(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ACTIVITY REPORT
APPOINTMENTS AND REMUNERATION COMMITTEE 2015

The Appointments and Remuneration Committee has created this report for the General Shareholders Meeting in accordance with good corporate governance recommendations in connection with Principle 6 of the Unified Code: *The General Shareholders Meeting must operate under the principles of transparency and with suitable information.*

The Appointments and Remuneration Committee is formed by three Board Members, none of whom are executives and the majority of whom are independent. The President is one of the independent Board Members.

The Committee met on 8 separate occasions during the 2015 tax year, and has requested the presence of senior management members when considered necessary.

Furthermore, the Committee has requested the presence of the Coordinating Director to know the concerns of the non-executive Board Members.

The Committee has complied with all the functions pertaining thereto, both regulatory and those stipulated in the Company By-laws and the Administrative Board Regulations, and has taken action related to the recommendations to comply with the principles of good corporate governance.

The Committee has reviewed the qualification of the Board Members, confirming that no changes have been applied to those from the previous year.

It has created reports to assess the executive Board Members and the Committee itself, and has led the assessment of the Board and its Committees.

In accordance with recommendation 14 of the Unified Code, a prior analysis of the Administrative Board's needs has been carried out, including the competencies, knowledge and experience needed within the Board. This report was taken into account when creating the proposals and reports for re-election or appointing Board Members that have been promoted to the Administrative Board.

Specifically, the Committee has considered this shareholder's commitment to the long-term creation of value and his successful professional development, resulting in the favourable appointing of Mr Santiago Domecq Bohórquez as the Dominical Director.

Likewise, without his intervention, the activity developed by Mr Ignacio Marco Gardoqui over these years in the Audit and Appointments and Remuneration Committees has been appraised, as well as his work as a Board Member and his assessment results. Moreover his knowledge and experience in the field of accounting and auditing has been considered. All this has led the Committee to present the Board with the proposal to re-elect Mr Ignacio Marco Gardoqui as Independent Director.

The Committee has also created and put forward a Board Member Selection Policy, for approval by the Board, to ensure that candidate proposals to the Administrative Board are undertaken following criteria such as: equality, transparency and legality, considering the vacancies to be covered, the structure and its composition, and the measures to be applied to establish a representation objective for the lesser-represented sex in the Board, facilitating the inclusion of female Board Members.

The Committee has approved a Succession Plan for the key positions within the Viscofan Group and has established a professional development plan and a talent management policy to guarantee that succession. Specifically, it has organised the succession of the President, the Director General Manager and Senior Management.

In terms of remuneration, the Committee has applied the policy approved for 2015 to 2017 by the General Shareholders Meeting held on 7th May 2015. It has also proposed the variable annual and multi-year retribution for executive Board Members, based on their assessment reports; it has established the customised retribution for each Board Member as a result of this application and has created the Remunerations Report for 2015, which the Administrative Board presents to the General Shareholders Meeting for its consultative vote.

The Committee has also proposed the Remunerations Policy for Senior Management and its application, including the variable annual and quarterly retribution proposal for the following years.

The total cost of the Board dropped from 3,186 thousand to 3,134 thousand euros, despite the number of Members increasing to ten with the incorporation of Mr Juan March de la Lastra, following deduction of the Executive Board Members' variable multi-year remuneration, to compare with equivalent items.

The Executive Board Members received the variable multi-year remuneration once it was confirmed that they had complied with all the targets, based on parameters aligned with the remuneration and creation of long-term value for shareholders: 40% consistent in achieving TSR growth (Total Shareholder Return) of 17% in three years and the remaining 60% based on improved operative results and company balance sheet strength, via a growth of 17% upon closing the third financial year from the result of a formula equivalent to eight times the EBITDA minus the net debt before paying dividends.

Lastly, in accordance with Principle 25 of the Unified Code of Good Governance relating to the remuneration of the Administrative Board, and specifically with recommendation 64, the Director General Manager's contract has been modified to reduce compensation for contract termination, not exceeding the amount established equivalent to two years of the total annual retribution.

Finally, the Committee has informed the Administrative Board of all its activities, presenting the Board Members with the minutes of their sessions.

This report was approved by the Appointments and Retribution Committee on 29th February 2016.