ANNUAL CORPORATE GOVERNANCE REPORT 2016

Viscofan S.A

Year end: 31/12/2016

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

A,- OWNERSHIP STRUCTURE OF THE COMPANY

A.1- Fill in the following table on the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
14/04/2011	32,622,577.40	46,603,682	46,603,682

S Indicate if there are different classes of shares with different rights associated with them

NO

A.2- Detail the direct and indirect owners of significant holdings in your company at year-end, excluding directors:

Name or company name of the Shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MARATHON ASSET MANAGEMENT, LLP	0	2,321,393	4.98
APG Algemene Pensioen Groep NV,	2,408,875	0	5.17
DOÑA ANA MARIA BOHORQUEZ ESCRIBANO .		2,332,021	5.00
CORPORACION FINANCIERA ALBA SA	0	5,136,037	11.02
NORGES BANK	2,446,379	0	5.25

Name or company name of the indirect shareholder	Through: name or company name of the direct shareholder	Number of total voting rights
MARATHON ASSET MANAGEMENT, LLP	Other shareholders of the Company	2,321,393
MRS. ANA MARIA BOHORQUEZ ESCRIBANO	Angustias y Sol S.L.	3,332,021
CORPORACIÓN FINANICERA ALBA SA	ALBA PARTICIPACIONES SAU	5,136,037

Indicate the most significant movements in the shareholding structure during the year.

Name or company name of the shareholder	Date of transaction	Description of the transaction
NORGES BANK	21/01/2016	Exceeded 3% of the share capital
NORGES BANK	07/03/2016	Exceeded 5% of the share capital
MARATHON ASSET MANAGEMENT, LLP	04/05/2016	Exceeded 5% of the share capital
DOÑA ANA MARIA BOHORQUEZ ESCRIBANO	20/05/2016	Exceeded 5% of the share capital
FIDELITY INTERNATIONAL LIMITED	28/06/2016	Down from 1% of the share capital
INVESCO LIMITED	11/07/2016	Down from 1% of the share capital
CORPORACIÓN FINANCIERA ALBA S.A.	28/10/2016	Exceeded 10% of the share capital
MARATHON ASSET MANAGEMENT, LLP	30/11/2016	Down from 5% of the share capital

A.3- Fill in the following tables about members of the Board of Directors of the Company with voting rights on company shares:

Name or company name of the Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JOSÉ ANTONIO CANALES GARCÍA	10,670	6,299	0.04%
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	30,276	5,000	0.08%
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	60,769	0	0.13%
MR. ALEJANDRO LEGARDA ZARAGüETA	8,250	0	0.02%
MRS. AGATHA ECHEVARRIA CANALES	46,869	0	0.09%
MR. NESTOR BASTERRA LARROUDÉ	212,452	0	0.46%
MR. JUAN MARCH DE LA LASTRA	0	18,307	0.04%

Name or company name of the indirect shareholder	Through: name or company name of the direct shareholder	Number of total voting rights
MR. JOSÉ ANTONIO CANALES GARCIA	Other shareholders of the Company	6,299
MR. JUAN MARCH DE LA LASTRA	ATACAMPA S.A..	18,307
MR. IGNACIO MARCO-GARDOQUI IBAÑEZ	PROMOCIONES GARDAL XXI, S.L.	5,000

Total % of voting rights of the Board of Directors:	0.86%

Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares

Name of director (person or company)	Number of direct voting rights	indirect rights		Number of equivalent shares	% of total voting rights
		Direct owner	Number voting rights		

A.4- Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description

No applicable

A.5- Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description
CORPORACIÓN FINANCIERA ALBA S.A MR. JOSÉ DOMINGO DE AMPUERO Y OSMA.	CORPORATE	MR.JOSE DOMINGO DE AMPUERO Y OSMA IS MEMBER OF ITS BOARD OF DIRECTOR

CORPORACIÓN FINANCIERA ALBA S.A MR. JUAN MARCH DE LA LASTRA	CORPORATE	MR. JUAN MARCH DE LA LASTRA IS VICECHAIRMAN OF THE BOARD OF DIRECTOR
ANGUSTIAS Y SOL SL MR. SANTIAGO DOMECQ BOHÓRQUEZ	CORPORATE	MR. SANTIAGO DOMECQ BOHORQUEZ (sole administrator of Angustias y Sol S.L.)

A.6- Indicate whether the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

Participants in shareholders agreements	% of share capital affected	Brief description of agreement

NO

Indicate whether the company is aware of the existence of concerted actions amongst its shareholders. If so, describe them briefly.

Participants in concerted action	% of share capital affected	Brief description of concerted action

NO

A.7- Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 5 of the Securities Exchange Act. If so, identify names:

NO

A.8- Fill in the following tables about the Company's treasury stock

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
0	0	0%

(*) Through:

Name of direct owner of shareholding (person or company)	Number of direct shares
Total:	0

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007.

Explain the significant changes

A.9- Describe the conditions and term of the prevailing mandate from the general meeting to the Board of Directors to issue, buy back and transfer treasury stock :

Extract of the Minutes of the General Shareholders Meeting held on 30 April 2013 on second call, the following resolution was adopted by majority:

"The proposal is to cancel the authorization for acquiring own shares that was given to the Board of Directors at the Company's General Shareholders Meeting of 23rd May 2012.

The proposal is to authorise 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 (CEA) (Ley de Sociedades de Capital) 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.

The proposed authorisation is for the maximum term envisaged by law, 5 years, and will run from the date of the resolution. It is conferred upon the Board subject to existing legal restrictions on the purchase of treasury shares and, more specifically, those restrictions prescribed by Articles 146 and 509 of Corporate Enterprises Act (CEA) (Ley de Sociedades de Capital).

In the event the Board of Directors should need to exercise the authorisation conferred upon it by the General Shareholders Meeting, the Company's treasury shares would be subject to the treasury shares regime set forth in Article 148 of the Corporate Enterprises Act (CEA).

A.9 bis- Estimated floating capital:

	%
Estimated floating capital	67.72

A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market

NO

A.11- Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

NO

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12- Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

NO

Where applicable, indicate the different classes of shares, and what rights and obligations each share class confers.

B.- GENERAL SHAREHOLDER'S MEETING

B.1- Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Corporate Enterprises Act ("CEA") in connection with the quorum needed to hold a valid General Shareholders' Meeting.

NO

	% Quorum differing from that set forth in art 193 of Corporate Enterprises Act (CEA) for general circumstances	% Quorum differing from that set forth in art 194 of Corporatie Enterprises Act for the special circumstances set forth in art 194
Quorum required on first summons		
Quorum required on second summons		

Describe de differences:

B.2- Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions

NO

Describe any differences from the minimum standards established under the CEA.

	Reinforced majority different to that set forth by Article 201.2 of CEA (Corporate Enterprises Act) for the purposes of Article 194.1 of CEA	**Other instances of reinforced majority**
% set forth by the Company for adoption of resolutions		
	Describe the differences	

B.3-Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws..

There is no specific regulation for amending the articles of association other than that provided for by applicable regulations concerning the requirements established by art. 194 of the Corporate Enterprise Act for a reinforced quorum and by the remaining provisions of section VIII of the aforementioned act.

The requirements for passing resolutions set forth in Article 21 of the Bylaws and Article 18 of the Regulations of the General Shareholders Meeting match those stated above.

B.4- Indicate the data on attendance at the general shareholders' meetings held the year to which this report refers and the previous year:

Attendance information					
General Shareholders Meeting Date	% shareholders present	% Attending by proxy	% voting remotely		Total
			Electronic vote	Other	
07/05/2015	1.52%	29.75%	0,000%	41.79%	73.06%
21/04/2016	13.90%	18.08%	0,000%	48.10%	80.08%

B.5- Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

YES

Number of shares necessary to attend the General Shareholders' meeting:	1,000

B.6- Section repealed

B.7- Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

This content is available via the company's website (www.viscofan.com)

The information relating to Corporate Governance is available on the Corporate Responsibility tab, which can be found at the top of the website homepage. Once inside the tab, the information can be accessed by clicking on Corporate Governance to be found in the menu on the left.

The information relating to the General Shareholders Meetings is permanently available on the Investor Relations tab, located at the top of the website homepage. Once inside the tab, the information can be accessed by selecting the General Shareholders' Meeting section. Moreover, as of the date of publication of the notice to hold a new General Meeting, a direct link is enabled on the company's Home Page to the notice of meeting. In accordance with the shareholders' right to information, there is also access to legally-required documentation and other documentation for information purposes.

C.- CORPORATE GOVERNANCE STRUCTURE

C.1- Board of Directors

C.1.1- Maximum and minimum number of directors established in the bylaws:

Maximum number of Directors	10
Minimum number of Directors	3

C.1.2 Fill in the following table on the Board members:

Name of director (person or company)	Representative	Type of directorship	Position on the board	Date first appointed	Date last appointed	Election procedure
MR JOSE DOMINGO DE AMPUERO Y OSMA		Executive	CHAIRMAN	27/02/2009	07/05/2015	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR NESTOR BASTERRA LARROUDE		Other External	1st VICE-CHAIRMAN	29/07/1997	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MS AGATHA ECHEVARRÍA CANALES	-	Other External	2nd VICE CHAIRWOMAN	24/06/1998	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR ALEJANDRO LEGARDA ZARAGÜETA	-	Independent	DIRECTOR	22/05/2006	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR IGNACIO MARCO - GARDOQUI IBAÑEZ	-	Independent	DIRECTOR	01/01/2010	21/04/2016	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA	-	Independent	DIRECTOR	23/05/2012	23/05/2012	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR. JAIME REAL DE ASUA Y ARTECHE		Independent	DIRECTOR	11/04/2014	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR. JOSE ANTONIO CANALES GARCÍA		Executive	DIRECTOR	11/04/2014	11/04/2014	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
MR. JUAN MARCH DE LA LASTRA		Nominee	DIRECTOR	21/04/2016	21/04/2016	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING
DON SANTIAGO DOMECQ BOHÓRQUEZ		NomInee	DIRECTOR	21/04/2016	21/04/2016	VOTE AT THE GENERAL SHAREHOLDER 'S MEETING

Total number of Directors	10

Indicate the severances that have occurred on the Board of Directors during the reporting period:

Name of director (person or company)	Condition of director at time of severance	Date of leaving
MRS. LAURA GONZALEZ MOLERO	Independent	21/04/2016

C.1.3- Fill in the following tables on the Board members and their different kinds of directorship:

EXECUTIVE DIRECTORS

Name of director (person or company)	Position within company organisation
MR JOSE DOMINGO DE AMPUERO Y OSMA	Chairman
MR. JOSE ANTONIO CANALES GARCÍA	Managing Director/CEO

Total number of Executive Directors	2
% of total directors	20.00%

EXTERNAL NOMINEE DIRECTORS

Name of director (person or company)	Name or business name of the significant shareholder represented or proposing nomination.
MR. JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA SA
MR. SANTIAGO DOMECQ BOHORQUEZ	ANGUSTIAS Y SOL S.L.

Total number of nominee directors	2
% of total directors	20.00%

EXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company)

MR ALEJANDRO LEGARDA ZARAGÜETA

Profile

Industrial engineering graduate from the Escuela Superior de Ingenieros Industriales in San Sebastian and holds a Masters in Economics and Business Administration from IESE (Barcelona). Doctor in innovation economics from the Universidad Politécnica de Madrid.

With broad experience in industry, in 1989 he was appointed Financial and Administrative Director of

Construcciones Auxiliares de Ferrocarriles, S.A. (CAF) where he subsequently became General Managing Director in 1992 until 2014, and board member from then onwards. In 2013 he was appointed Independent Director of Pescanova, S.A.

He joined the Board of Directors of Viscofan,S.A. as an Independent Director in 2006, and in 2007 became a member of the Audit Committee.

Name of director (person or company)

MR IGNACIO MARCO-GARDOQUI IBAÑEZ

Profile

Economics degree from Deusto University.

Mr. Marco-Gardoqui has a long professional career, he has worked for financial institutions, and his activities have covered teaching, consulting, and the press world, where he has a strong reputation for his active contribution as economic expert and columnist; he belongs to the Publishing Committee of Vocento Group.

He also has developed wide experience in several industrial companies, belonging to several Board of Directors; currently he is Director of, Progénika Biopharma, Minerales y Productos Derivados, Tubacex SA and Iberdrola Ingeniería y construcción (Iberinco) SA. Previously, he has belonged, amongst others, to the Board of Directors of Técnicas Reunidas, Banco de Comercio, IBV, and Banco de Crédito Local, Schneider Electric España, and was Chairman of Naturgás.

He is member of the Board of Directors of Viscofan, S.A, chairman of its Audit Committee and member of the Appointments and Remuneration Committee.

Name of director (person or company)

MR JOSÉMARÍA ALDECOA SAGASTASOLOA

Profile

Graduate in Technical Electronic Engineering from the Polytechnic School of Mondragón. PADE Graduate from the Executive Management Programme at IESE

Throughout his long professional career, he has held various posts at COPRECI (1971-1982). He was Managing Director of FAGOR ELECTRÓNICA and member of the Board of Directors of Fagor, S. Coop. (1982-1991). Between 1984 and 1991, he was Vice-Chairman of ANIEL (National Association of Electronic Industries) and Chairman of the Components Board. He was also member of the Board of Directors of the European Electronic Components Association (EECA) between 1986 and 1991. Between 1992 and 2012, he held various positions at MONDRAGÓN CORPORACION and, in 2007, he was appointed Chairman of the General Board, a position he held until July 2012. He has a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong, the integration of the production plants of Orkli, Orbea, Mondragón Automoción in the industrial park of Kunshan, China and the opening of the (industrial Park) of Pune in

India. He has sat on the Board of Directors of various automotive and components companies (Copreci-Czech Republic, Copreci-Mexico, Vitorio Luzuriaga, Fagor Ederlan-Brazil, ParanoaCicautxo-Brazil, FPK, Fagor Ederlan-Slovakia), and director (1992-2006) and Chairman (2007-2012) of MONDRAGÓN INVERSIONES.

He was also Chairman of the Engineering Faculty of the University of Mondragón (1998-2002).

He is currently an independent director and member of the Delegate Committee of Gamesa Corporación Tecnológica, S.A.

He is member of the Board of Directors of Viscofan SA and member of its Audit Committee. In 2014 he was appointed a Lead Independent Director

Name of director (person or company)

MR JAIME REAL DE ASUA Y ARTECHE

Profile

Industrial engineer, specialising in industrial organisation from the ETSII (Bilbao).

He is currently Non Executive Chairman of the Board of Directors of Elecnor S.A., and Chairman of its Delegated Committee and member and secretary of the Appointments and Remuneration Committee. Moreover, he is Chairman of Elecnor Infraestructuras Committee and member of the Board of Directors of Enerfín Enervento, S.A, part of Elecnor Group.

He has been President and Director of Adhorna Prefabricación S.A. until 2015 when it was owner by Elecnor S.A. He is member of the Board of Directors and Secretary of Cantiles XXI S.L. From 1987 until 2012 he served as a member of the Board of Directors of Internacional de Desarrollo Energético, S.A. (IDDE).

At the same time, from 1981 until 2011 he was linked to Grupo Cementos Portland Valderrivas, where he held different management positions and was a member of the Board of Directors of various companies of this Group.

He is member of the Board of Directors of Viscofan, S.A, and chairman of its Appointments and Remuneration Committee

Total number of Independent Directors	4
% of total directors	40.00%

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for his/her directorship, or maintains or has maintained over the last year a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

NO

Where applicable, include a reasoned statement from the Board with the reasons why it deems that this director can perform his/her duties as an independent director.

Name of director (person or company)	Description of the relationship	Reasons

OTHER EXTERNAL DIRECTORS

Identify all other external Directors and explain why these cannot be considered nominee or independent Directors and detail their relationships with the company, its executives or its shareholders.

Name of director (person or company)	Reasons
MRS . AGATHA ECHEVARRIA CANALES	More than 12 years on the Board of Directors.
MR. NESTOR BASTERRA LARROUDE	More than 12 years on the Board of Directors.

Total number of other external directors	2
% of total directors	20.00%

Indicate any changes that may have occurred during the period in the type of directorship of each director:

Name of director (person or company)	Date of change	Previous category	Current category

C.1.4- Fill in the following table with information regarding the number of female directors over the last 4 years, and the category of their directorships:

	Number of females directors				% of total female directors of each category			
	Period 2016	Period 2015	Period 2014	Period 2013	Period 2016	Period 2015	Period 2014	Period 2013
Executive	0	0	0	0	0	0	0	0

Nominee	0	0	0	0	0	0	0	0
Independent	0	1	1	2	0	20.00	20.00	25.00
Other external	1	1	1	0	50.00	50.00	50.00	0.00
TOTAL	1	2	2	2	10.00	20.00	22.22	22.22

C.1.5- Explain the measures, if any, that have been adopted to try to include a number of female directors on the Board that would mean a balanced presence of men and women.

Explanation of measures:

The duties of the Appointment and Remuneration Committee include establishing a representation target for the least represented gender on the board or directors, and preparing guidelines on how to achieve this objective. The Appointment and Remuneration Committee complies with the Board Member selection policy in which it is specifically established that the Committee must take account of the representation target established for the least represented gender and must include persons of the said gender amongst potential candidates.

The Appointments and Remuneration Committee has taken account of the gender diversity in the analysis prior to proposing candidates to cover the vacancies created on the Board of Directors, as one of the key factors to be taken into account, although weighting these factors with the diversity of competencies, knowledge and experience, all in accordance with the principles of equality, transparency and legality.

C.1.6- Explain the measures, if any, agreed by the Appointments Committee to ensure that selection procedures do not suffer from implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sought:

Explanation of measures

The Committee has worked on ensuring the presence of women candidates in the selection processes to cover any board vacancies that may arise, including amongst the requirements to be taken into account, the demand that the total number of candidates to be assessed should equally consider men and women candidates, in order to guarantee gender diversity.

Furthermore, in view of current legislations, of the Board of Directors regulation and of the Director selection policy, the Board of Directors has assessed the competency, experience and merits of the candidates, and has taken into consideration the report created by the Appointments and Remuneration Committee in accordance with that stipulated in Article 529.i.6 of the Spanish Enterprise Law, in view of the Board's requirements, assessing the diversity of its composition and structure, and the conditions that should be met by the Directors to carry out their duties, and dedication – the dedication that is needed to suitably perform their roles.

When, despite any measures that might have been adopted, the number of female directors is low or zero, explain the reasons:

Explanation of reasons

See C.1.6 bis

C.1.6.bis- Explain the conclusions of the Appointments Committee regarding verification of compliance with the board member selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female board members represent at least 30% of the total number of members of the board of directors.

Explain the conclusions

The Appointments and Remuneration Committee considers that the board member selection policy has been properly complied with, for a number of reasons: all the proposals made to the General Shareholders' Meeting were supported by a prior analysis of the needs of the Board, taking account of the competencies, knowledge and experience of the board members and candidates, valuing diversity, promoting the search for different alternatives for candidates that suit the profile, and performing the selection process in accordance with the principles set out in the said policy.

The Committee considers that there is a need to analyse the implementation of the policy on a yearly basis, and also in the longer term, taking account of any projected vacancies, based on the board member term of appointment, in order to guarantee at all times the quality of the Board's decisions and its ability to effectively promote corporate interest. In this regard, the Committee is working towards the 2020 target.

C.1.7- Explain the form of representation on the Board of shareholders with significant holdings.

The company maintains an on-going dialogue with institutional shareholders and investors, in accordance with its communication policy. As a result of these contacts, the company considers the representation on the Board of those shareholders with significant holdings whose interests are in line with those of the company in long-term value creation for all stakeholders, and analyses the different factors that may contribute to proposing the said representation, taking account of the internal policies of the said shareholders, the shareholding structure and the composition of the Board at any given time.

C.1.8 - Explain, where applicable, the reasons why nominee directors have been appointed at the behest of a shareholder whose holding is less than 3% of the capital:

Name or company name of the Shareholder	Justification

Indicate whether formal petitions have been ignored for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose behest nominee directors were appointed. Where applicable, explain why these petitions have been ignored.

NO

C.1.9- Indicate if any director has stood down before the end of his/her term of office, if the director has explained his/her reasons to the Board and through which channels, and if reasons were given in writing to the entire Board, explain below, at least the reasons that were given:

Name of the Director	Reason for leaving

C.1.10 - Describe any powers delegated to the Chief Executive Officer(s), if any:

Name of director (person or company)	Brief description
MR JOSE DOMINGO DE AMPUERO Y OSMA	In his position as Chairman of the Board, he has been granted powers of representation, powers relating to purchase or disposal, powers relating to personnel, collections, payments, contracts, tenders and transactions, Current accounts, credit and savings accounts, bills of exchange and promissory notes, securities and shares, bonds and guarantees, and complementary powers to the above.
MR. JOSÉ ANTONIO CANALES GARCÍA	In his position as managing director, he has been granted powers of representation, powers relating to purchase or disposal, powers relating to personnel, collections, payments, contracts, tenders and transactions, Current accounts, credit and savings accounts, bills of exchange and promissory notes, securities and shares, bonds and guarantees, and complementary powers to the above.

C.1.11- Identify any members of the Board holding positions as directors or managers in other companies belonging to the listed company's group

Name of director (person or company)	Name of the Group Company	Position	Does the director hold executive functions?
MR JOSE DOMINGO DE AMPUERO Y OSMA	GAMEX CB S.R.O.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN URUGUAY	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	KOTEKS VISCOFAN D.O.O.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA. INC	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SA	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CZ S.R.O.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MÉXICO S. DE R.L. DE C.V.	CHAIRMAN	NO

MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN UK LIMITED	DIRECTOR	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	ZACAPU POWER S.DE R.L DE C.V.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MEXICO SERVICIOS S DE RL DE CV.	CHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	KOTEKS VISCOFAN D.O.O.	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN URUGUAY S.A.	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC.	VICECHAIRMAN	NO
MR NESTOR BASTERRA LARROUDÉ	GAMEX CB S.R.O.	VICECHAIRMAN	NO
MR JOSE ANTONIO CANALES GARCIA	GAMEX CB S.R.O.	DIRECTOR	YES
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DE MEXICO SERVICIOS S. DE R.L. DE C.V.	VICECHAIRMAN	NO
MR JOSE ANTONIO CANALES GARCIA	KOTEKS VISCOFAN D.O.O.	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	NATURIN VISCOFAN GMBH	DIRECTOR	YES
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN CZ S.R.O.	DIRECTOR	YES
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL. LTDA	MEMBER OF THE ADVISORY BOARD	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN URUGUAY S.A.	DIRECTOR	
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN USA INC.	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN UK LIMITED	DIRECTOR	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN CANADA	SECRETARY	NO
MR JOSE ANTONIO CANALES GARCIA	VISCOFAN DE MEXICO S. DE RL. DE CV .	VICECHAIRMAN	NO
MR JOSE ANTONIO CANALES GARCIA	ZACAPU POWERS DE RL DE CV	VICECHAIRMAN	NO
MR. JOSE ANTONIO CANALES GARCIA	VISCOFAN CENTROAMERICA COMERCIAL SOCIEDAD ANONIMA	SECRETARY	NO
MR. JOSE ANTONIO CANALES GARCIA	NANOPACK TECHNOLOGY & PACKAGING S.L	CHAIRMAN	NO
MR. JOSÉ ANTONIO CANALES GARCÍA	VECTOR EUROPE NV	VICECHAIRMAN	NO
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	VECTOR EUROPE NV	CHAIRMAN	NO

MR. NÉSTOR BASTERRA LARROUDÉ	VECTOR EUROPE NV	DIRECTOR	NO
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	VECTOR USA INC	CHAIRMAN	NO
MR. JOSÉ ANTONIO CANALES GARCÍA	VECTOR USA INC	VICECHAIRMAN	NO
MR. NÉSTOR BASTERRA LARROUDÉ	VECTOR USA INC	DIRECTOR	NO
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	VECTOR PACKAGING EUROPE NV	CHAIRMAN	NO
MR. JOSÉ ANTONIO CANALES GARCÍA	VECTOR PACKAGING EUROPE NV	VICECHAIRMAN	NO
MR. NÉSTOR BASTERRA LARROUDÉ	VECTOR PACKAGING EUROPE NV	DIRECTOR	NO
MR. JOSÉ DOMINGO DE AMPUERO Y OSMA	VECTOR UK LIMITED	DIRECTOR	NO
MR. JOSÉ ANTONIO CANALES GARCÍA	VECTOR UK LIMITED	DIRECTOR	NO
MR. NÉSTOR BASTERRA LARROUDÉ	VECTOR UK LIMITED	DIRECTOR	NO

C.1.12- Detail, where applicable, any company directors that sit on Boards of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

Name of director (person or company)	Name of the listed company	Position
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION ALBA SA	DIRECTOR
MR JOSE DOMINGO DE AMPUERO Y OSMA	TUBACEX S.A.	DIRECTOR
MR NESTOR BASTERRA LARROUDÉ	IBERPAPEL GESTIÓN SA	DIRECTOR
MR ALEJANDRO LEGARDA ZARAGÜETA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES SA	DIRECTOR
MR ALEJANDRO LEGARDA ZARAGÜETA	PESCANOVA SA	DIRECTOR
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	TUBACEX. S.A.	DIRECTOR
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	MINERALES Y PRODUCTOS DERIVADOS, S.A.	DIRECTOR
MR JOSÉ MARÍA ALDECOA SAGASTASOLOA	GAMESA CORPORACIÓN TECNOLÓGICA. S.A.	DIRECTOR
MR. JAIME REAL DE ASUA Y ARTECHE	ELECNOR S.A.	DIRECTOR
MR. JUAN MARCH DE LA LASTRA	INDRA SISTEMAS SA	DIRECTOR
MR. JUAN MARCH DE LA LASTRA	CORPORACIÓN FINANCIERA ALBA SA	VICECHAIRMAN

C.1.13- Indicate and, where applicable, if board regulations have established rules on the maximum number of company boards on which its directors may sit:

YES

Explanation of rules:

Company directors may not sit on more than three Boards of Directors of listed companies, in addition to the Board of Viscofan, S.A.

C.1.14- Section repealed.

C.1.15- Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (Thousand Euros)	3.076
Cumulative amount of rights of current Directors in pension scheme (thousands of euros	0
Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	0 0

The overall remuneration of the Board includes the triennial variable remuneration of the executive directors.

C.1.16- Identify members of senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	**Position(s)**
MR GABRIEL LARREA LALAGUNA	HEAD OF SALES VISCOFAN GROUP
MR CÉSAR ARRAIZA ARMENDÁRIZ	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR JOSE IGNACIO RECALDE IRURZUN	HEAD OF RESEARCH , DEVELOPMENT AND QUALITY VISCOFAN GROUP (Until October 2016)
MR ANDRES DÍAZ ECHEVARRÍA	HEAD OF OPERATIONS VISCOFAN GROUP
MR MILOSLAV KAMIS	MANAGING DIRECTOR GAMEX CB SRO., MANAGING DIRECTOR VISCOFAN CZ SRO
MR BERTRAM TRAUTH	MANAGING DIRECTOR NATURIN VISCOFAN GMBH
MR EDUARDO AGUIÑAGA	MANAGING DIRECTOR VISCOFAN DE MEXICO SRL DE CV
MR LUIS BERTOLI	MANAGING DIRECTOR VISCOFAN DO BRASIL S.COM E IND. LTDA
MR DOMINGO GONZÁLEZ	MANAGING DIRECTOR VISCOFAN USA INC. & CEO VECTOR USA
MR JUAN NEGRI SAMPER	MANAGING DIRECTOR VISCOFAN TECHNOLOGY SUZHOU INC
MR IÑIGO MARTINEZ IRIARTE	MANAGING DIRECTOR KOTEKS VISCOFAN DO.O.
MR ANGEL MAESTRO ACOSTA	MANAGING DIRECTOR URUGUAY S.A.
MR. JOSÉ ÁNGEL ARRARÁS ILUNDAIN	HEAD OF RESEARCH , DEVELOPMENT AND QUALITY VISCOFAN GROUP (FROM NOVEMBER 2016)
MR. ÓSCAR PONZ TORRECILLAS	PLASTICS GENERAL MANAGER (From November)
MR. RICARDO ROYO RUIZ	EUROPE AREA GENERAL MANAGER

Total senior management remuneration (thousand Euros)	2,595

The overall remuneration of senior management includes the triennial variable remuneration.

C.1.17. Indicate the identity of the Board members, if any, who are in turn members of the Board of Directors in companies of significant shareholders and/or in entities of their group:

Name or company name of the Director	Company name of the major shareholder	Position
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACION FINANCIERA ALBA SA	DIRECTOR
MR. JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA SA	VICECHAIRMAN
MR. SANTIAGO DOMECQ BOHORQUEZ	ANGUSTIAS Y SOL	SOLE ADMINISTRADOR

Detail the relevant affiliations, other than those considered in the above paragraph, that link Board members to significant shareholders and/or companies in their group:

Name or company name of the related Board member	Name or company name of the major related shareholder	Description of the relationship

C.1.18- Indicate whether there has been any change in the Board regulations during the year:

no

C.1.19- Indicate procedures for selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure:

The selection, appointment, re-election, assessment and removal processes of the Directors are regulated in the articles of association, the Board Regulation and the Director´s Selection Policy. In their respective competencies, the General Shareholder´s Meeting, the Board of Directors and the Appointments and Remunerations Committee intervene in the different procedures.

The Board of Directors Selection Policy establishes that the Appointments and Remunerations Committee will be responsible for analysing the composition and structural needs of the Company's Board of Directors at all times, and for regulating the procedure to follow whenever there is a vacancy within the Board of Directors to ensure a search for candidates that is based on the principles of equality, transparency and legality, in order to provide the Board of Directors with candidates that can offer the competencies, knowledge and experience required for the Board at all times, taking account of the vacancies to be covered and the structure and composition of the Board, avoiding any implicit bias that may involve some type of discrimination and taking account of diversity, particularly the measures to be applied in order to meet the representation target for the least-represented gender on the Board of Directors and to facilitate the inclusion of female directors on the board.

Pursuant to Article 26 of the Articles of Association:

Their appointment will correspond to the General Shareholders meeting in accordance with article 243 of the Capital Companies Act.

And Article 27 sets forth that:

To be appointed to the position of director, the status of shareholder is not a requirement. The term of office for Directors is four years from the date they are appointed.

The appointment of Directors will cease when their term of office has ended and the next General Shareholders Meeting has been held or the period stipulated by law for holding the Shareholders

Meeting to resolve on the approval of the prior year's accounts has passed.

Article 27 bis establishes limits on the re-election of Independent Directors:

Independent Directors may not be re-elected or appointed for a new term of office under the same classification when they have sat on the company's Board for a term of twelve (12) years counted from the date on which they were first appointed.

The independent directors who reach the limit of twelve (12) years described in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office.

In this respect, Article 8 of the Board Rules sets forth:

Article 8. Appointment of Directors

The shareholders at the General Shareholders Meeting or the Board of Directors itself will elect the Directors in the circumstances provided in law.

The Board of Directors must ensure that the procedures to select its members favours the diversity of gender, experiences, knowledge and that there is no implicit bias that may involve some type of discrimination, and, in particular, they should facilitate the selection of women directors.

The proposals relating to the appointment or re-election of directors, within the limits set out in the articles of incorporation, shall be made by the Appointment and Remuneration Committee in the case of independent directors and by the Board itself, subject to a report by the Committee, in the case of the other directors.

Any proposals must be accompanied, in any case, by an explanatory report from the Board, assessing the competence, experience and merits of the candidate proposed, and shall include the presence on the Board of a reasonable number of independent directors and shall tend to maintain a majority of directors who are external to management.

The Directors will hold their posts for the term provided in the company bylaws, and may be elected either once or several times.

Independent directors may not be re-elected or appointed for a new term of office under the same classification when they have sat on the company's Board for a term of twelve (12) years as from the date on which they were first appointed.

The independent directors who reach the limit of twelve (12) years provided in the foregoing paragraph while their term of office is in progress may continue in their post and maintain their classification as independent until the completion of their term of office.

Furthermore, Article 14 of the Board of Directors' Rules includes the Nominating and Compensation Committee and sets forth:

The mission of the Appointments and Remunerations Committee, amongst others, will be as follows:

a) Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from the candidates due to cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their mandate.

b) Provide the Board of Directors with proposals for the appointment of independent Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting. Submit proposals for the re-election or removal of such Directors.

c) Provide information on proposals for the appointment of all other Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting, as well as proposals for their re-election or removal by the General Shareholders Meeting.

Pursuant to Article 16 of the Board Regulations, relating to the Appraisal of the Board of Directors and the Committees:

Each year the Board of Directors will evaluate:

a-)the quality and efficiency of the operation of the Board itself;

b-) the performance of their functions by the Chairman of the Board and the company's chief executive, based on the report raised by the Appointments and Remunerations Committee; should the Chairman have the capacity of executive director, then the coordinating director shall direct the periodical evaluation of the Chairman of the Board of Directors.

c-) the operation of the Board's Committees, based on the report raised by each committee.

The Board must propose, based on the results of the said evaluation, an action plan to correct any shortcomings detected.

In accordance with this article of its Regulations, led by the Appointments and Remunerations Committee or by the coordinating director in the case of the Chairman, and coordinated by the Secretary of the Board, the Board assesses the Board itself and all its Committees on an annual basis, analysing various formal and material issues of the activities carried out by each one, together with the content of the meetings, access to business knowledge, information about issues that are necessary for the development of their functions, the presence of executives at Board meetings and the various Committees, the quality of the discussions and the taking of decisions, the performance of the directors and Chairmen of each committee and the Board itself, the qualification of the directors and the Secretary of the Board, the quality applied to achieve targets, among others. Suggestions are also requested, together with the inclusion of any comment that may help improve the performance of each one.

Each Director and the members of the Committees make their own individual analysis in accordance with guidelines and provide the results to the Secretary of the Board anonymously. After consolidating the results that are obtained, the Secretary gives them to the Board or to each of the Committees, where applicable, for internal debate and to resolve, where applicable, on the actions that help improve the operation and fulfilment of the functions of the Board and each Committee.

Additionally, the Board of Directors will perform the evaluation of the Chairman based on the report submitted by the Appointments and Remuneration Committee and headed by the coordinating director.

In the 2016 tax year, in accordance with the recommendations of Good Governance of listed companies, the Board of Directors commissioned an external consultant to provide services as a facilitator and leader of the self-assessment process regarding the effectiveness of the Board operation. To perform the self-assessment process, an interview outline was established, taking into account the particular situation and best practices of Corporative Management.

The external consultant held individual interviews with all members of the Board of Directors, in which the quality and efficiency of the Board operation were analysed, as well as the operation and

composition of its committees, the diversity of its composition, and the competencies of the Board, the performance of the Board Chairman and of the company's top executive.

In particular, a detailed analysis in the following areas was performed in the self-assessment process:

- Organisation of the Board
- Organisation of the Committees
- Composition of the Board
- Involvement of the Board
- Communication with Shareholders and Regulators
- Talent Management and Succession Plans
- Risk Management
- Future Issues
- Suggestions

The self-assessment report includes the conclusions drawn and has been presented to the Appointments and Remuneration Committee and to the Board of Directors.

The removal of directors is governed by the following articles of the Regulations of the Board of Directors:

Article 28. Separation of Directors.

Directors will serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they will tender their resignation in the following cases:

a) When they become subject to any of the disqualifications or prohibitions set down in law.

b) When their remaining on the Board could undermine the Company's interests or when the reasons for which they were elected no longer apply.

c) Directors representing a controlling shareholder will tender their resignations when the shareholder they represent sells a substantial part of its stake.

The Board of Directors may not propose the removal of independent directors before the end of their term of office, unless the Board considers there is due cause following a report to such effect from the Appointments and Remuneration Committee.

When a director steps down before the end of his/her term of office, whether by resigning or for any other reason, he/she must explain the reasons for his/her departure in a letter to be sent to all other members of the company's Board of Directors.

The departure will be reported to the CNMV (National Securities Market Commission) as a material event, and the reason for the departure will be reported in the Annual Corporate Governance Report.

Article 29. Directors' Duties after Separation.

After separation upon completion of the period for which they were elected or for any other reason, the Directors may not serve at any entity competing with the Company and its corporate group for a period of two years unless the Board of Directors grants dispensation from this requirement or shortens its term.

C.1.20- Explain to what degree the self- assessment has led to significant changes in its internal organization and the procedures applicable to its activities

Description of amendments:

As a result of the assessments made in the course of the last few years, the Board of Directors prepares an annual schedule of meetings of the Board and the various committees, so that the directors can better plan their time and to encourage commitment to, and attendance of meetings. Furthermore, the annual plan includes visits to some of the Group's centres in order to thoroughly examine specific aspects of their particular activity and environment and where applicable to promote on-going training in the knowledge of the activities of the Group of Companies of which this Company is the parent.

There has also been an increase in the involvement of management in some meetings of the Board, in order to gain an insight into their fields of competence and to better monitor the Group strategy and that of each of its companies.

C.1.20bis- Describe the assessment process and the assessed areas conducted by the board of directors assisted, as the case may be, by an external consultant, regarding the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the board of directors and the fist executive of the company, and the performance and contribution of each board member.

In compliance with this article of its Rules, headed by the Appointments and Remuneration Committee or by the Coordinating Director, in the case of the Chairman, and coordinated by the Secretary of the Board, the Board makes an annual assessment of the Board itself and all its Committees, analysing, amongst other factors, a number of formal and material aspects of the activity of each one, in addition to the content of the meetings, access to business knowledge, information on factors that are required in order to carry out their duties, the presence of directors at the meetings of the Board and the various Committees, the quality of the debates and decision making, the performance of the directors and Chairmen of each of the committes and the Board itself, the qualification of the Board members and Secretary, the quality in the achievement of objectives.

Likewise, any suggestions and comments are requested that may help to improve the performance of each one.

Each Board and Committee member individually makes his/her own analysis, following the guidelines provided, and anonymously sends the results to the Board Secretary who, after unifying the results obtained, either presents them to the Board or sends them to each of the Committees, where applicable, for internal debate and, if appropriate, to agree on any actions that will help to improve the functioning and compliance with the duties of the Board and each of its Committees.

Furthermore, subject to a report by the Appointments and Retribution Committee, and headed by the coordinating director, the Board makes an assessment of the Chairman.

In the 2016 tax year, in accordance with the recommendations of Good Governance of listed companies, the Board of Directors commissioned an external consultant to provide services as a facilitator and leader of the self-assessment process regarding the effectiveness of the Board operation. To perform the self-assessment process, an interview outline was established, taking into account the particular situation and best practices of Corporative Management.

The external consultant held individual interviews with all members of the Board of Directors, in which the quality and efficiency of the Board operation were analysed, as well as the operation and composition of its committees, the diversity of its composition, and the competencies of the Board, the performance of the Board Chairman and of the company's top executive.

In particular, a detailed analysis in the following areas was performed in the self-assessment process:

- Organisation of the Board
- Organisation of the Committees
- Composition of the Board
- Involvement of the Board
- Communication with Shareholders and Regulators
- Talent Management and Succession Plans
- Risk Management
- Future Issues
- Suggestions

The self-assessment report includes the conclusions drawn and has been presented to the Appointments and Remuneration Committee and to the Board of Directors.

C.1.20.ter Break down, where pertinent, the business relationship that the consultant or any company of its group maintains with the company or any company of its group.

Currently with the company, the external consultant – Spencer Stuart – only maintains in force the contract of the Board of Directors to perform the self-assessment.

C.1.21- Indicate the circumstances under which Directors are obliged to resign.

In accordance with the provisions of art. 24 of the Regulations of the Board, with regard to the duty to avoid conflicts of interest, the directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants, informing of the progress of any such prosecution. In this event, the Board shall study the case. The progress of the case shall be monitored and, in view of the same, a decision shall be taken as to whether of not the Director should continue in office.

Furthermore, according to art 28 of the Board of Director Regulations, Directors will serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they will tender their resignation in the following cases:

a) If they become subject to any of the disqualifications or prohibitions set down in law.

b) If their remaining on the Board could undermine the Company's interests or if the reasons for which they were elected no longer apply.

c) Directors representing a controlling shareholder will tender their resignations when the shareholder they represent sells a substantial part of his/her stake.

C.1.22- Section repealed.

C.1.23 Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

NO

C.1.24 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board of Directors.

.

NO

C.1.25- Indicate whether the Chairman has a casting vote.

YES

Matters on which a casting vote may be made
Pursuant to Article 28 of the Articles of Association:

Resolutions shall be adopted by absolute majority vote of the Directors attending the meeting and the Chairman shall have the casting vote.
Article 7 of the Board Rules sets forth the same thing.

C.1.26- Indicate whether the bylaws or the Board Regulations establish an age limit for directors:

NO

Age limit for Chairman	Age limit for Chief Executive Officer	Age limit for directors
No age	No age	No Age

C.1.27- Indicate whether the bylaws or the Board Regulations establish a limited term of office for independent directors, other than that established by law

NO

C.1.28- Indicate whether the bylaws or the Board Regulations establish specific rules for proxy voting in the Board of Directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it has established any limit regarding the categories that may be delegated beyond the limits stipulated by legislation. If so, briefly give details on such standards

The Board Regulations cover proxy voting at the Board of Directors or delegation in any of its members:

Article 34. Use of Delegated Voting:
If the Board of Directors or any of its members request representation for himself/herself or for another individual and, in general, when the request is made in public, the document describing the empowerment must contain or have attached the agenda, as well as the applications for instructions to exercise the right to vote and the indication of how the representative is to vote if no precise instructions are given.

The delegations of votes received by the Board of Directors or any of its members will be executed in full accordance with the instructions received accordingly and the minutes will record the exercise and identification of the voting instructions received when they include a vote against the Board's proposals in order to protect the rights that may correspond to the delegating shareholder, where applicable.

Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:
a) His/her appointment, ratification, removal or resignation as a Director.
b) The bringing of an action for liability against him/her.
c) The approval or ratification of transactions with the company in relation to which the director has a conflict of interests.

C.1.29- Indicate the number of meetings the Board of Directors has held during the year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, proxies given with specific instructions will be counted as attendances.

Number of Board Meetings	12
Number of Board Meetings not attended by the Chairman	0

If the Chairman is an executive Director, indicate the number of meetings held without an executive director present or represented and chaired by the Lead Director:

Number Meetings	0

Indicate the number of meetings of the Board's different committees have held during the year

Number of Delegated Committee Meetings	12
Number of Audit Committee Meetings	10
Number of Appointments and Remuneration Committee Meetings	7

C.1.30- Indicate the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies given with specific instructions will be counted as attendances

Number of meetings attended by all directors	12
% of attendances to total votes during the year	100.00%

C.1.31- Indicate whether the individual and consolidated financial statements presented for Board approval are certified beforehand:

YES

Where applicable, identify the person(s) who has(have) certified the Company's individual and consolidated financial statements to be filed by the Board:

Name	Position
MR JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGER
MR CÉSAR ARRAIZA ARMENDÁRIZ	CHIEF FINANCIAL OFFICER VISCOFAN GRO
MRS MARÍA DEL CARMEN PEÑA RUIZ	CHIEF FINANCIAL OFFICER VISCOFAN S.A.

C.1.32- Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors report.

To avoid any qualifications in the audit report on the financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting, the Board has delegated this task to the Audit Committee, other functions, as provided in article 13 of the Board Regulations:

'D) With respect to the external auditor:

Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report

For practical purposes, the Audit Committee will ensure compliance with the necessary mechanisms established to perform continuous control over the preparation of financial information at every level, from its start to its consolidation in the Viscofan Group companies.

Both the corporate financial department and the internal audit department have collaborated closely with the Audit Committee to establish, put in place and monitor the most appropriate controls for guaranteeing the truthfulness of the financial information to ensure that it gives a true and fair view of the Group's financial situation.

The internal audit department has also included the continuous review of said controls in its annual plan for various subsidiaries, where said review will apply to the financial departments and areas that also take part in preparing the information: operations, human resources, purchasing and commercial, etc.

Both the internal audit department and the corporate financial department have collaborated actively with the Audit Committee to coordinate and monitor the evolution of the control system, proposing corrective measures where necessary and verifying their effectiveness.

The Audit Committee, internal audit and corporate financial departments have also held informative and follow-up meetings with external auditors to give them the characteristics of the internal control system and its implantation in all the Group's companies and to involve them in their fulfilment and maintain bidirectional communication to allow better monitoring of the improvements that have been put in place. All with the aim of continuing to guarantee the operation of the Group's financial information with greater control at all levels.

Furthermore, the company has maintained a policy of pre-closing the year on 31 October in order to anticipate and correct any incidents that may have arisen during the year.

C.1.33- Is the company Secretary a director?

NO

Complete if the Secretary is not also a Director:

Name or corporate name of Secretary	Representative
Juan Maria Zuza Lanz	

C.1.34- Section repealed.

C.1.35- Indicate what mechanisms the company has established, if any, to preserve the independence of the external auditors, the financial analysts, the investment banks and the rating agencies.

Article 13 of the Regulations of the Board of Directors, according to the version approved by the Board, at its meeting held on the 26th February 2015 confers upon the Audit Committee the following duties relating to the external auditor:

D) With respect to the internal auditor
(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:
(i) The Audit Committee shall ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor resigns, the committee shall explore the underlying causes.
(ii) Likewise, it shall be ensured that the company and auditor observe the applicable rules to ensure the independence of the auditors and, specifically, the rules on the provision of non-audit services and any restrictions on the limits on the concentration of the auditor's business.
(iii) It shall establish the appropriate relations with the accounts auditor in order to receive information on matters that could put its independence at risk, and any matters related to the progress of the audit.

(iv) It shall annually receive from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(v) It shall annually issue, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the status of independence or to the rules governing the audit.

Article 5 of the Regulations of the Board of Directors includes the following powers among those reserved exclusively for the Board of Directors sitting in full session, in addition to those reserved for the Board by law:
d) Definition of the information policy relating to shareholders, markets and public opinion.

With regard to analysts and investment banks, the mechanisms envisaged under Article 35 of the

Regulations of the Board of Directors, coupled with the company's commitment to monitoring applicable law, ensure that independence is upheld and that the information is made available to everyone at the same time and under the same conditions, thus ensuring equal access to such information.

Article 35 - Communications with shareholders and with the Securities Markets.

The Board shall ensure that accurate, reliable information is offered to the Company's shareholders and to the market with respect to any piece of information on the Company's activities, its earnings, shareholders with significant stakes, related-party transactions, shareholder agreements, treasury shares and any other information that must be disclosed pursuant to the law or the company's Articles of Association, as well as any information deemed by the Board to be in the interest of the public.

The periodic financial information shall be homogeneous and reliable and, as appropriate, shall be submitted to the relevant Committee.

The Board shall also immediately provide information to the public on:

a) Relevant facts that could materially influence the formation of stock market prices.
b) Substantial amendments to the Company governance rules.
c) Treasury share policies that Company may propose to carry out exercising the authorizations conferred by the shareholders at the General Shareholders Meeting.

To such end the Board of Directors shall use all means at its disposal to keep the information on the Company's web page up to date and to coordinate its content with the documents filed with and recorded at public registries.

The communication policy with shareholders, institutional investors and their representatives or assessors establishes that communication and dialogue with the shareholders and institutional investors and their representatives and assessors, and with the financial market in general, is based on the principles of equality, transparency and legality, to facilitate the information needed to ensure the exercising of their rights and immediate, truthful and non-discriminatory decision-making, ensuring accessibility to this information for all shareholders.

C.1.36- Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

NO

Outgoing auditor	Incoming auditor

If there has been any disagreement with the outgoing auditor, describe the content thereof:

Explanation of disagreements

C.1.37- Indicate whether the audit firm does other work for the company and/or its group other than

the audit. If so, declare the amount of fees received for such work and the percentage of such fees on the total fees charged to the company and/or its group:

YES

	Company	Group	Total
Amount of non-audit work (thousands euros)	178	26	204
Amount of non-audit work / total amount billed by the audit firm (%)	57.80%	4.10%	21.60%

C.1.38- Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such reservations or qualifications.

NO

C.1.39- Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements for the company and/or its group. Indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years	10	10
Number of years audited by current audit firm / number of years the company has been audited (%)	38.46%	43.48%

C.1.40- Indicate and, where applicable, give details on the existence of a procedure for directors to engage external advisory services:

YES

Description of procedure:

According to article 18 of the Board Regulations,
´Through the Chairman, Directors may request the hiring of such external advisors as they deem necessary for the proper performance of their work as Directors. The full Board is empowered to adopt any relevant resolutions as to whether or not such external advisory services shall be performed, what person or entity shall provide such services, the limitations on access to the Company's proprietary information that such advisor shall have and the approval, as appropriate, of the relevant expense item´.

C.1.41- Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies with sufficient time:

YES

Description of procedure

Article 17 of the Board of Directors' Rules sets forth the following:
The Board members will receive the information required to carry out their work in due time and detail with respect to the matters in question. They may obtain additional information should they see fit; such information shall be channelled through the Secretary of the Board of Directors., unless there are urgent reasons for calling a meeting or under exceptional circumstances.

The directors may gather additional information when considered advisable. The request shall be channelled through the Secretary of the Board

C.1.42- Indicate and, where applicable give details, whether the company has established rules requiring directors to inform and, where applicable, resign under circumstances that may undermine the company's credit and reputation:

YES

Description of rules:

This was dealt with in point C.1.21 above.

C.1.43- Indicate whether any member of the Board of Directors has informed the company of any legal suit or court proceedings against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act

NO

Indicate whether the Board of Directors has analysed the case. If so, explain the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or planned to be taken by the Board of Directors on the date of this report.

Decision adopted/action taken	Reasoned explanation

C.1.44- Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

No significant agreements have been made with these characteristics.

C.1.45- Identify in aggregate terms and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries: 2

Beneficiary type

Executive Director and General Manager Director

Description of the agreement

In both cases: Indemnity of two years' salary in the event of irregular termination, with two years of non-competition.

Indicate whether these contracts must be disclosed to and/or approved by the company or group

governance bodies:

Body authorising the clauses Board of directors (yes) General shareholders meeting (no)

	YES	NO
Is the General Meeting informed of the clauses?	X	

C.2 - Board of Directors Committees

C.2.1- Detail all the Board Committees, their members and the proportion of executive, nominee, independent and other external directors sitting on them

DELEGATE COMMITTEE

Name	Position	Category
MR JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	EXECUTIVE
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	OTHER EXTERNAL
MR NESTOR BASTERRA LARROUDÉ	DIRECTOR	OTHER EXTERNAL

% Executive Directors	33.00%
% Nominee Directors	0.00%
% Independent Directors	0.00%
% Other External Directors	66.67%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year.

The Executive Committee is regulated in article 30.1 of the Articles of Incorporation of the Company and in article 12 of the Board Regulations

The Executive Committee or Delegate Committee will comprise a minimum of three and a maximum of five members. The following will be members of the Executive Committee: the Chairman, the First Vice-Chairman, and one to three Directors appointed by the Board itself pursuant to legal requirements.

The Executive Committee will adopt its resolutions by majority vote and the Chairman will have the casting vote. The Chairman of the Board will chair the Committee. As a permanent delegation of the Board of Directors, the Executive Committee will exercise all the powers of the Board, except for the following: sale, swap and encumbrance of property, industrial or commercial premises and all manner of businesses; creation and modification of real rights over said property, premises and businesses; conveyance, disposal, ownership and encumbrance of property; creation and modification of property mortgages; submission of disputes to private arbitration; and those powers that may not be delegated in accordance with applicable law.

Board of directors regulations. Article 12,- Executive Commitee

The Executive Committee will comprise the number and type of members set down in the company bylaws. The Secretary of the Board of Directors will also serve as secretary of the Executive Committee.

The Board of Directors is empowered to appoint and remove its members based on a report by the Appointments and Remunerations Committee. The agreement must be approved by the favourable vote of two thirds of the members of the Board. The members of the Executive Committee will automatically cease to sit on the Committee when they cease to serve as directors of the Company.

The Executive Committee will possess such authority and powers as are awarded by the company bylaws and, as appropriate, by the pertinent resolutions of the Board of Directors or the shareholders at the General Shareholders Meeting.

The Executive Committee will perform its duties with the utmost transparency before the Board, informing the latter of all business discussed and all resolutions adopted, and furnishing all Board members with the minutes of its meetings.

Summary of its most important actions in 2016

The Executive Committee or Delegate Committee has met on 12 occasions

In the exercising of their competencies the Committee has expanded upon the issues to be dealt with by the Board of Directors and has supervised the implementation of the strategy in the different Group subsidiaries, approved by the Board, and with maximum transparency criteria, has transferred the proposals that emanate from it to the Board so that it can adopt the agreements that it considers timely. Likewise, it has delivered the minutes of its sessions to all Board Members.

The Delegate Committee has carried out strategic analyses to study potential growths – both organic and inorganic – as well as different investment possibilities. By means of an example, in the 2016 the Board of Directors proceeded to purchase 100% of the Share Capital of the Vector companies in the United States and in Europe, to invest in the installation of productive capacity in plastics and fibrous in Cáseda (Spain) and to expand the collagen capacity in Pando (Uruguay), with the support of the analyses performed by the Delegate Committee.

It has examined the different products and families (collagen, cellulose, fibrous and plastics), product development and energy optimisation.

It has examined the progress of the corporate financial year, month by month, with regard to production and also with regard to the consolidated sales and results for the Group and each investee company,

Not only the members of the Committee and Secretary took part in the meetings, but also the Director General Manager and at his request, various Senior Managers.

Indicate whether the composition of the Delegated Committee/Executive Committee reflects the distribution of different classes of directorship on the Board

NO

Otherwise, explain the composition of the Executive or Delegated Committee
The Delegated Committee comprises an executive director and two other external consultants, due to their knowledge of the business and the industry in which the Company operates. The Delegated Committee performs extensive work as the permanent representative of the Board, primarily focussed on examining in detail all those matters requiring greater analysis, monitoring and preparation, and contributing to establishing targets, strategies, control and monitoring of the same. The Delegated Committee also has ongoing direct contact with senior management at the different production locations around the world and different corporate areas. This allows the Board to gain more detailed knowledge of the day-to-day reality of the Viscofan Group's activity and to better focus the meetings on Group strategy.

AUDIT COMMITTEE

Name	Position	Category
MR. IGNACIO MARCO-GARDOQUI IBAÑEZ	CHAIRMAN	INDEPENDENT
MR. AEJANDDRO LEGARDA ZARAGüETA	DIRECTOR	INDEPENDENT
MR JOSÉ MARÍA ALDECOA SAGASTOSOLOA	DIRECTOR	INDEPENDENT
MR. SANTIAGO DOMECQ BOHORQUEZ	DIRECTOR	NOMINEE

% Nominee Directors	25%
% Independent Directors	75%
% Other External Directors	0%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Audit Committee is regulated in article 30, section 2, of the Articles of Incorporation of the Company and in article 13 of the Board Regulations, regulating its composition, the appointment and cessation of its members and their principal duties.

Rules of the Board of Directors Article 13,- Audit Committee

There will be an Audit Committee of the Board of Directors which will be formed by a minimum of three and a maximum of five members

The Audit Committee shall be exclusively comprised of non-executive Directors appointed by the Board of Directors. At least two must be independent Directors and one appointed taking into account his/her knowledge and experience in accounting, auditing or both.

The members of the Audit Committee will be appointed by the Board of Directors pursuant to legal requirements based on a report by the Appointments and Remunerations Committee, bearing in mind the accounting, auditing and risk management knowledge, skills and experience of the directors, and they will automatically cease to serve on the Committee when they cease to serve as directors of the Company or by decision of the Board of Directors.

Committee members will be automatically dismissed when they no longer hold a Director post in the Company or in accordance with a resolution by the Board of Directors.

Audit Committee members will appoint a Chairman selected from the independent Directors that form the Committee, who will be replaced every four years; the Chairman may be re-elected one year after he/she ceases to serve as Chairman.

The Audit Committee will be entitled to request the presence of any member of the management team or any company employee at its meetings, including the presence of the company's independent auditors or any company advisor whose presence is deemed desirable. All the aforementioned persons will be bound to cooperate and provide access to any information they may have.

The Audit Committee will report to the Board on the business it addresses and on all resolutions adopted at the Board meetings convened for such purpose, and will furnish all Board members with the minutes of its meetings.

Notwithstanding the foregoing and if the Chairman of the committee deems it necessary based on the urgency and importance of the business in question, the information will be passed to the Board at the first meeting to be held after the committee meeting.

Notwithstanding other functions set out in governing legislation, company bylaws or assigned to it by the Board of Directors, the Audit Committee's mission will include the following:

A)To report to the General Shareholders' Meeting on any issues or concerns raised by shareholders and falling within its remit.

B)Proposing the appointment of the financial auditor to the Board of Directors, which will then pass the matter on to the General Shareholders Meeting in addition to the conditions of recruitment.

C) With respect to internal control and reporting systems:

(a) Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, special purpose vehicles, and the correct application of accounting standards.

(b) Overseeing the process devised by the senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.

(c) Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure that the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed.

(d) Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, including tax risks, so that the main risks can be correctly identified, managed and reported.

(e) Discussing with the auditor any significant shortcomings in the internal control system, detected during the audit.

(f) Overseeing the internal auditing services, including, in particular:

(i) proposing the selection, appointment, re-election and separation of the head of internal auditing;

(ii) approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving regular information on the results of the work performed, including any incidents that may arise.
The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;

(iii) ensuring the independence and efficiency of the internal audit function;

(iv) proposing the budget for this same internal function;

(v) receiving periodic information on its activities, and;

(vi) verifying that the senior management takes into account the conclusions and recommendations set down in its reports.

D) With respect to the external auditor:

(1) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report.

(2) Overseeing compliance with the audit agreement, collecting information on the audit plan and its execution and ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

(3) Monitoring the decisions of the senior management team regarding any adjustments recommended by the external auditor, and to hear and, where applicable, mediate any disagreements between both parties.

(4) Safeguarding the independence of the financial auditor, paying particular attention to any circumstances or questions that could jeopardise such independence, or any others relating to the process of auditing the accounts:

(i) the Audit Committee will ensure that the company publicly discloses any changeover of the financial auditor and includes a simultaneous statement and details of any possible disagreement with the outgoing auditor. If the financial auditor walks away, the committee will explore the underlying causes;

(ii) the Audit Committee will likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.

(iii) Maintaining the necessary contact with the auditor in order to receive information on all matters that could jeopardize the independence thereof, and any other matters related to the audit procedure.

(iv) Annually receiving from the auditors their statement of independence in relation to the related party or parties, in addition to a statement relating to additional services provided and the fees received by the external auditor or by the persons and entities related thereto, in accordance with the audit provisions set out in the regulations.

(v) Annually issuing, prior to the report on the auditing of the accounts, a report expressing its opinion on the independence of the auditor, containing the valuation of any additional services provided, considered on an individual basis and as a whole, in relation to the independence or with the rules governing the audit.

(5) Attempting to ensure that the group's auditor also audits each component group company.

E) Reporting to the Board of Directors on the following issues, before the latter adopts the corresponding resolutions:

(a) The regular financial information the company has to publish, ensuring that it is prepared in accordance with the same standards and practices as those used for the annual accounts and, for such purpose, weighing up the merits of conducting a limited audit of the external auditor.

(b) The creation or acquisition of interests in special purpose vehicles or those domiciled in countries or territories considered tax havens, plus any other similar transactions or operations which, owing to their complexity, might diminish the group's transparency.

(c) Related transactions.

F) Address and, where appropriate, respond to any initiatives, suggestions or complaints raised by shareholders in relation to the Committee's remit, as referred to the Committee by the Company's General Secretary.

G) Set up and supervise a mechanism enabling employees to communicate confidentially and, if deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing.

H) Supervision of compliance with internal codes of conduct and rules on corporate governance.

Likewise, Article 30.2 of the Articles of Association, as well as that already established in Article 13 of the Board Regulation, adds the following:

"The Audit Committee will meet every time the Chairman calls a meeting, through decision of the Board

of Directors or following the request of the majority of its members.

The Audit Committee shall have a valid quorum whenever the majority of its members are present at the meeting, in person or represented.

Agreements shall be adopted through absolute majority of the members that attend the meeting and the casting vote will be that of the President in the event of a tie.

The agreements shall figure in the minutes book of the Audit Committee, and should be signed by the Chairman of this body, as should the certifications that emerge from the resolutions adopted.

Summary of its most important actions.

The Audit Committee met on ten occasions in 2016, three of which with external auditors. Whenever considered necessary, the attendance of the directive board members, the Compliance Committee, the internal audit and the external auditors was required, which appeared before the Committee on three occasions in order to notify them of the most significant findings from the External Audit process, in its preliminary phase, during its execution, and in the definitive annual closure.

On 21st April, as a result of the expiry of the four-year mandate of Mr Alejandro Legarda Zaragüeta as the Chairman of the Committee, Mr Ignacio Marco-Gardoqui was unanimously appointed the new Chairman of the Audit Committee.

He has been fulfilling the duties pertaining to the position, in accordance with the regulations as well as those included in the Articles of Association and the Board of Directors' Regulations.

With regard to the external audit, in the preliminary phase the review from pre-closure to 31st October was carried out, enabling EY and the Committee to identify and anticipate the tasks of the external audit as well as the issues that given their uniqueness or accounting impact, require a special mention, such as that included in the Management Report that accompanies the Consolidated Report.

The auditor independence has been ensured, and because the annual accounts are presented without exception.

In accordance with the current legal provisions in Spain, Act 22/2015 of 20th June and Regulation (EU)-537/2014, in 2016 the Committee supervised and coordinated a selection for professional auditing services for the 2017-2019 period, as a result of which the Audit Committee put forward to the Board of Directors the designation of PricewaterhouseCoopers Auditores S.L. as the new Accounts Auditor for its subsequent submission to the General Shareholders Meeting to be held in 2017.

Each quarter the Committee has supervised the SCIIF and the financial information to transfer to the CNMV and market, requesting the presence of the Management and the members of the Group Financial Department to contrast the evolution of the business and the most significant targets and operations and its accounting, as well as the Consolidation activities along with the Group's Financial Director and the Internal Audit. For the third year the EY was requested to assess the evolution of the implementation of SCIIF in the Group during 2016, taking the CNMV-issued Guide as a reference.

Throughout 2016 the Committee focussed its efforts on a continuous improvement of the control environment. It carried out a close follow up of the Financial Information Internal Control System (SCIIF), of the Group Regulatory Compliance System and of the Internal Audit activities.

The Audit Committee supervised the follow-up of the Internal Audit Plan, the update of the Compliance System, the review of the criminal risks map, and the formalisation of the Ethics and Regulatory Compliance Manual. It also supervised the Group Risk Map, and its adaptation to the new Strategic Plan MORE TO BE 2016-2010, for its later transfer to the Board of Directors, the Group's Tax Strategy, later approved by the Board of Directors, and formalised the regular follow-up of the Group's taxation.

In terms of the 2014/95/EU Directive, the Committee analysed the situation of the Corporate Social Responsibility (CSR).

Likewise, it also carried out a self-assessment of all of its members in terms of its activity throughout 2016, with the help of the External Consultant, SpencerStuart. The result of this was satisfactory in content and performance.

Finally, it informed the Board of Directors of all of its activities, also delivering all the minutes of its sessions to the Board Members, as well as the information related to the risk map and the tax issues.

Identify the Director who has been appointed Chairman on the basis of knowledge and experience of accounting or auditing, or both and state the number of years they have been Chairman:

Name of Director	Mr. IGNACIO MARCO-GARDOQUI IBAÑEZ
Number of years as Chairman	1

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Title	Category
MR JAIME REAL DE ASUA Y ARTECHE	CHAIRMAN	INDEPENDENT
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	DIRECTOR	INDEPENDENT
MR. JUAN MARCH DE LA LASTRA	DIRECTOR	NOMINEE

%Nominee Directors	33.33%
% Independent Directors	66.67%%
% Other External Directors	0.00%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Appointments and Remuneration Committee is regulated in article 30, section 3, of the Articles of Incorporation of the Company and in article 14 of the Board Rules, governing its composition, the appointment and cessation of its members, and their principal duties.

Below we include the contents regarding the Regulation of the Board as a more expanded and complete draft regarding the duties, organisation procedural rules and functioning of the Appointments and Remuneration Committee. Article 14 establishes the following:

Regulation of the Board of Directors Article 14,- Appointments and Remuneration Committee

The Appointments and Remuneration Committee will be formed by a minimum of three and a maximum of five members and will be exclusively comprised of non-executive Directors appointed by the Board of Directors. At least two must be independent Directors.

Committee members will be automatically dismissed when they no longer hold a Director post in the Company or in accordance with a resolution by the Board of Directors.

Committee members will appoint a Chairman selected from the independent Directors that form part of the Committee.

The purpose of the Appointments and Remuneration Committee will be as follows:

a) Evaluate the qualifications, knowledge and experience required by the Board and, as a result, define the functions and skills required from candidates who will cover each vacant position and evaluate the amount of time and dedication required for the effective performance of their duties.
b) Set a representation target for the least represented sex on the Board of Directors and prepare guidelines on how to achieve this target.
c) Provide the Board of Directors with proposals for appointing independent Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting. Submit proposals for the re-election or removal of these Directors.
d) Provide information about proposals for appointing all other Directors for appointment by co-optation or submission for voting at the General Shareholders Meeting, as well as proposals for re-election or removal by the General Shareholders Meeting.
e) Provide information about proposals for appointing and dismissing senior management and the principal conditions of their contracts.
f) Review and organise the succession procedure for the Chairman of the Board of Directors and the Chief Executive Officer and, as the case may be, submit proposals to the Board of Directors to ensure that such succession is handled in an ordered and planned manner.
g) Provide the Board of Directors with a proposal for the remuneration of directors and senior management, as well as individual remuneration and other contractual conditions corresponding to executive Directors, and oversee adherence to this policy and shall provide all directors with the minutes of its meetings.

The Appointments and Remuneration Committee will report to the Board of Directors on the business it addresses and all resolutions it adopts.

Summary of its most important actions.

The Appointments and Remuneration Committee met on 7 occasions and, whenever considered appropriate, the presence of senior management members was requested.

It fulfilled its normal duties, as established in the regulations and those set out in the Company's articles of association and the rules of the Board of Directors.

It reviewed the qualification of directors, it prepared reports for the assessment of executive directors and the assessment of the Committee itself and it headed the assessment of the Board and its committees regarding its activities in 2016.

Likewise it has selected and proposed an external expert, Spencer Stuart, to perform the assessment of the Board and its Committees regarding its activities during 2016. The result of this assessment was highly satisfactory.

It analysed the competencies knowledge and experience required to be a Board member, it prepared a board member selection policy for approval by the Board, it requested the presence of the Coordinator Director in order to learn about the concerns of non-executive directors, it submitted to the Board of Directors the proposals and reports for the re-election or appointment of Directors whose appointments were approved at the Company's General Shareholders Meeting.

It organised the succession plan of the Chairman, the Chief Executive and Senior Management and the talent management policy

It has promoted the creation of a committee for work-like balance, which reports directly to the Committee.

In terms of remunerations, it has applied the remunerations policy approved by the General Board for the years 2015 to 2017, and has created the remunerations table for the application of this policy, including the annual variable retribution, it has proposed annual and triennial variable retribution for

the following years, both for Board Members and Top Management, as well as the salary policy for Top Management.

It has also selected and proposed the hiring of expert external assessors to review the Board Members and Top Management remuneration policy, with the aim of continuing to align with best practices in remuneration, the attraction and capturing of talent needed to contribute to strengthening the leadership of Viscofan within a competitive setting.

C.2.2- Fill in the following table with information on the number of female directors sitting on Board Committees over the last four years

	Number of female directors							
	Year 2016		Year 2015		Year 2014		Year 2013	
	Number%	%	Number %	%	Number %	%	Number %	%
Delegated Committee	1	33.33%	1	33.33%	1	33.33%	1	33.33%
Audit Committee	0	0	0	0	0	0%	1	25.00%
Appointments and Remunerations Committee	0	0	0	0%	1	33.33%	1	33.33%

C.2.3- Section repealed

C.2.4- Section repealed.

C.2.5 Indicate, where applicable, the existence of regulations for the Board Committees, where they can be consulted and any amendments made to them during the year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description:

This is addressed in article 30 of the Company's Articles of Association, registered in the Companies Register and posted on the corporate website as a consolidated text comprising all applicable provisions.

It is governed also by the Regulations of the Board of Directors, which are available on the company's website and have been duly filed with the Spanish CNMV and with the Commercial Registry.

The current wording is provided in section C.2.1. above.

The Committee prepares an annual activity report, which is summarised in point C.2.1. and an annual activity report is submitted by its Chairman to the company's General Shareholders' Meeting.

Committee name

DELEGATE COMMITTEE

Short description:

The Delegate Committee is governed by Article 30 of the company's Articles of Association, as filed with the pertinent Commercial Registry and published on the company's website as a consolidated text encompassing all current provisions.

It is similarly governed by Article 12 of the Regulations of the Board of Directors, which are available from the company's website and have been duly filed with the Spanish CNMV and with the Companies Registry.

The text in force was transcribed in point C.2.1 above.

The Delegate committee regularly reports to the Board of Directors on all the matters discussed at its meetings and provides the minutes thereof.

Committee name

AUDIT COMMITTEE

Short description:

The Audit Committee is governed by Article 30 of the company's Articles of Association, as posted on the company's website, and by Article 13 of the Regulations of the Board of Directors, which is similarly available from the company's website and has likewise been duly filed with the Spanish CNMV and with the Companies Registry.

This report is submitted to the General Shareholders Meeting on an annual basis for information purposes.

C.2.6- Section repealed.

D.- RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 - Explain the procedure, if any, for approving related-party and intra-group transactions

Procedures for approving related party transactions

Approval corresponds to the Board of Directors as one of the matters reserved exclusively for the Board by virtue of Article 5 of the Board Regulations:

e) Transactions made by the company with directors, major shareholders or shareholders with Board representation, or with other persons related thereto ("associate transactions").

However, the Board's authorisation shall not be required for associate transactions that simultaneously meet the following three conditions:

1. They are governed by standard agreements applied across the board to a large number of clients;

2. They are arranged at prices or rates set on a general basis by the party acting as supplier of the goods or services in question;

3. The amount thereof is no more than 1% of the Company's annual revenue.

The Board will approve associate transactions following a favourable report from the Audit Committee, according to article 13.E. (c) of the Board of Director Regulations.

D.2. Detail any significant transactions, entailing a transfer of a significant amount or obligations between the company or its group companies, and the company's significant shareholders:

Name of significant shareholder (person or company)	Name of the company or group entity	Type of transaction	Type of transaction	Amount (in thousands of Euros)
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Financing agreement: Loans	1,250
Corporación Financiera Alba S.A.	Viscofan S.A.	Contractual	Interest paid	78

D.3- Detail any significant transactions entailing a transfer of a significant amount or obligations between the company or its group companies, and the directors and/or senior managers:

Name of the directors and/or senior managers (person or company)	Name of the related party (person or company)	Nature of relationship	Nature of transaction	Amount (in thousands of Euros)
NONE				

D.4 - Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its object and conditions.

In any event, provide information on any intragroup transaction with companies established in countries or territories considered tax havens.

Name of the Group Company	Brief description of the transaction	Amount (in thousands of Euros)
NONE		0

D.5- State the amount of the transactions carried out with other related parties.

NONE

D.6- Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/or significant shareholders.

Article 22 of the Board Regulations, relating to the duty of loyalty establishes the obligation of the Company directors to perform their duties under the principle of personal responsibility with freedom of opinion or judgement and independently with regard to third party relations and instructions.

The duty to avoid conflicts of interest is governed by article 24 of the Board of Directors Regulation.s

Article 24.- Duty to avoid conflicts of interest

The directors shall adopt the measures required to avoid situations of conflict with the company interest and with their duties towards the company and its group of companies, and they shall be obliged to inform the Board, prior to occurrence or as soon as they are aware of the existence thereof, with the obligation to immediately resign should the said conflict persist or should their presence on the board be contrary to the company's interests.

Directors shall refrain from discussing and voting on matters in which they have either a direct or indirect interest, even through related parties, except in the agreements or decisions affecting their capacity as member of the board, such as their appointment or removal from positions within the Board.

Likewise, the directors shall refrain from conducting transactions with the company, except for ordinary transactions, of little importance, made in standard conditions for customers.

Any situations of conflict of interest in which the Directors are involved, shall be included in the annual corporate governance report.

The directors shall inform the company and, where appropriate, shall resign, in cases in which the credit and reputation of the Company may be damaged and, in particular, in criminal proceedings in which they may appear as defendants, informing of the progress of any such prosecution. In this event, the Board shall study the case. The progress of the case shall be monitored and, in view of the same, a decision shall be taken as to whether or not the Director continues to hold the position.

Directors cannot, either personally or through an intermediary, carry out activities or hold positions of

any nature in businesses or companies that are currently or potentially competitors of Viscofan and its group of companies, neither may directors act as a representative or consultant to such businesses or companies or perform any other activity that puts them in a situation of conflict of interests with the Company.

Moreover, the duty of loyalty and the duty to avoid conflicts of interest is extended to related parties, according to the definition included in the Board Regulations, in the version approved by the Board at its meeting held on the 26th February 2015:

Article 26,- Related parties

The director's duty of loyalty, of avoiding conflicts of interest and of abstention in its various facets, also covers those activities performed by related parties, based on the definition contemplated in this regulation.

For the purpose of this regulation, the following shall be considered to be related parties:
1) The Director's spouse or spousal equivalent.
2) The ascendants, descendants and siblings of the Director or spouse.
3) The spouses of the ascendants, descendants and siblings of the Director.
4) The companies in which the administrator, either personally or through an intermediary, directly or indirectly, holds or has the power to hold control, holds an executive position or has a significant shareholding.

If the administrator is a legal person, then the following shall be understood to be related parties:
1) The partners who, in relation to the legal person administrator, hold or may hold, directly or indirectly, the control, hold an executive post or who have a significant shareholding.
2) De jure or de facto administrators, official receivers, and those attorney-in-fact with general powers of legal person administrator.
3) Companies forming part of the same group, that constitute a decision making unit due to the fact that one of them holds or has the power to hold, directly or indirectly, the control of the rest, or because the said control corresponds to one or several natural persons acting together as one.
4). Those persons that, in accordance with the paragraph above, are related to the directors of the legal person administrator.

With regard to the duties in relation to significant shareholders, article 32 puts the responsibility on the directors acting on their behalf, for extending to the shareholders the duties of the directors, in addition to those legally stipulated or set out in the Articles of Incorporation.

Likewise, the regulation stipulates that any transactions performed with the said significant shareholders must be approved by a plenary meeting of the Board and must be included in the company's annual report and in the corporate governance annual report.

Finally,, Article 34 of the Regulations of the Board of Directors, regulating the use of voting by proxy, reads as follows:
Directors who have made public requests for representation may not exercise their voting rights pertaining to the represented shares in relation to the business on the agenda in which they have a conflict of interests and, in all cases, in relation to:
a)His/her appointment, ratification, removal or resignation as a Director.
b)The bringing of an action for liability against him/her.
c)The approval or ratification of transactions with the company in relation to which the director has a conflict of interests.

Furthermore, the Viscofan Group Code of Conduct includes among its general ethical principles loyalty,

in accordance with which directors, managers and employees of the Viscofan Group, as well as any person that develops his/her professional activity within the Viscofan Group, should act with loyalty in the permanent defence of the Group's interests and shall refrain in particular from carrying out any actions and operations, of whatever nature, that could mean a conflict between their personal interests and those of the Group, and even more so when those actions could be in the interest of competing companies. Likewise, among the action recommendations, the Code includes information regarding conflicts of interest:

"Viscofan Group employees shall notify the Regulatory Compliance Committee, or, where applicable, the Viscofan S.A. Board of Directors, regarding any economic, family or any other link that could give way to conflicts of interest because it could compromise their impartial action.

In the event of a conflict of interests, employees shall be governed by the principles of independence and abstention, and, by virtue of these, shall refrain from performing operations in which conflicts of interest exist, unless under the strict authorisation of the Viscofan S.A. Board of Directors.

D.7- Are more than one of the Group's companies listed in Spain as publicly traded companies

NO

Identify the subsidiaries listed in Spain:

Subsidiaries listed

Indicate whether the respective areas of business and any potential relations between them and any potential business relations between the holding company and the listed subsidiary and other group companies have been publicly defined

Define any potential business relations between the holding company and the listed subsidiary company and between the listed subsidiaries and other group companies

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and other companies of the group:

Mechanisms to resolve possible conflicts of interest

E. - RISK CONTROL SYSTEMS

E.1 - Explain the scope of the company's Risk Management System, including risks of a tax-related nature

The Company's Risk Management System is based on a code of conduct that indicates the ethical principles and behaviour guidelines, supplemented by the internal operational policies, divided into: general policies; specific policies; and local policies. This risk management system and its policies come within the limits provided for in the rules and regulations applicable to the activity of the Viscofan Group.

These policies are applicable to all the companies over which the company has effective control, and encompass the employees, including senior management, and the actual Company Board of Directors.

The monitoring of the company's Risk Management System is performed through a number of risk management committees, as set out in point E.2. In this same point the duties regulated specifically by the Company are developed, and that are attributed in each case to the different bodies involved in the risk management, which includes participation in the personnel risk control and forecasting system for both participating companies (local level) and on a corporate level

The Global Risk Committee meets at least twice a year with the aim of reviewing and identifying all the risks inherent to the business. Though it is possible that there are additional risks that are not identified and that could also negatively affect the achievement of Viscofan Group objectives.

In the course of 2016 fiscal year, a review has been made of the map of existing risks, defined by the Overall Risk Committee, in compliance with the code of ethics, the internal regulations and the MORE TO BE Strategic Plan for the 2016-2020 period. Within this review, the decision was taken to adopt the COSO methodology, reclassifying the risks identified into four categories:

1. Strategy,
2. Operations,
3. Information,
4. Compliance.

There are a number of objectives:

- ✓ A)Update the assessment of the risks already identified on the inherent risk map.
- ✓ B)Update the assessment of the risks on the residual risk map, taking account of the mitigating measures implemented.
- ✓ C)Link the risks to the 3 key objectives of the "MORE TO BE" Strategic Plan in force.
- ✓ D)Add new risks.

On the other hand, throughout the 2016 tax year, the Compliance Committee has carried out a review of the criminal risks map.

The Viscofan Group considers relevant risks to be those that could compromise the achievement of its objectives in the MORE TO BE initiatives, materialized in the search for triple

leadership in service, technology and costs.

Knowing the location of each risk on the inherent and residual map and its tolerance to the risk requires an on-going dialogue between the interest groups through the channels established by the company. This system enables the Organisation to measure how mitigating the measures adopted have been and to focus on the risks that are still outside of the comfort zone, adding corrective and preventive measures that allow the impact and/or probability of the risk occurring to be lowered.

Managing corporate risks is not a serial process, in which each component only affects the next; rather it is a multi-directional and iterative process in which one component can influence any other.

The collection of these measures is reflected in the internal regulation, in the financial information internal control system, and in the code of conduct that is implemented across the entire Group.

E.2- Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System, including tax-related risks

Name of the committee or body
BOARD OF DIRECTORS
Description of functions
In powers", the risk control and management policy and the periodic monitoring of internal information accordance with Art. 5 of the Regulations of the Board of Directors of the Company, relating to Exclusive and control systems constitute one of the matters that may only be heard and addressed by the Board of Directors when in full session.

Name of the committee or body
AUDIT COMMITTEE
Description of functions
The Audit Committee, through its duties in relation to the internal control and reporting systems, is responsible for overseeing the preparation and control of the financial information in general and, specifically, all the procedures implemented for this purpose.

Furthermore, a specific duty of the Audit Commission is to oversee the suitability of the control procedures and policies implemented and to review the internal control systems and risk management, in order to ensure that the main risks are identified, managed and effectively disseminated.

Name of the committee or body
INTERNAL AUDIT
Description of functions
For its part, the objectives of the Internal Audit Department include the insurance and control of risks of any nature, faced by the Organisation. For this purpose it has the power to inspect and assess the control and mitigation systems and procedures for all risks, as well as the methodologies used. To facilitate these duties, Internal Audit is present on all Committees in

which senior management is present: Committee for Corporate Responsibility and Regulatory Compliance, Ethics Committee, Overall Risk Committee, Credit Risks Committee and Investment Committee.

Name of the committee or body
REGULATORY COMPLIANCE COMMITTEE
Description of functions
The Regulatory Compliance Committee includes among its duties that of overseeing risks specific to the Company in relation to criminal liability or any other breach of Company regulations.

Name of the committee or body
ETHICS COMMITTEE
Description of functions
The Ethics Committee is responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may give rise to a situation of risk for the Viscofan Group as a result of a breach of the Viscofan Group's internal regulations or any other circumstance.

Name of the committee or body
GLOBAL RISK COMMITTEE
Description of functions
The Global Risk Committee is a collegial body established for the purpose of making an in-depth analysis of the exposure to risks affecting the organisation, assessing this exposure, and making recommendations for the actions required to manage the risks within reasonable margins.

The Global Risk Committee is therefore a body set up to analyse, rate and coordinate risk issues and management.

Name of the committee or body
CREDIT RISK COMMITTEE
Description of functions
The Credit Risk Committee is established as a supervisory and control body for those risks related to customer payment management. The purpose of this Committee is to thoroughly study the prevention, monitoring and solution of the said risks, through the creation and implementation of those instruments considered to be the most suitable at any given time, including taking out insurance policies. In this way, the supervision of the financial risk incurred during business with the Group's customers is conducted not only at a local level but also at a corporate level.

Name of the committee or body
INVESTMENTS COMMITTEE
Description of functions
The main purpose of the Investment Committee is to control and supervise compliance with the Investment Plan approved by the Board of Directors. To achieve this, it meets on a quarterly

basis for the purposes of performing periodic follow-up checks on the correct application of approved investments and controlling the efficient use of Group resources and investments.

Name of the committee or body
SENIOR MANAGEMENT
Description of functions
Senior management is responsible for identifying and assessing the risks to which the Group is exposed in the course of its business and for taking appropriate measures to prevent the appearance of these risks or, if they do appear, to reduce or eliminate their impact. Therefore, it plays a fundamental role in designing and implementing control mechanisms and ensuring their fulfilment across the organisation.

Name of the committee or body
EMPLOYEES
Description of functions
Finally, the remaining Viscofan Group employees shall comply with the measures in place in the risk control and prevention systems and, where applicable, report any behaviour they consider may be a possible risk to the Viscofan Group.

In order to facilitate coordination tasks, better identify risks and risk prevention and control actions, certain individuals were identified at local levels who will coordinate their actions with the competent bodies at the corporate level.

E.3- Indicate the principal risks, including tax-related risks that could prevent business targets from being met

The risks were identified following the COSO methodology, and are shown on the Viscofan Group's risk map under qualitative and quantitative parameters. The main risks that could affect sustainability and the achievement of the Viscofan Group's business objectives within current strategic plan MORE TO BE 2016-2020 are detailed below:

1.- Strategic risks: Those risks affecting the objectives at a high level, aligned with the company's mission. The company has identified the following specific risks within this category:
Natural disasters, Country risk, Risks associated with the competitive environment and the sector market (competitors, customers and substitute products), Reputation risk, Company property risk, Obsolescence and innovation risk, Cibersecurity risk.

2.-Information risks Those risks affecting the reliability of the information provided and the objectives with regard to the availability of sufficient capital and resources to conduct business and achieve the company's financial objectives. The company has identified the following specific risks within this category:
Computing contingencies
Integrity of the preparation of financial information
Financing and lack of liquidity
Exchange rate
Interest rate

Budgetary control
Pension plans

3.- Operational risks: Those risks affecting the objectives related to the efficient use of resources and long term business continuity. The company has identified the following specific risks within this category:
Property damage
Business continuity
Energy market
Customer satisfaction
Transport risk
Shortage of raw materials
Public liability
Knowledge and the development of know-how
Human capital
Group cohesion
Food risk
Sabotage

4.- Compliance risks: Those risks affecting the objectives relating to compliance with applicable laws and rules and regulations, including internal rules, in addition to the protection of employees and the company.
Environment
Accidents at work
Occupational safety and hygiene
Evolution of the regulatory framework
Compliance with multinational food legislation
Compliance with obligations derived from business transactions
Corporate risk
Criminal liability of corporate bodies
Personal data protection legislation risk
Taxation

E.4- Identify whether the entity has a risk tolerance level, including tax-related risks

The company has a risk map in which the risks are quantitatively and qualitatively rated, making it possible to define a tolerance level for the risk identified. The appetite accepted for the risk is supported by the strategy defined and is reviewed by the various risk committees.

Prior to establishing preventive and corrective measures for each risk identified, the company and the various bodies exercising the functions referred to above, shall discuss the probability of occurrence of each risk, the consequences of the different scenarios in the event of occurrence and the impact that the said occurrence could have on the Group, on its activity and on its financial statements, in addition to its resilience in each case. This information is used to determine the acceptable tolerance level, in order to adapt this to the preventive and corrective measures to be implemented.

In 2015, in line with the Excellence objectives defined in the Viscofan Group strategy, after analysing the risk positioning and due to the improvements achieved, it was decided to

generally lower the tolerance level, whilst zero tolerance was defined for some specific risks such as serious occupational accidents.

In 2016 an exhaustive analysis was performed on the risk maps, incorporating the general vision of the management and the experience in the methodology that was implemented in 2014 by the Global Risks Committee with the aim of adjusting to the current economic and competitive macro environment. With the information obtained, KRI have been established, which facilitate risk management and its tolerance, including tax risk.

Those risks identified as having a major impact and a greater probability of occurrence are continuously monitored.

The Board of Directors has approved the tax policy with the aim of minimizing this risk.

E.5- State what risks, including tax-related risks, have occurred during the year.

Risk is inherent in any business activity and, although the actual company diversification, at a geographic level (sales and production), and with regard to the product range, is a measure in itself that mitigates the risks identified on the risk map, this global nature also means that, during the financial year, adverse circumstances also develop, making it difficult to achieve the objectives established in the budget for the year.

However, in the course of the tax year, the measures implemented and the quantification of the said risks have not prevented the company from achieving the financial objectives established and reported to the investment community.

In this context, some of the risks to materialise with the most significant impact are as follows:

Materialised risk in the course of the fiscal year

Financial risk: *exchange rate*

Circumstances giving rise to the risks

In 2016 the currency market faced high volatility due in this case, to a negative macro-economic evolution in some emerging countries (Brazil), the economic and monetary policies carried out by the competent authorities in different countries and different uncertainties, highlighting, among others, the referendum in the United Kingdom regarding the exit from the European Union. In this respect, several of the currencies in which the Group operates have undergone significant fluctuation, especially the Brazilian real, the Mexican peso, and the Pound Sterling, and not just in average terms, rather that the volatility between exchange maximums and minimums has been very marked in this year.

Functioning of the control systems

Viscofan attentively watches for opportunities to take out exchange rate hedges, endeavouring to cover the transaction flows between different currencies, as required by circumstances. Over the last few years, the company has strengthened the treasury team and has contracted out reporting systems in order to improve the hedging capacity to minimise risk at a lower cost. However, these hedges were made at a more unfavourable cost then the final spot price.

Materialised risk in the course of the fiscal year

Operational risks*: energy costs*

Circumstances giving rise to the risks

Volatility in energy prices

Functioning of the control systems

Viscofan is making considerable investments directed at optimising energy costs from a financial and environmental point of view. In turn, when dictated by circumstances, the company makes hedging on energy prices, involving a reasonable cost or reducing the budget compliance risk. Nevertheless, the volatility of energy prices, and the rise in the Brent price have meant that certain hedges have been made at a lower cost than the spot price, or that the investment payback periods have been lower.

Materialised risk in the course of the fiscal year

Competitive environment and market risk

Circumstances giving rise to the risks

In 2016 the Brazilian market showed weakness as a result of the recession suffered in the country. This situation resulted in the depreciation of the Brazilian real becoming a shortfall in raw materials for the meat processors, and along with the loss of consumer purchasing power, resulted in a fall in market volumes.

Functioning of the control systems

Monitoring work of this market has been performed, maintaining disciplined trading policies that will not damage the financial objectives of profitability. The company has strengthened the Brazilian specific projects aiming to improve levels of service and quality involving increased protection of the market share in adverse scenarios.

Materialised risk in the course of the fiscal year

Operational risk: property damage

Circumstances giving rise to the risks

In November 2016 a fire was declared at a spares part warehouse on the grounds of Naturin Viscofan GmbH in Weinheim (Germany), probably due to an electrical failure.

Functioning of the control systems

Preventive and contingency plans and the rapid intervention of the internal and Weinheim aid teams permitted to put out the fire. In addition, production could be resumed in less than 48 hours, customer service has not been affected, and the company has insurance covering the replacement value of the assets affected.

Materialised risk in the course of the fiscal year

Tax changes

Circumstances giving rise to the risks

Regional law 23/2015 that regulates the corporate income tax in Navarre, applicable in the 2016 year, entailed, among other changes, that the effective tax rate ascended from 25% to 28% for the results obtained in Navarre, the Viscofan Group's social head office.

Functioning of the control systems

The Viscofan Group has a tax policy that has been approved by the Board of Directors. In turn, the multi-national nature of Viscofan, with facilities in various countries, reduces the total impact of the tax changes in the combined Viscofan Group

E.6- Explain the response and supervision plans for the principal risks faced by the company, including tax-related risks

1-Strategic risks

Natural disasters

In 2015 the company completed the preparation of the Corporate level Business Continuity Plan which commenced in the previous financial year and has now moved down to a local level in order to individually equip the production plants with the responsiveness and adaptability in the face of any contingency, including natural disasters.

On the other hand, we are working on intra-group diversity, in other words the production of any plant may be assumed by another group plant in the event of a natural disaster or similar circumstances.

In this respect, particular mention should be made of all the work carried out in the various plants with regard to EHS, since this function was created. This has led to greater uniformity in the management and analysis criteria in this area, as well as in the promotion of improvement-driven initiatives. The close collaboration with the Risk Engineering departments of the insurance companies is allowing Viscofan to gain a better knowledge of its risks and to implement measures/make investments that have a direct impact on the reduction in risk exposure, including Natural Disasters.

Country risk

The Credit Risk Committee met periodically in order to analyse the actual risk to customers of the entire Group, analyse potential delays, review compliance with established procedures, verify the status of insurance policy coverage and conditions, review the risk in different countries, especially the current political and financial instability in certain countries, including Spain, and adopt the measures required in each case to ensure, or, where applicable, decrease, this exposure by changing sales conditions, requesting collection assurance measures, etc.

Cyber-safety risk

A cyber-attack is a malicious action that aims to damage the availability of assets, data confidentiality or the integrity of an organisation's information. The risk of an attack is a growing issue, due to the ever-increasing computerisation of the systems and a greater use of network settings.

An organisation that is aware of the risk that exists both inside and out of its perimeter can minimise the possibility of being attacked. In this respect, Viscofan has a Recovery Plan

implemented within its IT area, a contingency plan that ensures the continuity of operations, and installed software and hardware that protect data. It has also increased employee awareness regarding the risks of cyber-safety, and has implemented an access policy for current external suppliers that require regular access.

2. Financial and systems risks

Exchange rate
Viscofan is attentive to new business and exchange rate hedging opportunities, advisable at any given time, and which make it possible to reduce the impact of this risk.

Financial control of transactions
The company has expanded its corporate management control team in order to conduct a more exhaustive analysis of production costs and to improve the reporting systems. This team will also facilitate the work of financial support, depending on the needs of the various Group subsidiaries.

Computing contingencies.
Once the company defined the contingency plan to reduce the impact of a systems failure, this plan was then implemented, including servers located in different cities, to guarantee system operation in less than twenty-four hours following any type of occurrence, and ensuring the continuity of activity in the event of damage.

3. Operational risks

Energy market
The company is analysing a number of alternatives in order to obtain the most benefit from reductions in energy costs. Likewise, following the regulatory changes made in Spain throughout the fiscal years of 2013 and 2014, the company is making studies and contingency plans to reduce the impact of new regulatory changes in the future. In Germany, the Group has invested in a cogeneration turbine to reduce the plant's dependence on third party supplies. This is more efficient with regard to energy costs whilst the company has taken an important step forward in environmental terms, due to the drop in the consumption of primary energy at this plant. The Group is also performing a viability study of the use of cogeneration in other locations, for example, advances continue to be made in Mexico in the search for a better energy solution.

Scarcity of raw materials
Distinct strategies have been followed for diversification and the homologation of new suppliers in each product line, all directed at the approval of alternative suppliers in order to lower dependency and gain increased flexibility with regard to fluctuations in supply and demand.
Likewise, there has been in-house work directed at adapting a number of processes in order to permit the use of different raw materials.
Furthermore, a corporate head of purchasing has been appointed in order to increase the negotiating possibilities with the various suppliers.

Environmental, safety and hygiene risks

The Board of Directors has endorsed a new corporate policy on the Environment, Safety and Hygiene, which is mandatory for all Viscofan Group collaborators. In order to ensure that all the Viscofan Group collaborators comply with the principles contained in this corporate EHS policy, a set of guidelines has been defined to implement the policy (Viscofan EHS Management Guidelines). The key objective of these guidelines is to provide all the group companies with a sound management system in the Environment and Occupational Health and Safety areas. . This commitment is reflected in the signing of the United Nations Global Compact during the financial year of 2015 and renewed in 2016 and the start of the certification process to international standards such as ISO 50.001, ISO 14.001 and OSHAS 18.001, in the most advanced plants of the group.

4. Regulatory risks

Changes to the regulatory framework

Every effort has been made to monitor the regulatory amendments. Whenever possible, the company has carried out prevention actions on the possible impacts that these changes could cause.

Compliance management is also one of the cornerstones of the EHS management guidelines, defining the need to implement legal requirement identification systems and to conduct periodical compliance audits.

The financial area has legal and tax consultancy to follow-up the evolution of the tax regulation in the different countries where the Viscofan Group operates, and in 2016 the Tax Strategy was approved.

Monitoring system and complaints channel

The Group has a complaints channel available for all locations, and an Ethics Committee to favour the use of this channel and provide greater protection to any collaborators who may use the said complaints channel.

These specific tasks and projects come within the framework of the general policy conducted this year, with an increase in the monitoring measures in the different risk areas in order to control any potential occurrence and incident and to establish the prevention and control measures required, or to adapt those already in place, and to ensure compliance with the same.

In this respect, in the 2016 an Ethics and Compliance Manual was approved, which includes the description of the system. In turn, two new compulsory policies were also approved: the Tax Policy and the Food Regulation Internal Policy.

F.- SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in the entity.

F.1 The entity's control environment

Give information, describing the key features of at least:

F1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Article 5 of the Board Regulations includes among the powers of exclusive knowledge of the Board of Directors as a whole:

"vii) Risk control and management policy, as well as the periodic monitoring of internal information and control systems."

Furthermore, article 13 of the Regulations of the Viscofan Board of Directors lists the functions of the Audit Committee in relation to internal information and control systems.

Among these functions, the Committee has assigned the following supervision and review functions:

"Overseeing the process of preparing and ensuring the integrity of the financial information relating to the company and its group, ensuring that the financial information internal control system (FIICS) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, special purpose vehicles or instrumental entities, and the correct application of accounting standards".

The Audit Committee was created in 1999 and its composition and activity have progressively adapted to the recommendations of the Code of Corporate Good Governance. It currently comprises four members, three of them are independent directors, and the fourth is a Nominee Director

In 2016, the Committee met on ten occasions, three of which with external auditors from EY. Whenever considered appropriate, it has required the presence of members of the management team, the internal audit department and external auditors.

The Committee carries out the tasks assigned to it, as established in the applicable regulations and those set out in the Company's Articles of Association and in the Rules of the Board of Directors. By way of example, it presented a report to the General Shareholders Meeting on the Committee's activities

The Committee oversees, analyses and reports on the activities performed by the Internal Audit department, the financial information preparation process, the interim financial statements, the

projected cash flow statement prior to the approval of the interim dividend distribution, in addition to the Financial Reporting Internal Control System. The latter is subject to a continuous improvement process and is reviewed annually by EY.

The Committee supervises the update of the Risk Map by the Global Risk Committee and its adaptation to the Strategic Plan MORE TO BE 2016-2020 and the Tax Strategy defined by the Group. It has also supervised the advances related to the Compliance System, the review of the Criminal Risks Map and the formalisation of the Ethics and Regulatory Compliance Manual, which includes the entire compliance system implemented within the Group.

In its relations with the external auditor and as one of its duties, the Committee has ensured that the annual accounts are presented with no reservations or qualifications, and that the independence of the auditor is guaranteed.

Furthermore, this year it coordinated and supervised the selection for professional auditing services, in accordance with the current Spanish legal provisions, Act 22/2015, 20th June, and Regulation (EU)-537/2014 proposing the designation of the new Accounts Auditor to the Board of Directors, for submission to the General Shareholders Meeting.

Additionally, it has reported all its activities to the Board of Directors, and has also provided the Directors with all the minutes of its meetings.

For its part, the general duties of the Internal Audit Department include the review and evaluation of the risk control and mitigation systems and procedures for all risks, as well as the methodologies used.

Specifically, with regard to the control of the financial information, it examines and assesses the reliability of the financial information, from an accounting and management point of view, checking that it is complete and correct. It also reviews the recording procedures.

Furthermore, the Internal Audit Department reports the results of all the auditing, inspection and consulting activities to the Audit Committee and keeps it informed of the same, and, where appropriate, the Directors concerned are also informed.

For its part, according to the Policy on Internal Control of the Viscofan Group's Financial Information, the Corporate Finance Division is responsible for carrying out:

- The design, start-up and dissemination of the financial information internal control system (hereinafter, FIICS).

- The definition, review and dissemination of the accounting policies and procedures to be applied, aiming to guarantee uniformity in the processes and in the accounting information.

- The definition of the process of preparation of the financial information and identification of risks that may affect its reliability.

- Identification of the control activities to be carried out to mitigate risks and the supervision of their appropriate performance both at local and corporate level.

- Supervision of the appropriate design and use of the financial information systems.

And of the Financial Departments of each of the companies in the Group:

- Compliance with the common accounting principles and policies.

- Dissemination of the FIICS among the local organisation, identifying those responsible for the execution of each control activity.

- Coordination of the work of the other local departments so that the local financial information is prepared in accordance with the objectives set.

- Performance of the control activities allocated to the department, and supervision of the activities that correspond to the rest of the departments (sales, purchasing, production, warehouse, maintenance, etc.).

Finally, all other Group Departments are to cooperate in the dissemination of the FIICS within their area of responsibility.

Furthermore, each Department shall be responsible for the application of the controls corresponding to its area and coordination with other departments in the application of the FIICS, with the supervision of the corporate departments, and for correcting any deficiencies identified by the Internal Audit Department in its duty of supervision of the system.

F.1.2- Whether, especially in the process of drawing up the financial information, the following elements exist:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

The General Management and the Corporate Human Resources Division are responsible for the design and review of the organisational structure and for the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Human Resources Division has procedures for updating corporate-level organisational structures and those of each of the Group subsidiaries. Dissemination takes place via the corporate Intranet, with publication of the current organisational flowcharts of each company and the most relevant changes that take place in them.

Financial Management has organisational structure charts with the composition of the financial departments of each subsidiary company, as well as information about the tasks performed by different members of these departments. Each team has a person responsible for the FIICS at local level, responsible for disseminating it to the rest of the departments involved, checking

that each one of them carries out the checks allocated and regularly reporting on the operation of the system.

The aim of all of this is to guarantee that the internal control principles are suitably disseminated within the organisation, contributing to improved quality of control over financial information.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions

The body that approves the Code of Conduct is the Board of Directors, at the proposal of the Regulatory Compliance Committee. The code affects the Boards of Directors, Senior Management and the rest of the Group's employees in their daily professional performance, regarding the relations and interactions they have with all their stakeholders.

The Code of Conduct that applies in the Viscofan Group was approved by the Board of Directors at their meeting held on 29 February 2012. This Code of Conduct's principles and guidelines cover regulatory compliance, integrity, responsibility, transparency and confidentiality. Furthermore, it also includes the criteria to be taken into account by employees who participate in the preparation of financial information, previously regulated in the Policies that are in force.

Specifically, the Group has implemented a Policy on the Internal Control of Financial Information, with the specific aim of establishing the guidelines necessary to guarantee appropriate preparation and subsequent dissemination of financial information, which establishes the principles that should govern it and describes the roles and responsibilities of each one of the Departments, financial or otherwise, both at Group level and at local level.

The Human Resources Department is responsible for the "Induction Procedure" , in which each new employee receives a copy of the Code of Conduct and the policies coming within the compliance system. These establish the conduct guidelines required in order to ensure that Group personnel act correctly, regardless of the country or department in which they are to work. Finally, each employee must fill-in a form in which he/she signs a pledge to comply with, and implement the Code of Conduct and Internal Rules.

This compliance system has been widely disseminated and is available to employees on the Group Intranet.

- Whistle-blowing channel, to allow financial and accounting irregularities to be communicated to the Audit Committee, as well as possible non-compliance with the code of conduct and irregular activities in the organization, reporting where applicable if this is confidential in nature.

Article 13 of the Board Regulations allocates the following role to the Audit Committee:

"Set up and supervise a mechanism enabling employees to communicate confidentially and, if

deemed necessary, anonymously, their concerns regarding possible irregular and potentially significant practices within the company, particularly those relating to accounting, finances and auditing."

The whistle-blowing channel has been created for this purpose, as a virtual space for Group employees to discuss matters associated with compliance with the Code of Conduct and, generally, with all of the Viscofan Group's compliance systems, especially when there are signs of non- compliance.

This whistle-blowing channel makes it possible to establish a suitable channel to facilitate reporting to the Audit Committee of any financial and accounting irregularities, guaranteeing the confidentiality of communications.

The Audit Committee has delegated the creation and management of this whistle-blowing channel to the Ethics Committee, whose main objective is to manage the communications received via the Whistle-Blowing Channel and to analyse any practices that may be considered as non-compliances. The Ethics Committee reports directly to the Audit Committee.

- Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management

The aim of the Viscofan Group Training Policy is to guarantee that Group employees have all the knowledge and skills necessary for optimum execution of the duties assigned to them, improving or updating their performance.

Concerning one of the principles of this Policy, namely, planning, and in accordance with the responsibilities described therein, each year the Annual Training Plan is prepared, in which the managers of each department take part. Together with Human Resources Management, they identify training opportunities and the programmes to be carried out during the year.

In the case of the personnel involved in the preparation and review of the financial information for specific training intended to cover the specific needs of each individual or, if applicable, a department, the external training actions for the review of standards and accounting procedures are combined with internal training, mainly concentrated on the dissemination of policies and procedures and on the execution of the internal controls included in the FIICS.

The international meeting held in April 2016 is particularly noteworthy, which brought together the heads of financial information from all the Viscofan Group companies. In that particular meeting, the latest changes regarding accounting regulations were discussed, and the targets established in 2016 in the field of internal control were revealed.

All the documentation used in the internal training sessions is posted on the Group's intranet, so that it is available to users for further consultation.

F.2- Financial reporting risk assessment

Provide information on, at least, the following:

F.2.1- The key features of the risk identification process, including error and fraud risks, with respect to:

- Whether the process exists and is documented.

The two areas most directly involved in the identification of risks that could affect the drafting of financial information are the Corporate Finance Division and the Internal Audit Division. In their daily activities, permanent communication is encouraged between these two departments to analyse how the FIICS is working and identify risk areas for which additional controls should be incorporated into the system.

Subsequently the Internal Audit Division, in its quarterly report, informs the Audit Committee of the main risks identified in the period, together with a risk assessment based on quantitative criteria (Materiality Policy) or qualitative criteria (process) and the monitoring carried out on the corrective actions established in previous periods.

- Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.

In each process and sub-process that affects the preparation of financial information, the Group identifies the risks that may materialise taking the following information into account:

- Description of the existing control objectives to meet the business targets defined by the Company and guarantee the reliability of the financial information.
- Possibility of the occurrence of an error risk, according to its impact on the financial statements, being categorised as follows:
    - Validity: All transactions generated in the period are valid.
    - Integrity: All transactions have been recorded correctly.
    - Registry: All transactions have been accurately entered into the accounts.
    - Cut-off: All transactions recorded represent economic events that occurred during the period in question; transactions are recorded in the corresponding period.
    - Assessment: Assets and liabilities are correctly valued (they appropriately reflect the existing circumstances of the business and its financial conditions).
    - Presentation: The financial statements are appropriately presented and disclosed.

At the meetings discussed above, a conclusion may be reached as to the need or not to modify the existing risk map, following an analysis of the information complied.

- The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.

In accordance with the Board Regulations, the definition of the structure of the group of companies is the exclusive remit of the Board of Directors, and in turn the Audit Committee's role is to supervise the appropriate delimitation of the scope of consolidation, considering,

amongst other aspects, the possible existence of complex company structures, instrumental entities or special purpose vehicles.

The Viscofan Group Accounting Policy Manual determines that the responsibility of keeping the scope of consolidation duly updated lies with the Consolidation Area, which forms part of the Corporate Finance Division. Corporate operations that could affect the scope are reported appropriately by the General Management and Legal Divisions.

The Audit Committee is informed about structural and corporative modification operations that are planned for its analysis and preliminary report to the Board of Directors regarding its economic conditions and accounting impact.

Independently of the fact the Group can grow either via acquisitions or organic growth, the Group's corporate strategy is to maintain as simple a structure as possible, in order to facilitate control of the business, from both an operational and a financial and accounting perspective.

In this way, except for the company Nanopack Technology y Packaging, S.L., the Parent company of the Group, that is Viscofan S.A., wholly owns the Group companies, either directly or indirectly and, in this latter case, the shareholding is always through other companies in the Group. In the case of Nanopack S.A., the Group has a 90.57% shareholding in Nanopack Technology y Packaging S.L.

During the 2016, 100% of the Share Capital of Vector USA Inc. and Vector Europe NV were acquired, which in turn is the owner of Vector Packaging Europe NV and of Vector UK Ltd. During 2017 possible initiatives for corporate streamlining will be studied to address the integration of these companies within those already existing within the Viscofan Group.

In addition, it is the exclusive knowledge of the Board of Directors in full to create or acquire interests in special purpose vehicles or institutions registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

According to article 13 of these same Regulations, the Audit Committee is responsible for informing the Board, prior to it making the corresponding decisions in this area.

In this respect, the Viscofan Group does not currently own or have an interest in any company in the territories listed by the OECD or by the Spanish Government that could be defined as tax havens.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they impact the financial statements..

Periodically, the Audit Committee evaluates the situation of the main risks that affect the Group, in accordance with the description given in section E of the Annual Corporate Governance Report. For said purpose, it is supported by the Global Risks Committee, set up at

the Audit Committee's proposal and representing the Group's General Management and other divisions (Production, Financial, Legal and Commercial) and Internal Audits.

Specifically, control of risks covers following mentioned risk categories:

1. Concerning the risks of reliability of the financial information, as described above.

2. Concerning criminal risks. The Regulatory Compliance Committee is responsible for monitoring all matters related to risk prevention and the identification of measures for detecting possible crimes, fraud or conduct contrary to Group policy in relation to the criminal liability of companies.

3. Concerning general risks. The responsibility is shared between the General Risks Committee, which identifies the risks map and implements the control policies that are designed to reduce them, and the Audit Committee, which supervises the adaptation of the control policies and procedures in place and reviews the risk management systems so that the main risks are identified, reported and suitably managed.

In the 2016 the Global Risks Committee reviewed the existing map of risks established in accordance with the code of ethics, internal regulation and the Strategic Plan MORE TO BE, which encompasses the 2016-2020 period. This review was performed using the COSO methodology, grouping existing risks into four categories:

- 1. Strategy,
- 2. Operations,
- 3. Information,
- 4. Compliance.

These categories are described in Section E.2 of this report. The integrity of the elaboration of financial information is included in the Risks category of Information.

- Which of the entity's governance bodies supervises the process.

Article 13 of the Regulations of the Viscofan Board of Directors assigns the Audit Committee the role of monitoring the risk management carried out by the Group.

"Monitoring the suitability of the control policies and procedures in place. Reviewing the internal control and risk-management systems, so that the main risks are properly identified, managed and reported".

Furthermore, one of the objectives of the Internal Audit Division is the identification and assessment of any type of risk faced by the Organisation, and to this effect, it is authorised to examine and evaluate the systems and procedures in place for the control and mitigation of all risks, as well as the methodologies used.

F.3- Control activities

Provide information, indicating the main characteristics, about the existence of at least the following:

F.3.1 Procedures for review and authorisation of the financial information and the description of the ICFR, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgments, estimates, valuations and projections.

The procedures existing in the Viscofan Group define the activities and controls to be carried out in the process of drafting the financial information, distinguishing the following stages until its dissemination:

- Recording of daily operations by each local department involved, including the book closing for each subsidiary.
- Carryover of financial information for consolidation.
- Consolidation of the information.
- Validation and approval of the financial information.
- Publication and dissemination of the information.

In accordance with what is set forth in the Policy on the Internal Control of Financial Information, the Corporate Finance Division is responsible for the design, start-up and dissemination of the FIICS, and for the accounting policies and procedures to be applied, the definition of the process of preparation of the financial information and the control activities for mitigating possible risk. To do this, it receives support from the Internal Audit Division, which in its task of overseeing the comprehensive nature of the accounting and management information issued, both internally and externally, cooperates in defining the FIICS.

Based on the documentation describing the flows that affect the different departments (purchasing, billing, salaries, banks and cash, etc.), the risk areas are identified and the internal controls to be carried out are proposed.

On the other hand, based on the balance sheet and profit and loss accounts, the most significant accounts are identified, analysing, by means of the controls implemented or establishing new controls if considered necessary, the coverage percentage, in order to guarantee the reliability of the information published.

In this way, adding the two approximations by process and by items in the income statement and profit and loss account, the aim is to guarantee that the controls in place cover the most significant risk areas.

To facilitate the internal control a tool has been developed on Viscofan's intranet to implement the FIICS controls, enabling the management of master control data according to subsidiary (executor, supervisor, frequency, etc.), the management of execution and supervision flows for

each control, the storage of evidence of each control and access to controls and evidence from Corporate Finance and Internal Audits.

In the course of 2016, ongoing progress has been made in the preparation of documents describing the objectives of each control, the uniformity of evidence provided by the various subsidiaries and the inclusion of new controls, especially in the budget process and fiscal area.

At local level, each subsidiary has a person responsible for the FIICS, who coordinates the launch, execution and supervision of the monthly controls.

When the local financial information has been generated, in accordance with the Reporting Validation and Analysis Procedure, each company should carry out the additional controls established in this Procedure, with the participation of at least two people: on the one hand, the person responsible for book closing at local level and, on the other hand, the person responsible for validating this closing, who is usually the Company finance manager or the person responsible for the commercial subsidiary.

The procedure for validation of the financial information reported by each subsidiary makes it possible to check that the data received for consolidation is consistent with that existing in the local systems and is standardised in accordance with the corporate accounting plan in force. The computer application used for consolidation has basic controls incorporated to flag any inconsistency in the information reported.

Those responsible for the accounts inform about changes to the financial statements of their subsidiary, transmitting the most relevant accounts with details of the calculations made.

The consolidated information is reviewed by the General Management, the Corporate Finance Division and the Investor Relations and Communication Division. This review takes place before the information is sent to the Board of Directors for final approval.

The Audit Committee intervenes in the supervision of the Company's regular financial information, filling the roles assigned to it in the Board Regulations.

"*Overseeing the process devised by senior management for instituting lawsuits, making assessments and reaching significant estimates, and the impact thereof on the financial statements.*

Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors so as to ensure the information is reliable, understandable and relevant, and that the accounting standards used for the preceding year have been duly followed."

This involvement from the Audit Committee extends to permanently monitoring account auditing, holding regular meetings with the audit team to directly supervise the result of the process after both pre-closing and definitive closing of the annual accounts.

All this complies with the following roles allocated by the Board Regulations (art. 13) to the Audit Committee in relation to the external auditor:

(1) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders Meeting without qualifications in the associated audit report.

(2) Overseeing compliance with the audit agreement, ensuring that the audit opinion relating to the annual accounts and the main contents of the audit report are drawn up clearly and accurately.

The Commission pays special attention to proposals for improving internal control, the quality of the opinions and estimates and the accounting criteria applied in the Group.

F.3.2- Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the financial information

The main standards and procedures existing in the Viscofan Group in relation to the control of computer systems are contained in the following manuals and policies, available on the Group intranet, which regulate the use of computer systems and networks and their control and management:

- Computer systems and networks user manual
- Authorisation policy on computer access and profiles
- Password policy
- Computer systems and networks management policy

These manuals develop the following aspects:

- The control systems should record and limit access to all Group computer systems and networks, establishing at least the creation of a username for each authorised user and the need for a password associated with it in accordance with Password Policy.
- Management of access to any computer system or network shall comply with the provisions of Authorisation policy on computer access and profiles. Thus, the person responsible for managing profiles and access should keep a record that justifies the authorisation of each action or modification of profiles and each access made.
- Maintenance of the computer systems and networks should include periodic measures that guarantee the copying and the possibility of backup and recovery of the data and information contained in the different Viscofan Group computer systems and networks in each case. Access to these copying and backup resources or mechanisms should be limited, protecting their content in all cases and establishing mechanisms for safekeeping and custody that guarantee their security.
- Any development or modification made by the computer departments to the Viscofan Group computer systems and networks shall be carried out with as much coordination as possible, requesting the authorisations necessary for its implementation or for performing any test process and, in any case, establishing at least the same measures in terms of security and limitation of access to the data.
- The security policy, change management, maintenance and handling of incidents should guarantee rapid recovery of the Viscofan Group computer systems and

networks in the event of any contingency that could have an impact on their availability.

The main infrastructure of the Group is located in two Data Processing Centres (DPC), replicated and located in two different cities. The Viscofan Group has a Disaster Recovery Plan, coming within the framework of processes and procedures, and which will serve to guide and support the teams during an incident.

This will enable the teams to respond in a way which is as most efficient and controlled as possible, minimising the impact on users, in order to return to operational service as soon as possible.

F.3.3-Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the evaluation, calculation and assessment outsourced to independent experts, which may materially impact the financial statements

The most relevant services that the Viscofan Group sub-contracts to third parties are actuarial calculations of labour costs and the calculation of the Company Tax for certain Group companies.

In any case, the criterion is maintained of working only with prestigious institutions, and the valuations received are reviewed by the financial departments involved.

F.4- Information and communication

Provide information, indicating the main characteristics, about the existence of at least the following:

F.4.1- A specific function in charge of defining and keeping the accounting policies updated (accounting policy department or area) and dealing with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organization, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The responsibility for defining, updating and disseminating the accounting policies and procedures to be applied to guarantee standardisation of processes and accounting information lies with the Corporate Finance Division, in accordance with the Policy on the Internal Control of Financial Information.

The manuals are disseminated through the document libraries on the corporate Intranet and are available to the financial teams. Contact between corporate and local levels is continuous, and lines of communication are maintained for resolving any queries and conflicts derived from their interpretation.

In addition, regular account coordination meetings are held to transmit accounting policies, provide training in the performance of the controls included in the FIICS and check standardisation in the preparation of the information reported by each subsidiary.

F.4.2- Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on ICFR.

In accordance with the Policy on the Internal Control of the Financial Information, the Group Financial Department is responsible for supervising the appropriate design and use of the financial computer systems.

For these purposes, the Corporate Finance Division has organised selection, set-up, implementation and training into a single reporting tool for consolidation for all Viscofan Group companies.

The data from the local applications are integrated into the consolidation system following a single corporate accounting procedure, the Corporate Accounting Plan. The Corporate Finance Division is responsible for reviewing the equivalence between the accounting plans from each subsidiary and the Corporate Accounting Plan in order to guarantee the standardisation of the information received.

As an additional control measure, the data from the financial modules of each subsidiary and from the consolidation system are exported to a data analysis module in order to check consistency between the original and the final information.

The content of the information reported includes both the financial statements and most of the information necessary for preparing the tables and notes for the Annual Report of the company and subsidiaries, the first draft of which is prepared directly in this system.

F.5- Supervising the system's operation

Provide information, indicating the main characteristics, about at least the following:

F.5.1- The ICFR supervision activities carried out by the Audit Committee and whether the entity has an internal audit function whose powers include providing support to the Audit Committee in its task of supervising the internal control system, including the ICFR. Likewise, give information on the scope of the ICFR assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial reporting has been considered.

In accordance with Board Regulations. The Audit Committee is responsible for the following:

"Overseeing the internal auditing services, including in particular:

(i)approving the annual internal audit work plan relating to the evaluation of the FIICS, and receiving periodic information on the results of the work performed, including any incidents that may arise. The Audit Committee will likewise receive an annual activities report and action plan to correct any deficiencies detected;

(ii)ensuring the independence and efficiency of the internal audit function;

(iii)proposing the budget for this same internal function;

(iv)receiving periodic information on its activities, and

(v)verifying that senior management takes into account the conclusions and recommendations set forth in its reports".

The Viscofan Group has an Internal Audit Division, which reports functionally to the Audit Committee.

The objectives set forth in the Internal Audit Statute are:

1.Guaranteeing there is a suitable and adequate risk control system;

2.Assisting the Board of Directors or the corresponding delegated body in the objective fulfilment of their responsibilities, offering support to the Group Management and the Organisation in the improvement and consolidation of the internal control system, procedures applied and control activities

3.Checking that, through the standardised and efficient application of the policies and procedures in the internal control system, risks are appropriately managed, facilitating the achievement of the strategic objectives of the Viscofan Group;

4.Reviewing and checking that the Organisation's processes are appropriate and complied according to approved policies and procedures

5.Identifying and assessing all types of risks faced by the Organisation;

6.Overseeing the comprehensiveness of the accounting and management information issued, both internally and externally, i.e., it should be complete and correct;

7.Overseeing compliance with the law

The Internal Audit Division prepares Audit Plans, broken down into two classes, according to the time they are in force:

a) Multi-annual plans.

b) Annual plans.

Annual plans are considered the materialisation in a more limited timeframe of the generic work defined in the multi-annual plan. The latter is considered a declaration of measurable objectives for a longer period.

In addition, the Internal Audit Division carries out the following reporting work:

"It communicates with the Audit Committee and also, where applicable, the Divisions involved, keeping them informed about the results of all audit, investigation and consultancy activities. It also regularly reports to the Audit Committee on the application of audit plans and other relevant activities;

It drafts the results of the work and subsequently discusses them with the managers of the Divisions concerned before the reports are finally issued;

It assesses the level of implementation and efficiency of the recommendations by virtue of the reports issued, and reports on this to the Audit Commission."

The Audit Committee holds regular meetings at which it coordinates the actions of the Internal Audit Division, prepares the action plans, reports on and monitors the progress of each of these plans and analyses the level of implementation of the recommendations that have arisen as a result of its actions.

During the financial year of 2016, the Internal Audit work plan specifically focussed on:

- Participation in the Investment Committee, overseeing and controlling its activity.

In 2016, the Investment Committee held four meetings, coinciding with the quarterly financial closures.

Investments are strictly monitored at all subsidiaries. A report is issued every fortnight and this is sent to the Committee members, making it possible to ensure that any possible deviations are quickly detected and the appropriate actions can be taken.

- Participation in the Credit Risk Committee, overseeing and controlling its activity, particularly with regard to credit risk coverage levels and the principal accounts receivable.

The key objective of the Credit Risk Committee is to report on the taking out of credit insurance, compliance with established procedures and the added risk involved in selling to some countries. Furthermore, a detailed analysis is made of the total exposure of customers, particularly those with the largest amounts of matured debt.

Monitoring conducted by the Committee has made it possible to keep the amount of the debt covered compared to last year. In the course of 2016, the accident rate was maintained below 2 per thousand.

Participation in the aforementioned Overall Risk Committee, updating the Group Risk Map based on the new strategic plan initiated this year, MORE TO BE, which encompasses the 2016-2020 period, considering the new mitigating measures implemented and adding new risks identified by the Committee members. Key Risk Indicators (KRI) have also been associated with each risk so that each person responsible can perform a follow-up of them.

The committee has met twice this year.

- Participation in the Regulatory Compliance Committee, collaborating in the identification of the Company's specific risks related to Criminal Responsibility.

- Review of the controls made and the quality of the evidence provided, establishing appropriate corrective measures in accordance with their materiality. Specifically, every quarterly closure is accompanied by a random review of the most important controls, submitting the findings report to the Audit Committee prior to the approval of the financial information to be published.

- Review in various subsidiaries. The reviewed processes were the implementation of the Compliance System, the Travel Expenses process, the Monthly Financial Closure process, the Purchasing Management process, the Sales Management process and the Warehouse Management process.

- Monitoring of the implementation of the recommendations arising from the reviews of the different processes audited in the past, and particularly the Complaints and Commissions process, both in the Sales area. To do so, a tool has been designed to monitor the Internal Audit recommendations, with the creation of reports for Senior Management.

- It has also intervened throughout the entire year, as sponsor in the implementation of recommendations arising from the review of the transverse Complaints Management Process from the Commercial department.

The activity of the Internal Audit Department is considered to be satisfactory, mainly thanks to the high implementation rate for the improvements and recommendations made in order to correct the incidents detected.

The Audit Department prepares reports on its actions, reflecting the incidents detected during the work execution and suggestions for improvement. These reports are initially discussed with the heads of the subsidiaries or departments involved.

Once the reports have been discussed with the heads and the measures to be adopted have been established, the report is sent to the Audit Committee. Those incidents identified and which could affect the financial reporting, are quantified, where applicable, and reported to the Corporate Financial Department and also to the Local Financial Departments affects, so that they may be corrected.

The Internal Audit Recommendation Monitoring Tool makes it possible to send the recommendations to those responsible for implementing them, who should put the recommendations into practice and provide evidence of this. The tool makes it possible to obtain reports on the audit recommendation status, either separately or by area such as Financial, Sales, Transactions, HR, etc.

F.5.2- Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform senior management

and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information on whether there is an action plan to try to correct or mitigate the weaknesses observed. Furthermore, whether there is an action plan to correct or mitigate any weaknesses observed.

In addition to the roles of the Internal Audit Division described in the previous point, the Board Regulations authorise the Audit Committee to request the presence of the external auditors whenever they consider it appropriate:

"The Audit Committee shall be empowered to request the presence of any member of the Management team or any member of the Company's staff at its meetings, as well as the presence of the Company's independent auditors or any Company advisor whose presence is deemed advisable. All of the aforementioned shall be bound to cooperate and facilitate access to the information they have."

In practice, the Audit Committee holds a minimum of three annual meetings with the external auditors, one of which coincides with the pre-audit carried out at the end of October each year and the other two with the year-end audit.

At said meetings, the auditor's report any weaknesses in internal control that may have been detected in the audit process and that could affect the internal control system. The Committee monitors them during the year, in coordination with the Internal Audit Division and the Corporate Finance Division, to identify and implement, where applicable, any measures that may be deemed advisable.

F.6 - Other relevant information

We do not consider it necessary to disclose any other information that has not been already described in the above sections.

F.7 - External audit report

Provide information about the following:

F.7.1. Whether the ICFR information disclosed to the markets has been submitted by the external auditor, in which case the entity must attach the corresponding report as an annexe. Otherwise, explain the reasons why it was not.

SCIIF information has been submitted for review by our external auditors EY, in accordance with the Professional Action Guidelines and the Audit Report form concerning SCIIF-related information on listed companies in July 2013. A report with the conclusions of this review is attached hereto.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code of listed companies.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1, The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies

2, When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Not Applicable

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation and any alternative procedures followed in its stead.

Complies

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation

Complies

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) . Report on auditor independence.
b) Reviews of the operation of the audit committee and the nomination and remuneration committee
c) Audit committee report on third-party transactions
d) Report on corporate social responsibility policy

Complies

7. The company should broadcast its general meetings live on the corporate website.

Explain

The Company has an attendance bonus payment policy as a way to encouraging shareholders to take part in the General Meeting, and issues all the information relating to the agenda and agreements proposed, including additional information when considered advisable in order to better understand the proposals presented to the shareholders. Participation in the General Meetings held over the last five years was more than 80%

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies

12. The board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Complies

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that the appointment or reelection proposals are based on a prior analysis of the board's needs

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report

Complies

15. Nominee and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control

Complies

16. The percentage of nominee directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related

Complies

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board placesSee section: C.1.34

Complies

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of nominee directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

Complies

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of nominee directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a nominee directorship.

Complies

20 Nominee directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, the latters' number should be reduced accordingly.

Complies

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Complies

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Complies

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies

27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions

Complies

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Complies

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted,of the majority of directors present

Complies

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise

Complies

34. When a lead independent director has been appointed, the Bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Partially Complies

The articles of association or the rules of the Board of Directors specifically include all the duties/functions of this point, except for maintaining contacts with investors and shareholders in order to form an opinion on their concerns, in particular in relation to the corporate governance of the company. Although the communication policy with shareholders, institutional investors and their representatives or advisors does in fact provide for this function.

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies

36,The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.
b) The performance and membership of its committees.
c) The diversity of board membership and competences.
d) The performance of the chairman of the board of directors and the company's chief executive.
e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report

Complies

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Partially complies

The executive directors are a majority in relation to the Executive and the Secretary is the Secretary of the Board.

38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies

41. The head of the unit handling internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies

42. The audit committee should have the following functions over and above those legally assigned

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re- election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer

Complies

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other offbalance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balancesheet risks.

Complies

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Not Applicable

49. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive Directors.

When there are vacancies on the board, any Director may approach the Nomination Committee to propose candidates that it might consider suitable.

Complies

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.
b) Monitor compliance with the remuneration policy set by the company.
c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
b) They should be chaired by independent directors
c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting
d) They may engage external advide, when they feel it necessary for the discharge of their functions
e) Meeting proceedings should be minuted and a copy made available to all board members

Complies

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
b) Oversee the communication and relations strategy with shareholders and investors, including small and medium- sized shareholders.
c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
f) Monitor and evaluate the company's interaction with its stakeholder groups.
g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks

Partially Complies

All the functions mentioned are attributed to one or several of the board committees, whilst some have created ad hoc committees to support the competent Board committee, however this distribution has not yet been formally transferred to the internal rules governing the board and each of its committees.

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
b) The corporate strategy with regard to sustainability, the environment and social issues.
c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
e) The mechanisms for supervising non-financial risk, ethics and business conduct.
f) Channels for stakeholder communication, participation and dialogue.
g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies

55, The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.
Complies

56,. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies

57,- Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long- term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies

58,- In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies

59,- A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies

60,- Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies

61,- A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Partially Complies

The Company's current remuneration policy was prepared by the Appointment and Remuneration Committee with the advice of an external expert, Spencer Stuart, in line with his recommendations as an expert and including the best international Corporate Governance practices, whilst the policy is also in line with the principles and foundations that should inspire the Viscofan Group's remuneration system, as approved by the Shareholders' General Meeting in 2013.

Following the approval of Act 31/2014, by which the Spanish Enterprise Act for the improvement of corporate governance was modified, at the General Shareholders Meeting held on 7th May 2015, the Board of Directors proposed the approval of a policy with no significant variations for 2015 to 2017, via the approval in consultative vote of the 2014 Remunerations

Report, in accordance with the system established in the transitory provision of the Act 31/2014 for the improvement of corporate governance. The variable remuneration of the executive board members included by the company policy, regardless of its link to the delivery of shares or financial instruments referenced to their value, is based on a short-term annual retribution and long-term triennial retribution, both based on a combination of parameters that motivate the achievement of annually established results, as well as the success of the multi-year strategic plan, all aligned with the interests of the shareholders, as both consider the evolution of the value of the share as part of their parameters, among others.

On the other hand, the executive board members have acquired shares in the stock exchange voluntarily and for their part over the years that they have been company board members. As a result of these market acquisitions, both the President and the General Director-Board Member, have shares with a higher value than two years of fixed salary received as executives.

62,-Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Not Applicable

63,- Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Partially Complies

The remuneration policy is designed in such a way that the variable remuneration components are only paid to the executive directors once the payment requirements have been met. The external auditors and other external experts have confirmed compliance with this policy. Furthermore, the variable remunerations are limited in order to ensure that their amount is not significant in relation to the results they are linked to, in order to minimise risk.

64,-Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies

H. OTHER INFORMATION OF INTEREST

1,- If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is

necessary to include to provide more comprehensive and well grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

2,- This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report.

3.- The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, mention will be made as to whether it has adhered to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) of 20 July 2010.

This annual report on corporate governance has been approved by the Company's Board of Directors on:

February 28th , 2016

List whether any Directors voted against or abstained from voting on the approval of this Report.

NO

Name or company name of director who has not voted in favour of the adoption of this report	Reasons (counter, abstention, no assistance)	Explain the reasons