.

Support for institutions promoting culture through music, ballet and performance, especially aimed at promoting culture among children and young people.

Belgium

Promoting responsible production and consumption

Donation for the installation of beehives in companies with the aim of increasing the bee population.

Aid to vulnerable groups

Support for Extravaganza Tour, a charity tour for abused children.

Support for the De Kleine Vincent project to help families with children to buy healthy food.

Serbia

Support for disadvantaged groups

Purchase of non-perishable food and hygiene items to be delivered to Ukrainians in need through the Ukrainian Embassy in Belgrade.

Donation of a convection oven to Ukrainian refugees at the Vranje Refugee Centre (Serbia).

Donation to non-profit associations

Donation of money, sausages and hygiene items to Soup Kitchen, the Red Cross soup kitchens in Novi Sad, and to the Children's Village in Sremska Kamenica.

Donation of plastic caps to the organisation "With stupple to the smile" for the purchase of wheelchairs for disabled people.

Spain

Activities for the promotion, preservation and dissemination of culture and knowledge

Support for seminars to disseminate the culture and artistic heritage of Navarre, including sponsorship of the recovery of artistic works.

Contributions to the creation of a new space to promote the training of students from different faculties, multidisciplinary and applied research into biodiversity and the environment and scientific dissemination.

Support for foundations for the promotion of local development and international relations

Support to foundations aiming at local and regional development, promotion of knowledge and support of international relations for job creation and dissemination of knowledge between countries.

Support to non-profit organisations

Financial contributions to various non-profit organisations providing funds for research in the fight against chronic diseases and supporting those who suffer from them.

Aid to NGOs fighting hunger and poverty

Financial and food donations for the fight against hunger and the effects of poverty, as well as the humanitarian crisis caused by the war in Ukraine.

Alliances

We have a long history of collaboration with institutions or research centres in different countries, which ratifies the historical importance of SDG 17 (Partnerships for the Goals) at the company. In particular, Viscofan is part of and promotes various associations and groups seeking to find ways of collaboration in the industry to increase its contribution to society. These institutions include:

-International Committee For Cellulose Films (CIPCEL). Based in Brussels, CIPCEL comprises the leading producers of regenerated cellulose film products.

-Collagen Casing Trade Association (CCTA). An association of leading producers of collagen casings worldwide that provides a forum for its members to discuss the development of legislation and actively promote the use of collagen casings.

-Spanish Plastics Centre (CEP). This is the Spanish association of entities relating to the manufacture and processing of plastics.

-European Association Plastic Converters (EUPC). European association that groups together national plastic converter companies and associations.

-Gelatin Manufacturers of Germany (GMG). An organisation of German gelatin producers.

-AINIA. Food technological centre based in Spain that supports the R&D tasks of its partners, especially in the areas of quality, food safety, sustainability, environment, design and industrial production.

-ANICE. The Spanish National Association of the Meat Sector is the biggest meat association in Spain to provide advice, represent and defend the sector's interests.

- National Centre for Technology and Food Safety (CNTA), the purpose of which is to provide advanced technological services to improve competitiveness in the food sector through quality and innovation and under the principle of food safety.

-CEO for Alliance for Diversity. An alliance that aims to unite companies around a common innovative vision of diversity, equity and inclusion and to accelerate the development of strategies that contribute to: business excellence, competitive talent in Spain and the reduction of inequality and exclusion in the Spanish society.

-AIMPLAS. The Plastics Technology Centre offers integral solutions to companies within the plastics sector through the technical implementation of R&D&i projects.

- NAITEC. Multidisciplinary Technology Centre for the Industry.

Viscofan also collaborates with different universities and research centres:

- University of Navarre (Spain)
- Public University of Navarre (Spain)
- CIDAUT Foundation for Research and Development in Transport and Energy (Valladolid, Spain)
- MORE Institute Research (Germany)
- Hochschule Manheim Fraunhofer Institute (Germany)
- Tübingen University (Germany)
- Sao Paulo University (Brazil)
- Suzhou University (China)
- Universidad Tecnológica del Uruguay (UTEC)

The principal issues on which these collaborations are based are: food safety, analysis and development of new materials, process and food industry engineering, advanced physical and chemical analysis, basic research on materials and alternative uses and other packaging systems.

Moreover, Viscofan is importantly supported by the different administrations of the countries where it develops R&D activities, for example: the Centre for Technical Industrial Development (CDTI) and the Ministry of Economy and Competitiveness (MINECO) in Spain, the Federal Ministry of Education Research in Germany, the National Science and Technology Council (CONACYT) in Mexico, the Institute for Technological Research (IPT) in Brazil and the Federal, Illinois and New Jersey R&D Credit of the US Federal Government, the State of Illinois and the State of New Jersey.

Likewise, in 2020 two regenerative biomedicine research consortiums were approved – ARDAT and TriAnkle - in which Viscofan BioEngineering participates and manages, respectively, together with other leading bodies and public-private companies. The ARDAT consortium, backed by the Innovative Medicines Initiative (IMI), brings together 34 expert organisations throughout the whole of Europe and the USA, with the shared objective of helping to standardise and accelerate the development of Advanced Therapy Medicinal Products (ATMP) and contributing to ensuring that these transforming treatments reach patients as soon as possible. Also, the research consortium TriAnkle, led by Viscofan, will permit the 3D manufacture of personalised implants based on collagen and gelatine to regenerate injured tendons and cartilage, representing an innovative technique that will enable a greater and more rapid recovery of tissue.

2.4.4. Responsible taxation

Viscofan is aware of the social impact its activity generates: from direct or indirect employment generated by its implementations to the financial benefit that it obtains from its activities at each of the different companies at which it operates (note 7.1 of Viscofan S.A.'s financial statements) for which it contributes through the corresponding taxes. In 2022, income tax payments amounted to €44 million as a result of the Group's business activities in different countries. Additional information on taxes is detailed in note 18 to the consolidated financial statements. There is information about capital grants in note 13 of the consolidated annual accounts.

As a result of the relationships described in the previous point, joint projects have arisen with which we have collaborated and for which we have received financial support through grants and loans from official bodies. In this vein, at 31 December, the financial statements included loans with the CDTI and the Ministry of Economy and Competitiveness in Spain, amounting to €12.2 million (note 16 to the consolidated financial statements).





2.5. Economic and financial pillar



2.5.1. Stock market performance

Stock markets

In 2022, the global economy has been hit by several negative forces that are slowing current and projected growth.

Russia's invasion of Ukraine, in addition to the loss of life and destruction of resources, has caused an unprecedented energy crisis in Europe, as well as an increase in the price of raw materials.

This situation, together with persistent mismatches between supply and demand, has generated inflationary pressures not seen in decades, impacting, among other things, on the cost of living for households.

High inflation rates have led major central banks to shift their strategies towards restrictive monetary policies with interest rate hikes and the draining of liquidity from financial markets.

In China, meanwhile, the population confinements caused by the zero COVID-19 policy are slowing down the growth of the Asian country and, because of its importance in international trade, that of the rest of the world.

In the currency market, 2022 has been the year of the US$, which has appreciated significantly against the major peers, and in particular against the Euro has reached parity due to its safe haven status, a faster tightening of monetary policy by the Fed (the US Central Bank), and instability in Europe, largely due to the war in Ukraine.

Nevertheless, the IMF[1] projects global GDP growth to decelerate from +6.2% in 2021 to +3.4% in 2022 and +2.9% in 2023.

The main world stock markets have ended below the level they started 2022 as a reflection of this adverse macroeconomic context. In the United States, the S&P 500 index declined by -19.4% in 2022, and in Europe, the Euro Stoxx 600 fell by -12.9%, the German DAX by -12.3%, and in Spain the Ibex 35 by -5.6%.

[1] Source: IMF. World Economic Outlook Update, January 2023



Viscofan shares

Viscofan's share capital consisted of 46,500,000 shares of €0.70 par value each, of the same class and fully paid-in.

Viscofan's shares are admitted to trading on the Spanish stock markets, listed on the continuous market, since the company's exit from the stock market in December 1986.

It is listed on the Madrid Stock Exchange General Index (IGBM) and forms part of the Consumer Goods segment, within the Food subsector, the Ibex Mid Cap and at European level to the Euro Stoxx Food and Beverage index and the Stoxx Europe 600 index.

2022 performance

During the year, the share has been influenced by a complicated and volatile context for the financial markets, having traded at an annual low of €48.92 per share in March, although the solidity of the financial results published has been recognised by the market, with the share reaching an annual high of €63, 65 in the month of December, to finally close the year at €60.20, an increase of 5.8% and which increases to 9.0% after including the shareholder remuneration paid during the year, a performance which contrasts with the falls in the main world stock exchanges.

The average daily market price in the year was €55.4 per share and Viscofan's market capitalisation stood at €2,799 million at the end of 2022.



Average daily market price

55.4

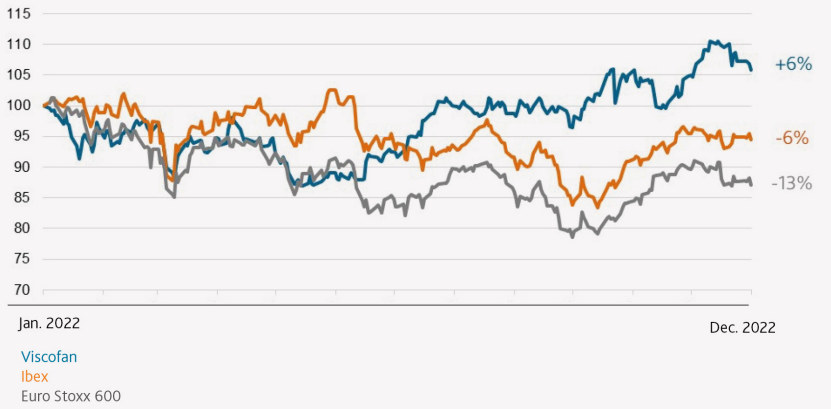
euros per share.

Capitalisation

2,799

millions of euros at the end of 2022

Evolution Ibex 35, Eurostoxx 600 and Viscofan in 2022 (Dec. 2021 base 100)



**Graph on a baseline of 100 since 31 December 2021*

In addition, nearly 14 million Viscofan shares were traded on the Spanish continuous market during the year, with cash traded of €763 million, equivalent to a daily average of €3.0 million.

Creating shareholder value

Throughout the different strategic plans, the Viscofan Group has built a sound and flexible business model. This characteristic entails the creation of cash flows that allow investment projects to be carried out in order to improve value creation, which is shared with shareholders in cash and at the same time maintaining a sound balance sheet structure. In this regard, over the last 10 years, the dividend per share distributed in cash by Viscofan has grown by an annual average of 6% from €1.10 in 2012 to the €1.95 proposed by the Board of Directors to be charged to the profit for the financial year 2022.

The stock market continues to recognise the Viscofan Group's value creation and is combined with the Group's commitment to shareholder remuneration. Thus, in the last ten years, the average annual return was 3.5%, reaching 5.9% if we take into account shareholder remunerations.

IBEX 35 performance compared to Viscofan

		Sell year (31/12)										
Year of purchase (31/12)		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Annual rate
2012	Viscofan	-3.4%	2.9%	30.0%	9.4%	28.5%	12.4%	10.0%	35.6%	32.9%	40.6 %	3.5 %
2012	*Ibex 35*	*21.4%*	*25.9%*	*16.9%*	*14.5%*	*23.0%*	*4.6%*	*16.9%*	*-1.1%*	*6.7%*	*0.8 %*	*0.1 %*
2013	Viscofan		6.6%	34.6%	13.3%	33.0%	16.4%	13.9%	40.4%	37.6%	45.6 %	4.3 %
2013	*Ibex 35*		*3.7%*	*-3.8%*	*-5.7%*	*1.3%*	*-13.9%*	*-3.7%*	*-18.6%*	*-12.1%*	*-17.0 %*	*-2.1 %*
2014	Viscofan			26.3%	6.3%	24.8%	9.2%	6.9%	31.7%	29.1%	36.6 %	4.0 %
2014	*Ibex 35*			*-7.2%*	*-9.0%*	*-2.3%*	*-16.9%*	*-7.1%*	*-21.5%*	*-15.2%*	*-19.9 %*	*-2.7 %*
2015	Viscofan				-15.8%	-1.1%	-13.5%	-15.3%	4.3%	2.3%	8.2 %	1.1 %
2015	*Ibex 35*				*-2.0%*	*5.2%*	*-10.5%*	*0.1%*	*-15.4%*	*-8.7%*	*-13.8 %*	*-2.1 %*
2016	Viscofan					17.4%	2.7%	0.5%	23.9%	21.5%	28.5 %	4.3 %
2016	*Ibex 35*					*7.4%*	*-8.7%*	*2.1%*	*-13.7%*	*-6.8%*	*-12.0 %*	*-2.1 %*
2017	Viscofan						-12.5%	-14.4%	5.5%	3.4%	9.4 %	1.8 %
2017	*Ibex 35*						*-15.0%*	*-4.9%*	*-19.6%*	*-13.2%*	*-18.1 %*	*-3.9 %*
2018	Viscofan							-2.1%	20.6%	18.2%	25.1 %	5.8 %
2018	*Ibex 35*							*11.8%*	*-5.5%*	*2.0%*	*-3.6 %*	*-0.9 %*
2019	Viscofan								23.2%	20.8%	27.8 %	8.5 %
2019	*Ibex 35*								*-15.5%*	*-8.7%*	*-13.8 %*	*-4.8 %*
2020	Viscofan									-2.0%	3.7 %	1.8 %
2020	*Ibex 35*									*7.9%*	*1.9 %*	*1.0 %*
2021	Viscofan										5.8 %	5.8 %
2021	*Ibex 35*										*-5.6 %*	*-5.6 %*

2022 dividend

The proposed total shareholder remuneration with a charge to 2022 profit stood at €1.95 per share and exceeds, by 6.0%, the ordinary remuneration per share of €1.84 approved in the previous year. This proposal means distributing 64,6% of the Group's net earnings in 2022.

This can be broken down as follows:

- An interim dividend of €1.40 per share (paid on 22 December 2022).
- The proposed final dividend of €0.54 per share (payable on 8 June 2023), which the Board of Directors has resolved to propose to the General Shareholders' Meeting.
- A bonus for attending the General Meeting of €0.01 per share.

In terms of profitability, the total dividend proposed for 2022 is 3.5% of the average share price during the year.

Shareholder remuneration

1.95

euros per share.

Ordinary dividend per share. In €





Viscofan, its shareholders and investors

One of Viscofan's objectives, through its Department of Investor and Shareholder Relations, is to create value for the investor community by improving accessibility, the transparency of information and providing shareholders with relevant information of a financial and non-financial nature, on its strategy and on its operations to gain a better understanding of the company.

To ensure this information flow and to grant certainty to shareholders, markets and other stakeholders on the transparency and access to information, Viscofan has a Communication policy with shareholders, institutional investors, advisors on voting and economic-financial, non-financial and corporate information, defined in conformity with the good governance practices and recommendations applicable to listed companies.

Communication channels

Viscofan provides the investment community with a multitude of communication channels: presentations at seminars and events organised by the financial community, roadshows with institutional investors promoted by the company or by brokers, earnings presentations, the General Shareholders' Meeting, organised visits to Viscofan's head office, telephone calls to a dedicated investor and shareholder helpline, a special e-mail address, notifications and regular public information submitted to the CNMV (Spanish National Securities Market Commission).

Also, the information published on the website www.viscofan.com:

- In the Investor Relations section in which Viscofan makes the latest news, reports and quarterly presentations of results, annual report, share price performance and other information of interest, etc., available to the public.

- The Sustainability section details information on Viscofan's main commitments to the Sustainable Development Goals, sustainability indicators and the 2030 commitments set out in the Group's Sustainability Action Plan.

- Viscofan's Corporate Governance section publishes the information relating to the Board of Directors, committees, policies and regulations and other related information of interest.

Viscofan also maintains fluid communication with the financial markets, so that at the end of 2022 a total of 17 analysis companies, both national and international, are covering the company.

At the same time, Viscofan encourages direct contact through face-to-face meetings with investors, both shareholders and non-shareholders interested in the company. In this regard, in 2022, once the restrictions on mobility and social contact due to the COVID-19 pandemic had been relaxed, the company resumed face-to-face contact with the financial community.

Accordingly, in 2022, Viscofan held a total of 253 face-to-face or video-call meetings with investors – shareholders or otherwise –, in the framework of seminars and events held by the financial community. There were 229 such meetings in 2021 and 214 in 2020.

The communication effort carried out throughout all these years has been recognised by the investment community. In 2022, Viscofan has been recognised by Institutional Investor in its Developed Europe Executive Team awards as the best Investor Relations team in the Paper & Packaging sector. It was also mentioned in the top 3 in the categories of best CEO, best professional IR, best ESG, and best Board of Directors.

Also in 2022, the Spanish Association of Accounting and Business Administration (AECA) has awarded Viscofan the XXI AECA Award for Business Transparency, in the "IBEX Medium Cap and IBEX Small Cap" category. The Jury thus recognises the quality, accessibility, usability, content and presence of the information disseminated on the corporate website in the general, financial, corporate governance, environmental and social areas.

Bidirectional communication is important, since the questions and concerns of the financial community are taken into account and transmitted within the company, such as financial,

strategy, sustainability and corporate governance matters.

In 2022, the most frequently asked questions were related to the impact of cost inflation, sales price increases, the impact of EU trade sanctions against Russia, the impact of the energy crisis in Europe, the deployment of the new Beyond25 Strategic Plan, the growth potential of the New Businesses, the evolution of demand and the replacement of animal casings by collagen casings, sustainability projects in Viscofan, shareholder remuneration, among others.

Key stock market data developments

	Period Beyond25	Period MORE TO BE					
Share price €	**2022**	2021	2020	2019	2018	2017	2016
Year-end	60.20	56.90	58.05	47.10	48.12	55.01	46.85
Maximum in the year	63.65	61.45	64.35	56.55	66.20	56.33	56.06
Minimum in the year	48.92	53.25	43.28	40.12	46.20	46.75	41.84

Viscofan's performance on the continuous market	**Year-end 2022**	Year-end 2021	Year-end 2020	Year-end 2019	Year-end 2018	Year-end 2017	Year-end 2016
% ann. change Viscofan	5.8%	-2.0%	23.2%	-2.1%	-12.5%	17.4%	-15.8%
% annual change IGBM	-4.8%	7.1%	-15.4%	10.2%	-15.0%	7.6%	-2.2%
% annual change IBEX 35	-5.6%	7.9%	-15.5%	11.8%	-15.0%	7.4%	-2.0%
% Annual Change Euro STOXX 600	-12.9%	22.2%	-4.0%	23.2%	-13.2%	7.7%	-1.2%
% Annual change IBEX Medium Cap	-7.4%	8.6%	-9.7%	8.4%	-13.7%	4.0%	-6.6%
% annual change Sub-Sector Food and Beverages IGBM	-0.7%	-1.6%	10.6%	1.8%	-8.4%	5.2%	-5.4%

Stock exchange trading data	**2022**	2021	2020	2019	2018	2017	2016
Capitalisation at year-end (Mn €)	2,799.3	2,645.9	2,699.3	2,190.2	2,242.6	2,563.7	2,183.4
Continuous market traded cash (Mn €)	763.3	1,135.8	1,561.8	1,230.5	1,669.1	1,995.2	2,707.1
Average per session (€Mn)	3.0	4.4	6.1	4.8	6.5	7.8	10.5
Traded shares	13,893,544	19,626,412	28,338,888	25,815,115	29,807,220	38,658,041	54,701,597
Daily average of traded shares	54,060	76,666	110,268	101,236	116,891	151,600	212,022

Ratios per share	**Year-end 2022**	Year-end 2021	Year-end 2020	Year-end 2019	Year-end 2018	Year-end 2017	Year-end 2016
Shares admitted to trading	46,500,000	46,500,000	46,500,000	46,500,000	46,603,682	46,603,682	46,603,682
Basic earnings per share (1)	3.02	2.87	2.63	2.27	2.66	2.62	2.68
Proposed ordinary remuneration per share (2)	1.95	1.84	1.70	1.62	1.60	1.55	1.45

(1) Net earnings per share calculated by dividing net profit by the weighted average of ordinary shares in circulation in the year, excluding treasury shares.

(2) Includes interim dividend, final dividend, refund of share premium, refund of capital contributions and premium for attendance at the General Meeting.

2.5.2. Financial results and management

Business performance

Market

The 2022 financial year has been characterised by a strong demand in the casings industry, with an estimated increase in volumes by around 5%, above the range of 2% to 4% average historical market growth. Within this increase, which has occurred in all major casing technologies, collagen casings stand out significantly.

This performance is driven by the growing interest of meat processors who find in casings a suitable solution to increase their productivity and guarantee their service against other alternatives in a context of high inflation and supply chain disruptions.

Geographically, there is momentum in Southeast Asia, where the adoption of animal protein and the industrialisation of food processors is gaining traction, as well as strength in Continental Europe, North America, and Latin America. In China, the persistence of the COVID-19 pandemic and population confinements have led to a weak casings market.

Beyond25 strategy assessment

Viscofan has started the Beyond25 strategic period inspired by a new purpose "Reshaping food and wellbeing. For many, for long", that foresees an acceleration in the Group's revenue growth with a differentiated strategy to capture growth opportunities in the Traditional Business and to boost the activities of the New Business division.

The first year of this plan has been characterised by a high investment effort. Firstly, a plan to increase capacity in collagen casings has been carried out with the installation of new extrusion lines in five different countries to respond to the historic opportunity to replace animal casings, with a very ambitious goal of replacing between 5 and 7% of the animal casing market by 2025. To this end, production lines have been installed and started up in the plants in Spain, Serbia, China, and Germany, and it is planned to do so in the USA at the beginning of 2023.

In addition, one of the objectives is to improve the profitability of the US operations. In this regard, in the last quarter of the year, the first cellulose casing lines were commissioned at the Danville plant using a new technology: this is a specific development for the plant based on the technological improvements in cellulose achieved by the Group in recent years and whose objective is to automate production with more reliable technology and with better handling, and at the same time to increase production output with better product quality.

In terms of capacity increases to boost the development of New Businesses, the installation and start-up of the collagen hydrolysates plant at the Weinheim (Germany) facilities stands out, which means a five-fold increase in production capacity to respond to a market with very positive growth prospects.

In parallel, Viscofan's commercial activity has been geared towards reinforcing the assurance of service to customers and maintaining a strategy of commercial discipline that combines support for customers with the necessary sales price increases to guarantee sustainable returns. Accordingly, the increase in selling prices at the beginning of the year was reinforced by a further price increase in the second half of the year, which partially offset the impact of the higher cost of production inputs (mainly raw materials and energy).

The Sustainability Action Plan continues to progress in line with the objectives set for 2030:

- In climate change mitigation projects, in 2022, the supply of electricity from renewable sources has been increased, along with efficiency improvements in energy and productive output reducing by 14.5% Scope 1 and 2 emissions intensity over metres of extruded casings compared to 2021, close to the targets foreseen for 2030.
- In addition, Viscofan has pioneered the use of green hydrogen as a fuel in one of the co-generation engines at the Cáseda plant. After the tests carried out, the unit is ready for use when the conditions are suitable for constant supply.
- Permits have also been obtained at this plant to install an energy production centre using biomass from our cellulose waste as fuel.

Main financial results:

The 2022 financial year has seen a marked investment, operational and commercial dynamism for the Group. In addition, Viscofan has responded to the increased demand for casing volumes and the opportunities arising in new businesses while facing and adapting to one of the most adverse contexts in the Group's recent history, marked by high inflation in production inputs.

The strength of the business model has enabled the Viscofan Group to reach new all-time highs in revenue, EBITDA, and Net Profit. Revenue stood at €1,201.0 million, up +23.9% year-on-year, EBITDA was €267.2 million, up +8.3% year-on-year, and net profit was €139.4 million, 4.8% higher than 2021.

These results are above the expectations announced in February 20221 of revenue and EBITDA and in line in terms of Net profit.

Investments for the whole of 2022 amount to €125.6 million, an all-time annual high for the Viscofan Group, higher than initially planned due to the anticipation of projects in the second half of the year to meet higher demand for casings and in the search for energy diversification. These investments in industrial equipment have been accompanied by increased investment in working capital to ensure service to the market in a context of accelerating demand, supply chain tightening and expansion plans. This, together with a growing dividend payment, translates into a net bank debt of €101.3 million at December 2022, up from €1.8 million at December 2021.

The Board of Directors has approved to propose a final dividend of €0.54 per share to be paid on 8 June 2023. This proposed distribution of profits will continue to increase shareholder remuneration, with a total remuneration on account of the 2022 profit of €1.95 per share, 6.0% higher than the total remuneration for 2021.

[1] Guidance 2022: Revenue between €1,047 million and €1,065 million, EBITDA between €257 million and €263 million, and Net Profit between €139 million and €144 million



Revenue

1,201

millions of euros

+23.9%

EBITDA

267.2

millions of euros

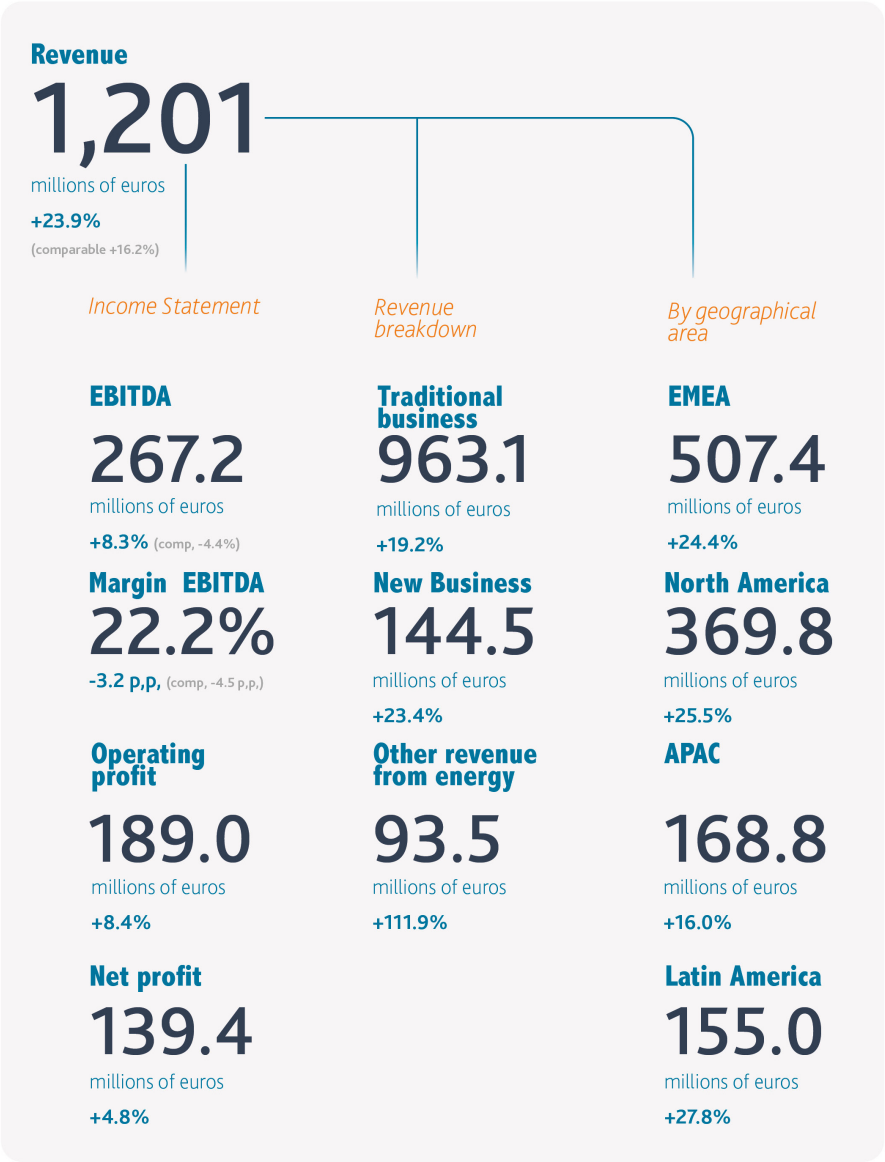
+8.3%

Net profit

139.4

millions of euros

+4.8%



*Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates in 2022.

Revenue:

In the year to December 2022, revenue increased by 23.9% to €1,201.0 million. Of this, revenue from the Traditional Business contributed €963.1 million (+19.2% vs 2021) driven by volume growth in all casing technologies and a higher price mix, and revenue from New Business contributed with €144.5 million, +23.4% year-on-year. Furthermore, energy sales amounted to €93.5 million, +111.9% compared to 2021.

On a like-for-like basis, revenue increased 16.2% vs 2021, i.e. excluding the positive contribution of +7.7 p.p. from currency changes, mainly due to the appreciation of the US$ against the Euro.

The geographical breakdown of revenue in 2022 is as follows:

- EMEA (42.2% of the total): Reported revenue amounted to €507.4 million, 24.4% higher than in 2021 and 22.0% higher on a like-for-like basis.
- North America (30.8% of the total): Revenue amounted to €369.8 million, an increase of 25.5% with respect to 2021 and of 12.5% in like-for-like terms.
- APAC (14.1% of the total): Reported revenue of €168.8 million, 16.0% higher than in 2021 and 9.9% higher on a like-for-like basis.

- South America (12.9% of the total): Revenue amounted to €155.0 million, a growth of 27.8% compared to 2021 and 13.0% on a like-for-like basis.



Average accumulated workforce

5,317

people

4.6% higher due to the hiring of personnel associated with the new production capacity.

Operating expenses

Consumption costs[1] grew by 37.5% in 2022 compared to 2021 to €389.3 million, mainly due to the sharp increase in the price of raw materials, natural gas used in co-generation, CO2 emission allowances, and the strength of currencies against the €. The gross margin[2] in 2022 was 67.6%, a decrease of -3.2 p.p. vs 2021.

The average accumulated workforce to December 2022 is 5,317 people, 4.6% higher than in the same period of the previous year due to the hiring of personnel associated with the new production capacity.

This increase in headcount is accompanied by higher wage costs and the appreciation of the main currencies against the euro, bringing personnel expenses to €262.2 million in 2022 (+13.4% vs 2021).

In cumulative terms, other operating expenses amounted to €291.0 million, an increase of 33.1% compared to 2021. Of this, energy supply expenses increased by 52.6% vs 2021 and transport expenses by 38.7% vs 2021.

Operating profit

In FY2022, reported EBITDA grew by 8.3% to €267.2 million setting a record high thanks to volume growth, higher selling prices, cogeneration in Spain, and favourable forex evolution, offsetting the rise in production costs. The EBITDA margin was 22.2% vs 25.4% in 2021.

Excluding exchange rate changes, comparable EBITDA in 2022 declines by -4.4% vs 2021.

Depreciation and amortisation expense in 4Q22 increased by 8.1% to €78.1 million due to the higher level of tangible assets brought on stream in the last two years.

As a result, Operating Profit in the year amounted €189.0 million (+8.4% vs 2021).



Net profit

139.4

millions of euros

+4.8%

Financial result

The net financial result was negative with -€5.2 million with negative exchange rate differences of -€5.0 million, which compares to a positive net financial result of +€2.0 million in 2021, a period in which exchange rate differences were positive with +€2.2 million.

Net profit

In cumulative terms, Profit before tax at December 2022 stands at €183.8 million with a corporate income tax expense of €44.4 million (+2.2% vs. 2021), placing the effective tax rate at 24.1% (24.6% in the same period of the previous year).

Thus, reported net profit grew by 4.8% to €139.4 million.

[1] Consumption costs = Net purchases +/- Changes in inventory of finished goods and work in progress.

[2] Gross margin = (Revenue - Consumption costs) / Revenue.



Capex

125.6

euro million

92 euro million in 2021

- **40%** of the investment was earmarked for investments in capacity and machinery.
- **30%** of the investment was earmarked for process improvements and new technology.
- **16%** of the investment was earmarked for improvements in sustainability, including energy equipment and the optimisation of the installations in terms of safety, hygiene, and protecting the environment.
- The remaining **14%** was spent on ordinary investments.

Investment

A total of €125.6 million (€92.0 million in 2021) has been invested in projects to expand production capacity and to improve service to the market to meet the expected increase in demand.

During the year, new collagen casing production lines were installed at the plants in Spain, Serbia, China, Germany, and the US. In parallel, the upgrade of cellulose technology at the Danville plant in the US to improve the operation's production efficiencies is progressing according to plan, and in New Businesses, the new collagen hydrolysates capacity has been commissioned by the end of 2022 in line with the growth targets for this product.

The breakdown by type of investment in 2022 is as follows:

- 40% of the investment was earmarked for investments in capacity and machinery.
- 30% of the investment was earmarked for process improvements and new technology.
- 16% of the investment was earmarked for improvements in sustainability, including energy equipment and the optimisation of the installations in terms of safety, hygiene, and protecting the environment.
- The remaining 14% was spent on ordinary investments.

Investment in 2022 sets an all-time annual high for Viscofan and is above the €100 million guidance due to projects to adapt to the new environment (energy) and the anticipation of plans envisaged in the Beyond25 Strategy. All of this will imply a lower investment requirement in 2023.

Thus, at year-end 2022, the investment commitments are €4.2 million compared to €43.8 million at year-end 2021.

Dividends and Shareholder remuneration

The Board of Directors of Viscofan has agreed to propose to the General Shareholders' Meeting a distribution of profit that includes a final dividend of €0.54 per share, to be paid on 8 June 2023.

This will mean total shareholder remuneration out of 2022 profit of €1.95 per share, equivalent to a distribution of 64.6% of net profit. This is broken down as follows:

- An interim dividend of €1.40 per share (paid on 22 December 2022).
- A proposed final dividend of €0.54 per share (to be paid on 8 June 2023).
- A bonus of €0.01 per share for attending the General Shareholders' Meeting.

This proposal increases ordinary remuneration by 6.0% as compared to the €1.84 per share approved in the previous year.

Equity

The Group's equity at 2022 year-end amounted to €906.9 million, up 10.2% on the end of the previous year, due to the increased net profit and the decrease in the negative translation differences, originating from the consolidation of the subsidiaries whose currencies have appreciated significantly against the euro in 2022 (mainly Brazil and Mexico).

Treasury shares

At 31 December 2022, the company had 321,684 treasury shares representing 0.69% of the voting rights valued at €16.2 million.

During 2022, 129,811 treasury shares were delivered to Viscofan staff within the framework of the company's variable remuneration plans. Also in 2022, the Company acquired 234,500 treasury shares under the authorisation granted by the General Shareholders' Meeting on 25 May 2018.

At 31 December 2021, the company held a total of 216,995 treasury shares representing 0.47% of its voting rights, for a value of €10.5 million.

Financial liabilities

Net bank debt at December 2022 is €101.3 million, up from €1.8 million at December 2021 due to increased investments, shareholder remuneration, and higher working capital as a result of acceleration in revenue, higher raw material sourcing, and safety inventory increases in a context of tightening supply chains and start-up of investment projects.

The new accounting standard IFRS 16 entered into force on 1 January 2019 and stated that the majority of non-cancellable minimum operating leases should be recorded in the balance sheet as a right-of-use asset and a liability for the future payments to be made.

So, the breakdown for net financial debt is as follows:

	`Dec 2022	`Dec 2021	Change
Net Bank Debt *	**101,264**	**1,754**	**5.673,3%**
Debts related to right-of-use assets	10,490	13,892	-24,5%
Other net financial liabilities**	29,859	22,806	30,9%
Net Financial Debt	**141,613**	**38,452**	**268,3%**

*Net bank debt = Non-current bank borrowings + Current bank borrowings - Cash and cash equivalents

** Other net financial liabilities mainly consist of loans with an interest rate subsidised by entities like the CDTI and the Ministry of Economy, debt with fixed asset providers minus other current financial assets.

The net financial debt is the equivalent of 15.6% of the equity, with a leverage level that is sufficient to be able to attend to all Viscofan's liquidity needs.

Outlook for 2023

The Viscofan Group faces 2023 with growth prospects in the main financial figures, in revenue to grow between 9% and 12%, in EBITDA between 6% and 9% and in Net profit by between 10% and 15% supported by an investment of €75 million. Given the current currency situation, Viscofan has considered the average exchange rate of 1.07 US$/€.

(3) Net bank debt= Current and non-current bank debt - Cash and cash equivalents.

Changes in the consolidation scope

• In financial year 2022

Effective January 1, 2022, the merger by absorption of Viscofan Collagen USA Inc. domiciled in Bridgewater, New Jersey (United States) was carried out by Viscofan USA Inc. domiciled in Montgomery, Alabama (United States).

On June 14, 2022, the liquidation of the company Supralon International AG (with registered office in Schaan – Liechtenstein) was registered.

• In financial year 2021

Effective January 1, 2021, the merger by absorption of Viscofan de Mexico Servicios, S.R.L. de C.V. by Viscofan de Mexico, S.R.L. de C.V., was carried out, both with registered offices in San Luis de Potosí (Mexico).

In June, Viscofan Japan GK was incorporated in Tokyo (Japan), with a capital of JPY 6 million and 100% owned by Viscofan S.A.

On December 31, 2021, the company Viscofan Collagen Canada Inc (with registered office in Markham - Canada) is liquidated.



2.6. Annexes

Revenue
In million €

Economic activity	ID	Absolute Revenue €	Proportion of revenue %	Substantial contribution criteria: Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Contamination %	Biodiversity and ecosystems %	Criteria for the absence of material injury: Climate change mitigation Yes/No	Climate change adaptation Yes/No	Sustainability and protection of the water and marine resources Yes/No	Transition to circular economy Yes/No	Pollution prevention and control Yes/No	Protection and restoration of the biodiversity and ecosystems Yes/No	Minimum guarantees Yes/No	Proportion of revenue that conforms to the taxonomy. 2022 %	Proportion of revenue that conforms to the taxonomy. 2021 %	Category. Facilitating activity F	Category. Transition activity T
A.ACTIVITIES ELIGIBLE ACCORDING TO TAXONOMY																				
A.1 Environmentally sustainable activities (conforming to the taxonomy)																				
Total A.1		0	0.0%	0%	N/A	N/A	N/A	N/A	N/A								0%	N/A		
A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that do not comply with the taxonomy)																				
High-efficiency co-generation of heat/cooling and electricity from fossil fuels	4.30.	85	7.1%																	
Total (A.2)		85	7.1%																	
Total A.1 + A.2		85	7.1%																	
B.NON-ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																				
Revenue from activities not eligible according to taxonomy		1,116	92.9%																	
TOTAL A + B		**1,201**	**100.0%**																	

CapEx
In million €

Economic activity	ID	Absolute CapEx €	CapEx ratio %	Substantial contribution criteria: Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Contamination %	Biodiversity and ecosystems %	Criteria for the absence of material injury: Climate change mitigation Yes/No	Climate change adaptation Yes/No	Sustainability and protection of the water and marine resources Yes/No	Transition to circular economy Yes/No	Pollution prevention and control Yes/No	Protection and restoration of the biodiversity and ecosystems Yes/No	Minimum guarantees Yes/No	Proportion of CapEx that conforms to the taxonomy. 2022 %	Proportion of CapEx that conforms to the taxonomy. 2021 %	Category. Facilita-ting activity F	Category. Transi-tion activity T
A.ACTIVITIES ELIGIBLE ACCORDING TO TAXONOMY																				
A.1 Environmentally sustainable activities (conforming to the taxonomy)																				
Total A.1		0	0.0%	0.0%	N/A	N/A	N/A	N/A	N/A								0.0%	N/A		
A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that do not comply with the taxonomy)																				
High-efficiency cogeneration of heat/cooling and electricity from fossil fuels	4.30.	0.6	0.5%																	
Total (A.2)		0.6	0.5%																	
Total A.1 + A.2		0.6	0.5%																	
B.NON-NELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																				
CapEx from activities not eligible according to taxonomy		126.6	99.5%																	
TOTAL A + B		**127.2**	**100.0%**																	

OpEx

In million €

Economic activity	ID	Absolute OpEx €	Proportion of OpEx %	Substantial contribution criteria: Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Contamination %	Biodiversity and ecosystems %	Criteria for the absence of material injury: Climate change mitigation Yes/No	Climate change adaptation Yes/No	Sustainability and protection of the water and marine resources Yes/No	Transition to circular economy Yes/No	Pollution prevention and control Yes/No	Protection and restoration of the biodiversity and ecosystems Yes/No	Minimum guarantees Yes/No	Proportion of OpEx that conforms to the taxonomy. 2022 %	Proportion of OpEx that conforms to the taxonomy. 2021 %	Category. Facilita-ting activity F	Category. Transi-tion activity T
A.ACTIVITIES ELIGIBLE ACCORDING TO TAXONOMY																				
A.1 Environmentally sustainable activities (conforming to the taxonomy)																				
Total A.1		0	0.0%	0%	N/A	N/A	N/A	N/A	N/A								0.0%	N/A		
A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that do not comply with the taxonomy)																				
High-efficiency cogeneration of heat/cooling and electricity from fossil fuels	4.30.	2.8	6.4%																	
Total (A.2)		2.8	6.4%																	
Total A.1 + A.2		2.8	6.4%																	
B.NON-NELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																				
OpEx from activities not eligible according to taxonomy		40.9	93.6%																	
TOTAL A + B		**43.7**	**100.0%**																	

Specific templates on fossil gas activities

Template 1 Nuclear and fossil gas activities

Row	Fossil gas activities	Revenue	CapEx	OpEx
4.	The company carries out, finances or has exposures to the construction or operation of electricity generation facilities that produce electricity from gaseous fossil fuels.	No	No	No
5.	**The company carries out, finances or has exposures to the construction, renovation and operation of combined heat/cold and power generation facilities using gaseous fossil fuels.**	**Yes**	**Yes**	**Yes**
6.	The company carries out, finances or has exposures to the construction, renovation and operation of heat generation facilities producing heat/cooling from gaseous fossil fuels.	No	No	No

Template 2 Economic activities that conform to the taxonomy (denominator)

		Climate change mitigation					
Row	Fossil gas activities	Revenue	%	CapEx	%	OpEx	%
5.	Amount and proportion of the economic activity that complies with the taxonomy referred to in section 4.30 of Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	85.2	7%	0.6	0%	2.8	6%
7.	**Amount and share of other economic activities conforming to the taxonomy not mentioned in rows 1 to 6 in the denominator of the applicable KPI**	**1,115.9**	**93%**	**126.6**	**100%**	**40.9**	**94%**
8.	**Applicable KPI total**	**1,201.0**	**100%**	**127.2**	**100%**	**43.7**	**100%**

Template 3 Economic activities that conform to the taxonomy (numerator)

		Climate change mitigation					
Row	Fossil gas activities	Revenue	%	CapEx	%	OpEx	%
5.	Amount and proportion of the economic activity that complies with the taxonomy referred to in section 4.30 of Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0%	0.0	0%	0.0	0%
7.	**Amount and proportion of other economic activities that conform to the taxonomy and are not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**0.0**	**0%**	**0.0**	**0%**	**0.0**	**0%**
8.	**Total amount and share of economic activities that conform to the taxonomy in the numerator of the applicable KPI**	**0.0**	**0%**	**0.0**	**0%**	**0.0**	**0%**

Template 4 Economic activities eligible according to the taxonomy but which do not conform to the taxonomy

		Climate change mitigation					
Row	Fossil gas activities	Revenue	%	CapEx	%	OpEx	%
5.	Amount and proportion of economic activity eligible according to the taxonomy but not conforming to the taxonomy referred to in section 4.30 of Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	85.2	100%	0.6	100%	2.8	100%
7.	**Amount and share of other economic activities eligible according to the taxonomy but not conforming to the taxonomy not mentioned in rows 1 to 6 above in the denominator of the applicable KPI**	**0.0**	**0%**	**0.0**	**0%**	**0.0**	**0%**
8.	**Amount and proportion of economic activities eligible according to the taxonomy but not conforming to the taxonomy in the denominator of the applicable KPI**	**85.2**	**100%**	**0.6**	**100%**	**2.8**	**100%**

Template 5 Ineligible economic activities according to the taxonomy

		Climate change mitigation					
Row	Fossil gas activities	Revenue	%	CapEx	%	OpEx	%
5.	Amount and proportion of the economic activity referred to in row 5 of Template 1 that is not eligible under the taxonomy according to section 4.30 of Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0%	0.0	0%	0.0	0%
7.	**Amount and share of other non-taxonomy eligible economic activities not mentioned in rows 1 to 6 above in the denominator of the applicable KPI**	**1115.9**	**100%**	**126.6**	**100%**	**40.9**	**100%**
8.	**Total amount and share of non-taxonomy-eligible economic activities in the denominator of the applicable KPI**	**1115.9**	**100%**	**126.6**	**100%**	**40.9**	**100%**

2.6.2. Global Reporting Initiative content index (GRI)

Declaration of use: Viscofan has presented the information in this table of contents for the period from 1 January 2022 to 31 December 202 using the GRI standards as a reference.

GRI 1 used: GRI 1: Foundation 2021

GRI 2: General Disclosures		
GRI standard		
1. The organisation and its reporting practices		
2-1	Organisational details	- Legal name: Viscofan Group, which comprises Viscofan S.A. and its subsidiaries. - Location of its headquarters; Polígono Industrial Berroa. C/Berroa, 15 – 4ª planta. 31192 Tajonar (Navarre) – España - Countries. See Our Business Model. Competitive advantages
2-2	Entities included in sustainability reporting	General Information - Foundation
2-3	Reporting period, frequency and contact point	General Information - Foundation
2-4	Restatements of information	General Information - Foundation
2-5	External assurance	General Information - Foundation
2. Activities and workers		
2-6	Activities, value chain and other business relationships	General Information - Business Model
2-7	Employees	Social pillar - People
2-8	Workers who are not employees	Social pillar - People
3. Governance		
2-9	Governance structure and composition	Governance Pillar - Good governance practices
2-10	Nomination and selection of the highest governance body	Governance Pillar - Good governance practices
2-11	Chair of the highest governance body and its committees	Governance Pillar - Good governance practices
2-12	Role of the highest governance body in overseeing the management of impacts	Governance Pillar - Good governance practices and risk management
2-13	Delegation of responsibility for impact management	Governance Pillar - Risk Management
2-14	Role of the highest governance body in sustainability reporting	General Information - Foundation
2-15	Conflicts of interest	Annual Corporate Governance Report. Section D.6.
2-16	Communication of critical concerns	General Information - Foundation Governance Pillar - Governing Bodies
2-17	Collective knowledge of the highest governance body	Governance Pillar - Good governance practices
2-18	Evaluation of the performance of the highest governance body	Annual Corporate Governance Report. Section C.1.17
2-19	Remuneration policies	Governance Pillar - Good governance practices Annual Remuneration Report
2-20	Process to determine remuneration	Annual Remunerations Report
2-21	Annual total compensation ratio	Annual Remunerations Report. Section C.2.
4. Strategy, policy and practice		
2-22	Statement on sustainable development strategy	Chairman's letter General Information - Business Model
2-23	Policy commitments	General Information - Business Model Governance Pillar - Compliance System

2-24	Embedding policy commitments	General Information - Business Model and Strategy Governance Pillar - Regulatory Compliance System Environmental pillar - Governance, strategy and resources for environmental sustainability Social pillar - Labour management
2-25	Processes to remediate negative impacts	Governance Pillar - Regulatory Compliance System
2-26	Mechanisms for seeking advice and raising concerns	General Information - Foundation Governance Pillar - Regulatory Compliance System
2-27	Compliance with laws and regulations	Governance Pillar - Regulatory Compliance System
2-28	Membership associations	Social Pillar – Local communities
5. Participation of stakeholders		
2-29	Approach to stakeholder engagement	General Information - Foundation
2-30	Collective bargaining agreements	Social Pillar – Labour management

GRI 3. Material Topics 2021		
3-1	Process to determine material topics	General Information - Foundation
3-2	List of material topics	General Information - Foundation
3-3	Management of material topics	General Information - Foundation The management of each material issue is dealt with in the corresponding section
GRI 200: Economic		
GRI 201: Economic performance (2016)		
201-1	Direct economic value generated and distributed	General Information – Foundation. Generated and distributed value matrix
201-2	Financial implications and other risks and opportunities derived from climate change	Environmental pillar - Governance, strategy and resources for environmental sustainability
201-3	Defined benefit plan obligations and other retirement plans	Social pillar - Labour management
201-4	Financial assistance received from government	Social pillar - Responsible taxation
GRI 202: Market presence (2016)		
202-1	Ratios of standard entry-level wage by gender compared to the local minimum wage	Social pillar - Labour management
202-2	Proportion of senior management hired from the local community	Social pillar - Labour management
GRI 203: Indirect economic impacts (2016)		
203-1	Infrastructure investments and services supported	Chairman's letter Social pillar – Local communities Environmental pillar - Governance, strategy and resources for environmental sustainability
203-2	Significant indirect economic impacts	Economic and financial pillar. Economic and management results
GRI 204: Procurement practices (2016)		
204-1	Proportion of spending on local suppliers.	Social pillar – Taking care of the supply chain
GRI 205: Anti-corruption (2016)		
205-1	Operations assessed for risks related to corruption	Governance pillar – Regulatory compliance system and Prevention of corruption, fraud and money laundering
205-2	Communication and training about anti-corruption policies and procedures	Governance pillar – Regulatory compliance system and Prevention of corruption, fraud and money laundering
205-3	Confirmed incidents of corruption and actions taken	Governance pillar – Regulatory compliance system and Prevention of corruption, fraud and money laundering
GRI 206: Anti-Competitive Behaviour (2016)		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Governance pillar – Regulatory compliance system and Prevention of corruption, fraud and money laundering

GRI 207: Tax (2019)		
207-1	Approach to tax	Governance pillar – Good governance practices
207-2	Tax governance, control, and risk management	Governance pillar – Good governance practices
207-2	Stakeholder engagement and management of concerns related to tax	General Information – Foundation.
207-4	Country-by-country reporting	Social pillar - Responsible taxation
GRI 300: ENVIRONMENTAL		
GRI 302: Energy (2016)		
302-1	Energy consumption within the organisation	Environment - Climate change management and energy efficiency
302-3	Energy intensity	Environment - Climate change management and energy efficiency
302-4	Reduction of energy consumption	Environment - Climate change management and energy efficiency
GRI 303: Water and effluents (2018)		
303-1	Interactions with water as a shared resource	Environmental pillar - Responsible management of the end-to-end water cycle
303-3	Water withdrawal	Environmental pillar - Responsible management of the end-to-end water cycle
303-4	Water discharge	Environmental pillar - Responsible management of the end-to-end water cycle
303-5	Water consumption	Environmental pillar - Responsible management of the end-to-end water cycle
GRI 305: Emissions (2016)		
305-1	Direct (Scope 1) GHG emissions	Environment - Climate change management and energy efficiency
305-2	Energy indirect (Scope 2) GHG emissions	Environment - Climate change management and energy efficiency
305-4	GHG emissions intensity	Environment - Climate change management and energy efficiency
305-5	Reduction of GHG emissions	Environment - Climate change management and energy efficiency
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	Environment - Climate change management and energy efficiency
GRI 306: Waste (2020)		
306-1	Waste generation and significant waste-related impacts	Environmental pillar - Circular economy
306-2	Management of significant waste-related impacts	Environmental pillar - Circular economy
306-3	Waste generated	Environmental pillar - Circular economy
306-4	Waste diverted from disposal	Environmental pillar - Circular economy
306-5	Waste directed to disposal	Environmental pillar - Circular economy
GRI 307: Environmental compliance (2016)		
307-1	Non-compliance with environmental legislation and regulations	Environmental pillar - Governance, strategy and resources for environmental sustainability In Brazil, an environmental administrative file was underway in 2010, for which no decision had been handed down, although, at 2022 year-end, it is considered that a favourable resolution is possible.
GRI 308: Environmental evaluation of suppliers (2016)		
308-1	New suppliers that were screened using environmental criteria	Environmental pillar - Responsible supply chain management Social pillar - Taking care of the supply chain
GRI 400: SOCIAL		
GRI 401: Employment (2016)		
401-1	New employee hires and employee turnover	Social pillar - Labour management
GRI 402: Worker-company relations (2016)		
402-1	Minimum warning periods for operational changes	Governance Pillar - Good governance practices
GRI 403: Occupational health and safety (2018)		

403-1	Occupational health and safety management system	Social pillar - Labour management - Safety at work
403-2	Hazard identification, risk assessment, and incident investigation	Social pillar - Labour management - Safety at work
403-4	Worker participation, consultation, and communication on occupational health and safety	Social pillar - Labour management - Safety at work
403-5	Worker training on occupational health and safety	Social pillar - Labour management - Safety at work
403-8	Workers covered by an occupational health and safety management system	Social pillar - Labour management - Safety at work
403-9	Work-related injuries	Social pillar - Labour management - Safety at work
403-10	Work-related ill health	Social pillar - Labour management - Safety at work
GRI 404: Training and teaching (2016)		
404-1	Average hours of training per year per employee	Social pillar - Labour management – Professional development
404-2	Programmes for upgrading employee skills and transition assistance programmes	Social pillar - Labour management – Professional development
404-3	Percentage of employees receiving regular performance and career development reviews	Social pillar - Labour management – Professional development
405-1	Diversity of governance bodies and employees	Governance Pillar - Good governance practices Social pillar - Labour management Equality and work-life balance
405-2	Ratio of basic salary and remuneration of women to men	Social pillar - Labour management Employment and remuneration
GRI 406: Non-Discrimination (2016)		
406-1	Incidents of discrimination and corrective actions taken	Governance Pillar - Regulatory Compliance System
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Governance Pillar - Good governance practices Social pillar - Taking care of the supply chain
GRI 408: Child labour (2016)		
408-1	Operations and suppliers at significant risk for incidents of child labour	Governance Pillar - Good governance practices Social pillar - Taking care of the supply chain
GRI 409: Forced or compulsory labour (2016)		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Governance Pillar - Good governance practices Social pillar - Taking care of the supply chain
GRI 412: Human rights assessment (2016)		
412-2	Training of employees in human rights policies or procedures	Social pillar - Labour management - Professional development Governance Pillar - Good Governance Practices and Compliance System
GRI 413: Local communities (2016)		
413-1	Operations with local community engagement, impact assessments and development programmes	Social pillar – Local communities Environmental pillar - Governance, strategy and resources for environmental sustainability
GRI 414: Supplier social assessment (2016)		
414-1	New suppliers that were screened using social criteria	Social pillar - Taking care of the supply chain
GRI 416: Customer health and safety (2016)		
416-1	Assessment of the health and safety impacts of product or service categories	Social pillar - Taking care of the supply chain
GRI 417: Marketing and labelling (2016)		
417-1	Requirements for product and service information and labelling	Social pillar - Taking care of the supply chain
GRI 418: Customer privacy (2016)		

418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Social pillar - Taking care of the supply chain

2.6.3. Content index of law 11/2018 on non-financial and diversity information

Contents of Law 11/2018 on Non-financial and diversity information			Standard used
Business Model	Description of the Group's business model	Brief description of the Group's business model, which will include its business environment, organisation and structure, the markets in which it operates, its objectives and strategies and the main factors and tendencies that may affect its future performance.	GRI 2-6. Activities, value chain and other business relationships GRI 3-2. List of material topics
Information on environmental issues	Policies	Policies that apply to the Group, which include the due diligence procedures applied in the identification, assessment, prevention and reduction of significant risks and impacts, and of verification and control, together with the measures that have been adopted.	GRI 2-23 Policy commitments GRI 2-24 Embedding policy commitments GRI 2-25 Processes to remediate negative impacts
	Main risks	Main risks related with these matters linked to Group activities, among them, when they are pertinent and proportioned, their commercial relations, products or services that may have negative effects on these areas, and on how the Group manages these risks, explaining the procedures used to detect and assess them, in accordance with the benchmark national, European or international frameworks for each area. Information must be included on the impacts detected, offering a breakdown of them, in particular, on the main short-, medium- and long-term risks.	GRI 3-2. List of material topics GRI 3-3. Management of material topics GRI 201-2 Financial implications and other risks and opportunities due to climate change
	General	Current and foreseeable effects of company activities on environment issues and, where appropriate, health and safety.	GRI 3-3. Management of material topics
		· Environmental assessment or certification procedures.	GRI 3-3. Management of material topics
		· Resources aimed at preventing environmental risks.	GRI 3-3. Management of material topics
		Application of precautionary principle.	GRI 2-3 Policy commitments
		· Provisions and guarantees for environmental risks.	GRI 307-1 Non-compliance with environmental laws and regulations (Autonomous Communities)
	Contamination	Measures to prevent, reduce or repair the carbon emissions that seriously affect the environment, taking into account any form of specific atmospheric pollution from an activity, including noise and light pollution.	GRI 201-2 Financial implications and other risks and opportunities due to climate change GRI 302-4 Reduction of energy consumption GRI 305-5 Reduction of GHG emissions GRI 305-7 NOx, SOx and other significant atmospheric emissions

Circular Economy and prevention and waste management	Measures of prevention, recycling, reuse and other forms of recovery and elimination of waste. Action to combat food waste.	GRI 3-3. Management of material topics GRI 303 Water and effluents GRI 306-1. Waste generation and significant waste-related impacts GRI 306-2. Management of significant impacts related with waste GRI 306-3. Waste generated GRI 306-4. Waste diverted from disposal GRI 306-5. Waste directed to disposal
Sustainable use of resources	Water consumption and water supply in accordance with local limitations.	GRI 303-1 Interactions with water as a shared resource GRI 303-3 Water withdrawal GRI 303-5 Water consumption
	Consumption of raw materials and the measures adopted to improve efficiency of use.	Confidential
	Energy: Direct and indirect consumption; measures taken to improve energy efficiency. use of renewable energy.	GRI 3-3. Management of material topics GRI 302-1 Energy consumption within the organisation GRI 302-3 Energy intensity GRI 302-4 Reduction of energy consumption
Climate Change	Greenhouse gas emissions.	GRI 305-1 Direct (Scope 1) GHG emissions GRI 305-2 Energy indirect (Scope 2) GHG emissions GRI 305-4 GHG emissions intensity
	The measures adopted to adapt to the consequences of climate change.	GRI 201-2 Financial implications and other risks and opportunities due to climate change. GRI 3-3. Management of material topics. GRI 305-5 Reduction of GHG emissions.
	Reduction goals established voluntarily at medium and long term to reduce GHG emissions and means implemented for this purpose.	GRI 3-3. Management of material topics.

	Protection of biodiversity	Measures taken to preserve or restore biodiversity.	Non material.
		Impacts caused by activities or operations in protected areas	Non material.
Information on social and staff-related issues	Policies	Policies that apply to the Group, which include the due diligence procedures applied in the identification, assessment, prevention and reduction of significant risks and impacts, and of verification and control, together with the measures that have been adopted.	GRI 3-3. Management of material topics.
	Main risks	Main risks related with these matters linked to Group activities, among them, when they are pertinent and proportioned, their commercial relations, products or services that may have negative effects on these areas, and on how the Group manages these risks, explaining the procedures used to detect and assess them, in accordance with the benchmark national, European or international frameworks for each area. Information must be included on the impacts detected, offering a breakdown of them, in particular, on the main short-, medium- and long-term risks.	GRI 3-3. List of material topics. GRI 3-3. Management of material topics.
	Employment	Total number and distribution of employees by gender, age, country and professional classification.	GRI 2-7 Employees.
		Total number and distribution of employment contract types.	GRI 2-7 Employees.
		Annual average of permanent, temporary and part-time contracts by gender, age and professional classification.	GRI 2-7 Employees.
		Number of dismissals by gender, age and professional classification.	GRI 401-1.b) Total number and rate of employee turnover during the reporting period, by age group, gender and region (in relation to dismissals).
		Average remuneration and its tendency broken down by gender, age and professional classification or equal value.	GRI 405-2: Ratio of basic salary and remuneration of women to men for each job category.
		Salary gap.	GRI 405-2: Ratio of basic salary and remuneration of women to men for each job category.
		Remuneration of equal or average work posts of the company.	GRI 405-2 Ratios of standard entry-level wage by gender compared to local minimum wage.
		The average remuneration of directors and executives, including variable remuneration, attendance fees, indemnity payments, payments to long-term savings insurance schemes and any other benefit broken down by gender.	GRI 2-19 Remuneration policies. GRI 2-20 Process for determining the remuneration.
		Implementation of employment disconnection measures.	GRI 3-3. Management of material topics.
		Disabled employees.	GRI 405-1. b) Percentage of employees per employee category in each of the following diversity categories (iii. Vulnerable groups).
	Work organisation	Organisation of working time.	GRI 2-7 Employees. GRI 3-3. Management of material topics.

	Number of hours of absenteeism.	GRI 403-2 Types of accidents and ratios of occupational accidents, occupational diseases, lost days, and absenteeism, and number of related deaths (section a).
	Measures aimed at facilitating a work-life balance and promoting co-responsible care by both parents.	GRI 3-3. Management of material topics.
Health and safety	Occupational health and safety conditions.	GRI 3-3. Management of material topics GRI 403-1 Occupational health and safety management system. GRI 403-2 GRI 403-2 Hazard identification, risk assessment, and incident investigation. GRI 403-5 Worker training on occupational health and safety.
	Occupational accidents (frequency and seriousness) broken down by gender	GRI 403-9 a) Work-related injuries.
	Occupational accidents (frequency and seriousness) broken down by gender.	GRI 403-10 a) Work-related ill health.
Social Relations	Organisation of social dialogue, including the procedures to inform on and consult employees and negotiate with them.	GRI 2-29. Approach to stakeholder engagement. GRI 402-1 Minimum warning periods for operational changes. GRI 403-4 Worker participation, consultation, and communication on occupational health and safety.
	Mechanisms and procedures that the company has in place to promote the involvement of workers in the management of the company, in terms of information, consultation and participation.	GRI 3-3 Management of material topics
	Percentage of employees covered by a collective bargaining agreement by country.	GRI 2-30 Collective bargaining agreements.
	Balance of collective bargaining agreements, especially in the area of occupational health and safety.	GRI 403-8 Occupational health and safety management system coverage.
Training	Policies implemented in the training area.	GRI 3-3. Management of material topics.
	Total number of training hours by professional category.	GRI 404-1 Average training hours per employee per year.
Accessibility	Universal accessibility of the disabled.	GRI 3-3. Management of material topics (Diversity and equal opportunities and Non-discrimination).
Equality	Measures adopted to promote equal treatment and opportunities between men and women.	GRI 3-3. Management of material topics (Diversity and equal opportunities).

		Equality plans.	GRI 3-3. Management of material topics (Diversity and equal opportunities and Non-discrimination).
		Measures adopted to promote employment.	GRI 3-3. Management of material topics (Employment).
		Protocols to counter sexual harassment due to gender.	GRI 3-3. Management of material topics (diversity and equal opportunities and non-discrimination).
		Universal integration and accessibility of the disabled.	GRI 3-3. Management of material topics (diversity and equal opportunities and non-discrimination).
		Policy against all type of discrimination and, where appropriate, to manage diversity.	GRI 3-3. Management of material topics (diversity and equal opportunities and non-discrimination) GRI 406-1 Incidents of discrimination and corrective actions taken.
Information on respect for human rights	Policies	Policies that apply to the Group, which include the due diligence procedures applied in the identification, assessment, prevention and reduction of significant risks and impacts, and of verification and control, together with the measures that have been adopted.	GRI 3-3. Management of material topics. GRI 412-2 Employee training on human rights policies or procedures.
	Main risks	Main risks related with these matters linked to Group activities, among them, when they are pertinent and proportioned, their commercial relations, products or services that may have negative effects on these areas, and on how the Group manages these risks, explaining the procedures used to detect and assess them, in accordance with the benchmark national, European or international frameworks for each area. Information must be included on the impacts detected, offering a breakdown of them, in particular, on the main short-, medium- and long-term risks.	GRI 3-2. List of material topics. GRI 3-3. Management of material topics.
	Human Rights	Application of due diligence procedures to human rights.	GRI 3-3. Management of material topics (Human Rights evaluation).
		Prevention of the risks of breaching human rights and, where appropriate, measures to reduce, manage and repair possible abuse committed.	GRI 3-3. Management of material topics (Human Rights evaluation). GRI 412-1 Operations that have been subject to human rights reviews or impact assessments.
		Complaints regarding human rights breaches.	GRI 2-16 Communication of critical concerns. GRI 3-3. Management of material topics (Human Rights evaluation). GRI 419-1 Non-compliance with laws and regulations in the social and economic area.

		Promotion of and compliance with the provisions of the ILO's fundamental agreements related with respect for freedom of association and the right to collective bargaining, the elimination of employment discrimination and occupation, the elimination of forced and obligatory labour and the effective abolition of child labour.	GRI 3-3. Management of material topics (non-discrimination; freedom of association and collective bargaining; child labour; forced or compulsory labour and human rights).
Information related to the fight against corruption and bribery	Policies	Policies that apply to the Group, which include the due diligence procedures applied in the identification, assessment, prevention and reduction of significant risks and impacts, and of verification and control, together with the measures that have been adopted.	GRI 2-23. Commitments and policies. GRI 3-3. Management of material topics.
	Main risks	Main risks related with these matters linked to Group activities, among them, when they are pertinent and proportioned, their commercial relations, products or services that may have negative effects on these areas, and on how the Group manages these risks, explaining the procedures used to detect and assess them, in accordance with the benchmark national, European or international frameworks for each area. Information must be included on the impacts detected, offering a breakdown of them, in particular, on the main short-, medium- and long-term risks.	GRI 3-3. Management of material topics. GRI 3-3. Management of material topics.
	Corruption and bribery	Measures adopted to prevent corruption and bribery.	GRI 3-3. Management of material topics.
		Measures to combat money laundering	GRI 3-3. Management of material topics (anti-corruption).
		Contributions to foundations and non-profit organisations.	GRI 3-3. Management of material topics (anti-corruption). GRI 201-1 Direct economic value generated and distributed (investments in the community). GRI 203-2 Significant indirect financial impacts.
Company information	Policies	Policies that apply to the Group, which include the due diligence procedures applied in the identification, assessment, prevention and reduction of significant risks and impacts, and of verification and control, together with the measures that have been adopted.	GRI 3-3. Management of material topics
	Main risks	Main risks related with these matters linked to Group activities, among them, when they are pertinent and proportioned, their commercial relations, products or services that may have negative effects on these areas, and on how the Group manages these risks, explaining the procedures used to detect and assess them, in accordance with the benchmark national, European or international frameworks for each area. Information must be included on the impacts detected, offering a breakdown of them, in particular, on the main short-, medium- and long-term risks.	GRI 3-2. List of material topics GRI 3-3. Management of material topics.

Commitment of the company to sustainable development	Impact of the company's activity on employment and local development.	GRI 203-2 Significant indirect financial impacts. GRI 204-1 Proportion of spending on local suppliers. GRI 413-1 Operations with local community participation, impact assessments and development programmes.
	Impact of the company's activity on local towns and on territory.	GRI 203-2 Significant indirect financial impacts. GRI 413-1 Operations with local community engagement, impact assessments, and development programmes.
	Relationships with local community players and dialogue systems with them.	GRI 3-3. Management of material topics (relating to community). GRI 413-1 Operations with local community engagement, impact assessments, and development programmes
	Association or sponsorship actions.	GRI 2-28 Membership associations GRI 201-1 Direct economic value generated and distributed (investments in the community).
Outsourcing and suppliers	Inclusion in the purchasing policy of social, gender equality and environmental issues.	GRI 3-3. Management of material topics (Environmental and social assessment of suppliers).

	Consideration in relationships with suppliers and subcontractors in their social and environmental responsibility.	GRI 3-3. Management of material topics (Environmental and social assessment of suppliers). GRI 308-1 New suppliers that were screened using environmental criteria. GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk. GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour. GRI 414-1 New suppliers that were screened using social criteria.
	Supervision and audit systems and their outcome.	GRI 308-1 New suppliers that were screened using environmental criteria.
Consumers	Measures for the health and safety of consumers.	GRI 3-3. Management of material topics (health and safety of customers). GRI 416-1 Assessment of the health and safety impacts of the categories of products or services. GRI 417-1 Requirements for product and service information and labelling.
	Systems to process claims, complaints received and their resolution.	GRI 2-26 Mechanisms for seeking advice and raising concerns. GRI 3-3. Management of material topics (health and safety of customers). GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data.
Tax information	Profits obtained by country.	GRI 207-4 Country-by-country reporting.
	Income tax paid.	GRI 207-4 Country-by-country reporting.
	Public grants received.	GRI 201-4 Financial assistance received from government.

2.6.4. Alternative Performance Measures

The Viscofan Group has included in this report various Alternative Performance Measures (hereinafter APMs), as established in APM Guidelines published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es) and adopted by the National Securities Market Commission (the CNMV).

This involves a series of measures designed using the financial information of Viscofan, S.A. and its subsidiary companies, and they are complementary to the financial information drawn up in agreement with International Financial Reporting Standards (IFRS). Under no circumstance should they be assessed separately or considered a substitute.

They are measures used internally in decision-making processes and which the Board of Directors decides to report externally if it believes they provide additional information that is useful in the analysis and assessment of the Viscofan Group's results and its financial situation.

The APMs included in this report are as follows:

- The EBITDA, or operating income before depreciation and amortisation, is calculated excluding depreciation and amortisation costs from the operating profit. The EBITDA is a measure commonly reported and widespread among analysts, investors and other stakeholders in the casing industry. The Viscofan Group uses this measure to monitor the business' development and to establish operational and strategic objectives in Group companies. However, it is not a defined indicator in IFRS and, therefore, it may not be compared with other similar indicators employed by other companies in their reports.

- Consumption costs: This is calculated as the net amount of supplies plus the change in finished and unfinished products. Management monitors consumption costs as one of the main cost components for Viscofan. The weight of this cost component on income or gross margin is also analysed to study the operating margin's development. However, it is not a defined indicator in IFRS and consumption costs must not be considered a substitute for the different items in the profit and loss account that comprise them. Furthermore, it may not be compared with other similar indicators employed by other companies in their reports.

- Net bank debt: This is calculated as non-current borrowings plus current borrowings netted from cash and cash equivalents. Management considers net bank debt to be relevant to shareholders and other stakeholders as it provides an analysis of the Group's solvency. However, net bank debt should not be considered a substitute for gross bank debt in the consolidated balance sheet, nor other liability or asset items that may affect the Group's solvency.

- Like-for-like income and EBITDA: This measure excludes the impact of exchange rate fluctuations compared to the previous comparable period to present a like-for-like comparison of the Viscofan Group's performance. However, like-for-like income and EBITDA are not defined indicators in IFRS and, therefore, they may not be compared with other similar indicators employed by other companies in their reports, nor may they be considered a substitute for the business development indicators defined in IFRS.