ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS FOR LISTED COMPANIES

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

ISSUER'S PARTICULARS

FINANCIAL YEAR-END	31/12/2017

COMPANY TAX ID Nº (CIF):

A31065501

Registered Name:

VISCOFAN SA

Registered Office:

Polígono Industrial Berroa – C/ Berroa 15-4ª planta – 31192 Tajonar – Navarra (Spain)

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS FOR LISTED COMPANIES

A- CORPORATE REMUNERATION POLICY FOR THE CURRENT YEAR

A.1 Explain the corporate remuneration policy. This section will include information on:

- General principles and foundations of the remuneration policy.
- Most significant changes in the remuneration policy applied during the previous year and changes made during the year to the conditions for the exercise of previously awarded options.
- Criteria used and composition of similar business groups whose remuneration policies were analysed to design the company's policy.
- Relative importance of variable remuneration items in comparison to fixed items and the criteria used to determine the components of the directors' remuneration package (*remuneration mix*).

Explain the remuneration policy

In 2018 is submitted for shareholder approval of a new remuneration policy for directors, which would become effective after approval by the General Meeting, if appropriate, for the following three years.

Until then, it is expected that the application of the approved remuneration policy will continue, according to the system included in the transitional provision of Act 31/2014 for the improvement of corporative governance, upon approval of the Remunerations Report by consultative vote, presented at the General Shareholders Meeting, held on 7 May 2015.

1- REMUNERATION POLICY APPLICABLE UNTIL THE GENERAL MEETING

Principles and Foundations

- Approval by the General Meeting. Exclusively as stipulated in the bylaws of the Company.

- Objectiveness. Formulated in accordance with objective criteria, even-handedly towards all Board members.

- Proportionality. Adapted to the importance of the company, its financial situation at all times and the market standards in comparable companies.

- Suitability. In accordance with the Board composition, an amount considered as sufficient compensation for their qualifications, dedication and responsibility and for ensuring due loyalty and relationship with the company, as well as their independence.

- Transparency. Detail per concept, assignment criteria and individual

breakdown is published in the annual remuneration report and submitted to the advisory vote of the General Shareholders Meeting.

Non-executive Board Members

Shall receive a fixed remuneration for their role as Board Members.

Furthermore, attending Board meetings shall involve an allowance. They will not receive a variable salary.

Chairman and Vice-Chairman of the Board. Shall receive a fixed amount.

Delegated committee

Its members shall receive a fixed remuneration.

Audit Committee and Appointments and Remuneration Committee

Shall receive a fixed remuneration. Their presidents will receive 1.5 times this remuneration.

Executive directors shall receive:

-A fixed remuneration

-Annual variable remuneration and variable remuneration every three years.

Both taking into account the same criteria as those used for the senior management as a reference, set on a combination of parameters based on the completion of Group targets: financial aligned with the multi-year Strategic Plan and the annual completion targets, as well as non-financial strategic plans and personal performance.

For triennial remuneration, the parameters considered are those aligned with the remuneration and creation of long-term value for shareholders.

Determining the annual amount shall be approved by the Board of Director based on evaluation by the executive directors, in accordance with the proposal from the Appointments and Remuneration Committee. Furthermore, they may receive life and accident insurance and a medical check-up, medical insurance and a company vehicle.

They shall not receive payment for belonging to the Board, the Board Committees or other Boards belonging to the Viscofan Group, nor allowances for attending Board of Directors meetings or other Committees.

The advanced notification conditions, pledge not to compete, severance pay and other conditions on the contracts are as follows:

It provides for compensation of two years equal to the total of the last one received, in case of termination without justifiable cause, while being subject to a two-year non-compete commitment once the contract is terminated. In the event of non-compliance of the above mentioned non-compete commitment, the received compensation must be returned plus a payment three times the amount in damages.

Moreover, the contract stipulates a six-month advance notice in case of contract termination, which must be fulfilled by both parties. In the event of non-compliance, the defaulting party must provide compensation to the other party for the sum of salary payments corresponding to the unobserved advance notice period.

Maximum limit

The remuneration of the Board of Directors and its Committees may not exceed 1.5% of the annual consolidated cash profit before taxes.. This established limit does not compute remuneration from other functions originating from their work or professional relations.

Directors from other Viscofan Group companies

Board Members from the Viscofan parent company shall not receive remuneration in the Boards of the branches to which they belong.

2- REMUNERATION POLICIES SUBMITTED FOR APPROVAL IN THE 2018 GENERAL MEETING

A summary of it is reproduced here due to layout reasons, but the complete policy will be submitted for approval by the General Shareholders' Meeting to be held in 2018)

Principles

- Alignment with the interests of shareholders: The design of the remuneration policy is reviewed periodically to ensure alignment between the achievement of results and the creation of shareholder value.

- Objectiveness: Remuneration is assigned in accordance with objective criteria in an equitable manner for all directors, taking into consideration the duties and responsibilities attributed to each director.

- Proportionality: The remuneration levels are appropriate to the importance of the Company, its economic situation at all times and the market standards in comparable companies.

- Suitability: The remuneration policy is adapted to the composition of the Board, the amounts are sufficient to reward their qualification, dedication and responsibility, guaranteeing due loyalty and relationship with the Company, but without compromising the independence of its members.

- Transparency: Detail per concept, assignment criteria and individual breakdown will be published in the annual remuneration report and submitted to the advisory vote of the General Shareholders Meeting.

Remuneration of executive directors

Its principles and main elements are similar to those of Viscofan senior management. They are the following:

*Parameters based on the achievement of Group objectives, including financial

objectives aligned with the multi-annual strategic plan and annual objectives, and strategic non-financial objectives, as well as personal performance.

* Maintaining a reasonable balance between the different components of fixed (annual) and variable (annual and long-term) remuneration, which reflects a suitable assumption of risks combined with the achievement of defined short and long-term objectives, linked to the creation of sustainable value.

Ex-post control of variable remuneration ("Clawback")

If the following circumstances occur within twelve months after the payment of this remuneration:

o Significant fall in consolidated net profit (more than 50%).

o Serious non-compliance by the beneficiary of the internal rules, including, in particular, risk-related rules.

o Material reformulation of the Group's financial statements, when considered by the external auditors, except when it is appropriate according to a modification of the accounting regulations.

Table of remuneration of executive directors

a) *Fixed remuneration*:

Purpose: Reward based on the level of responsibility and the professional trajectory. Amount:

-Chairman: 585,000 €.

-General Managing Director: 450,000 €.

Updating: the Board of Directors may review this remuneration annually in case it is necessary to adjust it, depending on the level of responsibilities assumed at all times by executive directors, the evolution of the Company, the corresponding market analysis and the evolution of the CPI.

b) *Remuneration for membership, dedication and attendance at the Board of Directors meetings.*

Purpose: Remunerate the responsibilities of the role of director and dedication to the Board of Directors. Amount:

-Chairman: 160,000 €.

-General Managing Director: 80,000 €.

Nonetheless, this remuneration shall be subject to the maximum limit established for the remuneration of the directors in their capacity as such.

Operation:

In accordance with the remuneration policy of the directors in their capacity as such.

c) Annual variable remuneration

Purpose: Incentivise the achievement of financial objectives, aligned with the

Strategic Plan, strategic non-financial objectives and individual performance

Limits: Annual Variable Remuneration Objective (target): 70% of the fixed annual remuneration. It will apply in the event of 100% achievement of the pre-established targets.

Maximum Annual Variable Remuneration: 120% of the Annual Variable Remuneration Objective. It will apply in the event of maximum over-fulfilment of the pre-established targets.

Metrics: It is linked to the accomplishment of a combination of economic-financial, industrial, operational and qualitative objectives, specific, predetermined and quantifiable, aligned with corporate interest and in line with the Strategic Plan of the Viscofan Group.

- Corporate objectives: minimum of 50% on the entire incentive. Composed by metrics that guarantee the appropriate balance between the financial and operational aspects of the Company management, as well as others related to the Company's share value.
- Quantifiable objectives of each executive director: maximum of 30%.
- Performance assessment: maximum of 20%.

Operation:

Corresponds to the Appointments and Remuneration Committee approval of the targets, at the start of each fiscal year, and the evaluation of their achievement, once it is completed.

It eliminates those economic effects, positive or negative, derived from extraordinary events that could cause distortion in the results of the assessment.

The fulfilment levels, set at the beginning of each fiscal year, includes a minimum threshold below which no incentive is paid and an objective level ("target") that corresponds to 100% achievement of the targets. For intermediate levels it is determined by linear interpolation.

In the event that the Committee determines that the targets set at the beginning of the fiscal year have been exceeded and that a level of over-fulfilment has been achieved, an additional incentive may be paid that will not exceed the maximum incentive indicated.

To calculate the variable remuneration amount, the degree of achievement and the weighting of each of the targets will be considered -individually and/or globally- and the internal rules and procedures for the evaluation of targets established by the Company for its executives will be applied.

d) Long-term incentive plan

Purpose: Reward the achievement of the strategic targets of the Viscofan Group in the long-term, the sustainability of the results and the creation of sustainable value for the shareholder.

Limits:

Annualised Objective Incentive (annualised Target): 70% of the fixed annual remuneration. Maximum Incentive: 120% of the Annualised Objective Incentive.

Metrics

- Economic-financial objectives and operational objectives of the strategic plan
- Objectives of creating value for shareholders.
- Non-financial objectives. Its weight will be maximum 20%.

Operation:

The measuring period: minimum three years.

The Plan may be paid in cash and/or include award of shares, share options or remuneration rights linked to the value of these, provided that the targets established for that purpose are met.

The achievement scale, set at the beginning of the Plan, includes a minimum threshold below which no incentive is paid and a maximum level, if the targets have been exceeded. For intermediate levels it is determined by linear interpolation. The Committee performs an annual monitoring of the targets, and once the Plan is completed, it will determine the degree of achievement. In this evaluation function, the Committee has the support of the Finance Division, which provides information on the audited results. Both for the establishment of targets and for the evaluation of their achievement, the Committee also considers any associated risk. It eliminates those economic effects, positive or negative, derived from extraordinary events that could cause distortion in the results of the assessment.

In the year 2019, as appropriate, the cash incentive corresponding to the 2016-2018 triennial variable remuneration currently in force will be paid.

e) Other remuneration elements

Can be beneficiaries of certain payments in kind that include, among others, a company vehicle, a premium payment for life insurance and health care policies, of which the members of the family unit that live with them may be beneficiaries, the contribution to social security systems, in line with the remuneration policy of the senior management of the Group.

The remuneration policy for executive directors does not contemplate the granting of other benefits, credits, advances and guarantees established by the Company.

f) Ongoing share ownership commitment

The executive directors must maintain, while maintaining their status as such, a number of shares equivalent to two annuities of gross fixed remuneration. To achieve this objective a period of four years is established, counting from the start of the effectiveness of the Policy or from the appointment in the case of new directors.

The valuation of the shares in the portfolio at the date of approval of the

Remuneration Policy will be made at the closing price of the share on the date of the General Shareholders' Meeting that approves this Policy.

g) Executive directors contract conditions

They are mercantile in nature and include the clauses that in practice tend to be included in this type of contract. These contracts have been proposed by the Appointments and Remuneration Committee and approved by the Board of Directors of the Company.

Agreed 6 months advanced notice.

In case of breach of the term, the breaching party shall indemnify the other party with the remuneration corresponding to the unfulfilled period of notice.

The indemnity shall be equivalent to two annuities of the fixed remuneration. Included within this amount is compensation for the two-year non-compete commitment once the contract is terminated.

In case of non-compliance with the non-compete commitment the executive director must return the received compensation and pay three times its amount in damages.

Compensation will not proceed if the dismissal is motivated by gross misconduct, wilful misconduct and culpable conduct of the executive director in the performance of their duties.

On the other hand, in case of termination of the relationship at the behest of the executive director, the latter will be entitled to receive compensation of two annuities of fixed remuneration in the following scenarios:

(i) Substantial modification of the conditions of provision services that redound notoriously to the detriment of the executive director.

(ii) There is a substantial modification in the conditions of provision of services of the executive director as a result of a significant change in ownership of the Company that has the effect of renewing the governing bodies of the Company or in the content and approach of its main activity, provided that the termination occurs within three months after the production of such changes.

Remunerations for directors in their capacity as such. Specific principles:

o Relationship with effective dedication;

o Association with the responsibility and development of their duties as directors.

o Absence of variable components in the interest of their full independence.

o Incentive character without the amount conditioning their independence.

-Limit: the annual amount of the remuneration to directors in their capacity as such, for all the items, will not exceed the limit of 1.5% of the annual consolidated cash profit before taxes. The previous remuneration is, in any case, the maximum amount, corresponding to the Board itself, the proposed distribution of its amount between the directors.

-*Fixed remuneration for membership on the Board*. Annual amount: 80,000 € per director.

Comments: The Chairman of the Board has a specific remuneration and does not receive this allocation.

-*Fixed remuneration for the Chairman of the Board*. Annual amount: 160.000 €.

-*Allowances for attendance at the Board of Directors meetings to remunerate the personal and effective attendance at the meetings of the Board of Directors:* 3,000 € for each meeting and director. The Chairman and the General Managing Director will not receive any amount for attendance.

- *Fixed remuneration for belonging to the Committees of the Board of Directors*.

*Audit Committee: 30,000 €

*Appointments and Remuneration Committee: 20,000 €

Comments: The Chairmen of both Committees have a specific remuneration and, accordingly, do not receive this allocation.

- *Fixed remuneration for the chairmanship of the Committees of the Board of Directors*:

*Audit Committee: 45,000 €

*Appointments and Remuneration Committee: 30,000 €.

Remuneration policy applicable to new directors

The remuneration system described above for executive directors will be applicable to any director who may join the Board of Directors during the term of this Policy to perform executive duties.

A.2 Information on the preparatory work and decision-making process that has been followed to determine the remuneration policy and role played, as applicable, by the Remuneration Committee and other supervisory bodies in shaping the remuneration policy. This information will include, where appropriate, the mandate given to the remuneration committee, its composition and the identity of the external consultants whose services have been used to define the remuneration policy. It will also be described the character of the directors, if any, who have been involved in the definition of the remuneration policy.

Explain de process for determining the remuneration policy

The approval in a consultative capacity, under the seventh item on the agenda of the General Shareholders' Meeting on 7 May 2015, of the Annual Report on Remuneration for Directors for the 2014 fiscal year, allowed the consideration of the remuneration policy of Viscofan, contained in this report as the remuneration policy during the following three years, all in accordance with the provisions in the Transitory Provision,

section 2 a), of Act 31/2014, on the reform of the Corporate Enterprises Act for the improvement of corporate governance.

Taking into account the above, the Appointments and Remuneration Committee submits a new remuneration policy for your approval that will be applicable from the date of approval by the General Shareholders' Meeting of Viscofan and will remain valid for the next three years.

During 2016 and 2017, Viscofan carried out an in-depth reflection on the remuneration policy and its degree of alignment with respect to the recommendations of corporate governance, the market practices of comparable companies and the interests of shareholders.

In order to carry out this reflection, the Appointments and Remunerations Committee, constituted by a majority of independent directors and chaired by an independent director, was advised by Willis Towers Watson, an independent external consultant expert in remuneration systems.

As a result, the remuneration policy proposal that the Appointments and Remunerations Committee has submitted to the Board and that the Board submitted to the General Meeting for approval, introduces the following modifications with respect to the previous policy:

Remuneration policy for executive board members:

- The total remuneration of the First Executive was reviewed to ensure a positioning in the 25th percentile of the reference market (IBEX 35). In turn, the current relationship between the remuneration of the General Managing Director with respect to that of the Chairman is maintained.

Taking into account the above, this revision implies the following modifications for both executive directors:

- The "at risk" variable remuneration is increased, both in the short and long term. Specifically, in a standard target fulfilment scenario, the variable remuneration would represent approximately 60% of the total remuneration with a balanced distribution between annual and multi-year remuneration.

- The annual fixed remuneration is adjusted to achieve the desired positioning.

- The possibility of implementing a Long-Term Incentive Plan in shares is introduced.

- A clawback clause is introduced through which the Company can recover the variable remuneration of the executive directors if there are a series of circumstances during the twelve months following the date of payment of the variable remuneration.

- The compensation for termination of the contractual relationship of the current executive directors is reduced from two annual payments of fixed and variable annual gross to two annual payments of the fixed gross remuneration. This amount also compensates the commitment of post-contractual non-competition. In the case of new appointments of directors with executive functions, these same

conditions would apply.

- The obligation is introduced that the executive directors keep a number of shares equivalent to two years of their gross fixed remuneration during the exercise of their position.

Remuneration policy for directors in their capacity as such:

- The specific remuneration of the Chairman is reduced by his membership on the Board of Directors.

- The remuneration of the General Managing Director, due to his membership of the Board of Directors, is equal to that of the other members of the Board.

- As a result of the termination of the Delegate Committee that is submitted to the General Meeting for approval, the specific remuneration for belonging to said Committee is eliminated.

- The specific remuneration for the position of Vice Chairman is eliminated

A.3 Indicate the amount and nature of the fixed components, with a breakdown where necessary, of the remuneration for the performance of senior management functions by the executive directors, the additional remuneration as chairman or member of any board committee, allowance payments for participation in the board and its committees and other fixed payments for the directorship and an estimate of the fixed annual remuneration to which they give rise. Identify other benefits not paid in cash and the basic parameters for which they are given.

Explain the fixed components of the remuneration

1) These are the fixed remuneration components and its quantification for the year 2018 in accordance with the policy in force until the General Meeting:

Non-executive Board Members
Fixed remuneration: €80,000
Allowances for meeting attendance: €3,000/meeting

Chairman of the Board
Fixed remuneration: €350,000

Vice chairmen of the Board
First Vice Chairman. Fixed remuneration: €250,000
Second Vice Chairman. Fixed remuneration: €175,000

Executive Committee or Delegated Committee
Fixed remuneration: €100,000 No fees for attending
Audit Committee
Members. Fixed remuneration: €30,000

Chairman. Fixed remuneration: €45,000
No fees for attending

Appointments and Remuneration Committee
Members. Fixed remuneration: €20,000
Chairman. Fixed remuneration: €30,000
No fees for attending

Executive Chairman
Fixed remuneration: €358,948
Life and accident insurance.
Healthcare.
Company car.

General Managing Director
Fixed remuneration: €347,185
Life and accident insurance.
Healthcare and health insurance
Company car.

Total maximum limit
Total remuneration of the Board < 1.5% annual consolidated cash profit before taxes. Remuneration for other functions due to work-related or professional services is not included.

Boards of other Viscofan Group companies.
The executive directors shall receive no remuneration or per diem allowance for being a member of a commission or another board.

2) These are the fixed components of the remuneration and its quantification for the year 2018 in accordance with the policy submitted to the General Shareholders' Meeting and that will be applicable, where appropriate, from its approval:

Limit: the annual amount of the remuneration to directors in their capacity as such, for all the items, will not exceed the limit of 1.5% of the annual consolidated cash profit before taxes. The previous remuneration is, in any case, the maximum amount, corresponding to the Board itself, the proposed distribution of its amount between the directors.

Fixed remuneration for membership on the Board.

Annual amount: 80,000 € per director.

Comments: The Chairman of the Board has a specific remuneration and does not receive this allocation.

Fixed remuneration for the Chairman of the Board.

Annual amount: 160,000 €.

Allowances for attendance at meetings of the Board of Directors to remunerate personal and effective attendance at the meetings of the Board of Directors: 3,000 € for each meeting and director. The Chairman and the General Managing Director will not receive any amount for attendance.

Fixed remuneration for belonging to the Committees of the Board of Directors.

- Audit Committee: 30,000 €
- Appointments and Remuneration Committee 20,000 €

Comments: The Chairmen of both Committees have a specific remuneration and, accordingly, do not receive this allocation.

Fixed remuneration for the chairmanship of the Committees of the Board of Directors:

- Audit Committee: 45,000 €
- Appointments and Remuneration Committee 30,000 €.

Fixed remuneration for the executive directors: Amount:

Chairman: 585,000 €

General Managing Director: 450,000 €

Other remuneration elements

Can be beneficiaries of certain payments in kind that include, among others, a company vehicle, a premium payment for life insurance and health care policies, of which the members of the family unit that live with them may be beneficiaries, the contribution to social security systems, in line with the remuneration policy of the senior management of the Group.

The remuneration policy for executive directors does not contemplate the granting of other benefits, credits, advances and guarantees established by the Company.

A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.

In particular:

- Identify each remuneration plan of which directors are beneficiaries, their scope, approval date, implementation date, validity period and main features. For share option plans and other financial instruments, the general features of the plan will include information on the conditions for exercising such options or financial instruments for each plan.
- Indicate any payments made under profit-sharing or bonus schemes, and the reason why they were granted.
- Explain the basic parameters and grounds for any annual bonus scheme.

- The types of directors (executive directors, external directors, independent directors or other external directors) that are beneficiaries of remuneration systems or plans that incorporate a variable remuneration.
- The foundations of such variable remuneration systems or plans, the criteria chosen to assess performance as well as the components and assessment methods to determine whether the criteria have been met or not, and an estimate of the total amount of variable remuneration that would result from the current compensation plan, as a function of the degree to which targets or benchmarks have been met.
- Where appropriate, give information on deferral periods or deferral of payment established and/or holdback periods for shares or other financial instruments, if any

Explain the variable components of the remuneration systems

The only non-fixed remuneration foreseen in the remuneration policy, both in that which is in force and in that which is submitted to the General Shareholders' Meeting to be held in 2018 and which, as the case may be, will come into force upon its approval, is for executive directors, who may receive variable annual remuneration and variable three-year remuneration.

In accordance with the current policy, the annual remuneration, applying a combination of parameters based on achieving Group targets, including financial targets in line with the multi-year Strategic Plan and the annual performance targets, and on strategic non-financial targets, as well as personal performance. The financial parameters that have been marked as targets for the annual variable remuneration of 2017 in application of this remuneration policy are Sales, EBITDA, Net Result, inventory over sales ratio. Others parameters applied are share value, and greater drive in EHS and Corporate Responsibility policies.

For the remuneration policy that is submitted to the General Meeting to be held in 2018, as explained in section A.1, the variable remuneration of executive directors includes:

a) Annual variable remuneration

Purpose: Incentivise the achievement of financial objectives, aligned with the Strategic Plan, strategic non-financial objectives and individual performance

Limits:

Annual Variable Remuneration Objective (target): 70% of the fixed annual remuneration. It will apply in the event of 100% achievement of the pre-established targets.

Maximum Annual Variable Remuneration: 120% of the Annual Variable Remuneration Objective. It will apply in the event of maximum over-fulfilment of the pre-established targets.

Metrics

It is linked to the accomplishment of a combination of economic-financial,

industrial, operational and qualitative objectives, specific, predetermined and quantifiable, aligned with corporate interest and in line with the Strategic Plan of the Viscofan Group.

- Corporate objectives: minimum of 50% on the entire incentive. Composed by metrics that guarantee the appropriate balance between the financial and operational aspects of corporate governance, as well as others related to the Company's share value.
- Quantifiable objectives of each executive director: maximum of 30%.
- Performance assessment: maximum of 20%.

Operation:

Corresponds to the Appointments and Remuneration Committee approval of the targets, at the start of each fiscal year, and the evaluation of their achievement, once it is completed.

It eliminates those economic effects, positive or negative, derived from extraordinary events that could cause distortion in the results of the assessment.

The achievement scale, set at the beginning of each fiscal year, includes a minimum threshold below which no incentive is paid and an objective level ("target") that corresponds to 100% achievement of the targets. For intermediate levels it is determined by linear interpolation.

In the event that the Committee determines that the targets set at the beginning of the fiscal year have been exceeded and that a level of over-fulfilment has been achieved, an additional incentive may be paid that will not exceed the maximum incentive indicated.

To calculate the variable remuneration amount, the degree of achievement and the weighting of each of the targets will be considered -individually and/or globally- and the internal rules and procedures for the evaluation of targets established by the Company for its executives will be applied.

b) Long-term incentive plan

Purpose: Reward the achievement of the strategic targets of the Viscofan Group in the long-term, the sustainability of the results and the creation of sustainable value for the shareholder.

Limits:

Annualised Objective Incentive (annualised Target): 70% of the fixed annual remuneration. Maximum Incentive: 120% of the Annualised Objective Incentive.

Metrics

- Economic-financial objectives and operational objectives of the strategic plan
- Objectives of creating value for shareholders.
- Non-financial objectives. Its weight will be maximum 20%.

Operation:

The measuring period: minimum three years.

The Plan may be paid in cash and/or include award of shares, share options or remuneration rights linked to the value of these, provided that the targets established for that purpose are met.

The fulfilment level, set at the beginning of the Plan, includes a minimum threshold below which no incentive is paid and a maximum level, if the targets have been exceeded. For intermediate levels it is determined by linear interpolation. The Committee performs an annual monitoring of the targets, and once the Plan is completed, will determine the degree of achievement. In this evaluation function, the Committee has the support of the Finance Division, which provides information on the audited results. Both for the establishment of targets and for the evaluation of their achievement, the Committee also considers any associated risk. It eliminates those economic effects, positive or negative, derived from extraordinary events that could cause distortion in the results of the assessment.

In the year 2019, as appropriate, the cash incentive corresponding to the 2016-2018 triennial variable remuneration will be paid.

A.5 Explain the main features of the systems of long-term savings, including retirement and any other survivor benefit, partly or wholly funded by the company, whether endowed internally or externally, with an estimate of their amount or annual equivalent cost, indicating the type of plan, whether defined contribution or defined benefit, the conditions for the vesting of the directors' economic rights and their compatibility with any type of severance payment for early cancellation or termination of the contractual relationship between the company and the director

Also indicate payments made to any director's defined-benefit pension scheme; or any increase in the director's vested rights when linked to contributions to defined-benefit schemes.

Explain the long-term savings systems

Not applicable. Not covered by the remuneration policy.

A.6 Indicate any indemnity payments agreed to or paid in the event of termination of the directorship

Explain the indemnity payments

No indemnity payments have been agreed or paid in the event of the termination of duties as a director.
The only indemnity payments contemplated are those to be received by Executive Directors due to the termination of their contracts for the performance of senior management duties.

A.7 Indicate the conditions that must be respected in the contracts of those who

exercise senior management functions as executive directors. Among other aspects, give information on the duration, limits to the amounts of indemnity, tenure clauses, notice periods and payments that can replace such notice periods, and any other clauses regarding hiring bonuses, as well as severance payments or ring-fencing for early cancellation or termination of the contractual relationship between the company and the executive director. Include, inter alia, covenants or agreements regarding non-competition, exclusivity, tenure or loyalty and non-competition after termination of contract.

Explain the conditions of the contracts of executive directors

The contracts of the Executive Directors are governed by the stipulations of the remuneration policy approved by the General Shareholders Meeting, and approved by the Board of Directors as is determined in the current regulation.

In accordance with the remuneration policy in effect both in the Executive Chairman's contract and in the General Manager Directors´ contract, compensation is provided for in two annual payments equal to the total of the last one received, in case he is terminated without just cause during his term of office, with a two-year non-competition commitment once the contract is finalised. In the event of non-compliance of the above mentioned non-compete obligation, the received compensation must be returned, along with a payment equal to three times its value to cover damages.

Moreover, both contracts stipulate a six-month advance notice in case of contract termination, which must be fulfilled by both parties. In the event of non-compliance, the defaulting party must provide compensation to the other party for the sum of salary payments corresponding to the unobserved advance notice period.

As indicated in point A.1, the policy that is submitted to the General Shareholders' Meeting and that will be in force once approved, includes the following contractual conditions for the executive directors:

- They are mercantile in nature and include the clauses that in practice tend to be included in this type of contract.
- They have been proposed by the Appointments and Remuneration Committee and approved by the Board of Directors of the Company.
- Agreed 6 months advanced notice.

In case of breach of the term, the breaching party shall indemnify the other party with the remuneration corresponding to the unfulfilled period of notice.

- The indemnity shall be equivalent to two annuities of the fixed remuneration. Included within this amount is compensation for the two-year non-compete commitment once the contract is terminated.

In case of non-compliance with the non-compete commitment the executive director must return the received compensation and pay three times its value to cover damages.

Compensation will not proceed if the dismissal is motivated by gross misconduct, wilful misconduct and culpable conduct of the executive director in the performance of their duties.

On the other hand, in case of termination of the relationship at the behest of the executive director, the latter will be entitled to receive compensation of two annuities of fixed remuneration in the following scenarios:
(i) Substantial modification of the conditions of provision services that redound notoriously to the detriment of the executive director.
(ii) There is a substantial modification in the conditions of provision of services of the executive director as a result of a significant change in ownership of the Company that has the effect of renewing the governing bodies of the Company or in the content and approach of its main activity, provided that the termination occurs within three months after the production of such changes.

A.8 Explain any additional remuneration paid to directors for services rendered other than those inherent to their position

Explain supplementary remuneration items

No other remuneration exists, except for the remuneration of the executive directors for their senior management duties detailed above.

A.9 Indicate any remuneration granted in the form of advances, credits and guarantees, indicating the interest rate, key features and any amounts finally returned, as well as the obligations assumed on their behalf in surety bonds.

Explain the advances, credits and guarantees granted.

Not applicable. They have not granted nor are expected in the current remuneration policy.

A.10 Explain the main features of remuneration in kind.

Explain any remuneration in kind.

The only remuneration in kind in accordance with the current policy are those that may be received by the executive directors consisting in life and accident insurance, a medical revision, medical insurance of the General Managing Director and a company car.

In the policy submitted to the General Meeting for their approval, it is expected that the executive board members can be beneficiaries of certain payments in kind that include, among others, a company vehicle, a premium payment for life insurance and health care policies, of which the members of the family unit that live with them may

be beneficiaries, the contribution to social security systems, in line with the remuneration policy of the senior management of the Group.

A.11. Indicate the remuneration accrued by the director by virtue of the payments made by the listed company to a third party entity in which the director provides services, when such payments are intended to remunerate the director's services in the company

Explain the remuneration accruing to the director by virtue of payments made by the listed company to a third party in which the director provides services

Not applicable.

A.12 Any kind of remuneration item other than those listed above, regardless of their nature or the group entity paying them, especially when it may be considered a related-party transaction or when its issuance would distort the true picture of the total remuneration received by the director.

Explain other remuneration items.

Not applicable. There are no other remuneration items others than those described above.

A.13 Explain the shares adopted by the company in relation with the remuneration system to reduce the exposure to excessive risks and adjust it to the targets, values and long-term interests of the company, which will include, when applicable, a reference to: measures designed to ensure that the remuneration policy is aligned with the long-term performance of the company; measures establishing an appropriate balance between fixed and variable compensation; measures taken in relation to those categories of staff whose professional activities have a material impact on the risk profile of the entity; clawback formulae or clauses to reclaim variable components of performance-based remuneration when such components have been paid on the basis of data that is subsequently proven to be wholly inaccurate; and measures designed to prevent conflicts of interest, where applicable.

Explain the actions taken to reduce the risks

As described in section A.1, the remuneration policy that is submitted to the General Meeting for its approval expects that the annual amount of the remuneration to directors in their capacity as such, for all the items, will not exceed the limit of 1.5% of the annual consolidated cash profit before taxes.

The remuneration of the directors in their capacity as such includes the specific principle of the absence of variable components for the sake of their full independence.

In the remuneration of the executive directors it includes the specific principle of maintaining a reasonable balance between the different components of fixed (annual) and variable (annual and long-term) remuneration, which reflects a suitable assumption of risks combined with the achievement of defined short- and long-term objectives, linked to the creation of sustainable value.

Furthermore, the policy expects an ex-post control of the variable remuneration ("Clawback"):

If the following circumstances occur within twelve months after the payment of this remuneration:

o Significant fall in consolidated net profit (more than 50%).

o Serious non-compliance by the beneficiary of the internal rules, including, in particular, risk-related.

o Material reformulation of the Group's financial statements, when considered by the external auditors, except when it is appropriate according to a modification of the accounting regulations.

Likewise, the variable remuneration of the executive directors is limited:

Annual variable remuneration limits:

Annual Variable Remuneration Objective (target): 70% of the fixed annual remuneration. It will apply in the event of 100% achievement of the pre-established targets.

Maximum Annual Variable Remuneration: 120% of the Annual Variable Remuneration Objective. It will apply in the event of maximum over-fulfilment of the pre-established targets.

Long-term incentive plan limits:

Annualised Objective Incentive (annualised Target): 70% of the fixed annual remuneration. Maximum Incentive: 120% of the Annualised Objective Incentive.

Additionally, the Appointments and Remuneration Committee will perform an annual monitoring of the targets, and once the Plan is completed, will determine the degree of achievement. In this evaluation function, the Committee has the support of the Finance Division, which provides information on the audited results. Both for the establishment of targets and for the evaluation of their achievement, the Committee also considers any associated risk. Eliminated those economic effects, positive or negative, derived from extraordinary items that could cause distortion in the results of the assessment.

Finally, the policy includes an ongoing share ownership commitment, which the executive directors shall maintain while they hold such status of a number of shares equivalent to two annuities of gross fixed remuneration in a period of four years, counting from the start of the effectiveness of the Policy or from the appointment in the case of new directors.

The valuation of the shares in the portfolio at the date of approval of the Remuneration Policy will be made at the closing price of the share on the date of the General Shareholders' Meeting that approves this Policy.

B - REMUNERATION POLICY FORECAST FOR FUTURE YEARS

Revoked

C - GLOBAL SUMMARY OF HOW THE REMUNERATION POLICY HAS APPLIED DURING THECLOSED FINALCIAL YEAR

C.1 Give a brief explanation of the main features of the structure and remuneration items of the remuneration policy applied during the closed financial year, resulting in the breakdown of the individual remuneration accrued by each of the directors listed in Section D of this report, and a summary of the decisions taken by the board to implement these items.

Explain the structure and remuneration items of the remuneration policy applied during the year.

The remuneration items and structure of the policy applied during the year ending 31.12.2017 are:

Non-executive Board Members
Fixed remuneration as Board members. €80,000
Allowances for meeting attendance: €3,000/meeting

Chairman of the Board
Fixed remuneration: €350,000

Vice Chairmen of the Board
First Vice-Chairman: €250,000
Second Vice-Chairman: €175,000

Executive Committee or Delegated Committee
Fixed remuneration: €100,000

Audit Committee
Members: €30,000
Chairman: €45,000

Appointments and Remuneration Committee
Members: €20,000
Chairman: €30,000

Executive Chairman
-Fixed remuneration: €358,948
-Annual variable remuneration: €147,000 as a consequence of the proposal of the Appointments and Remuneration Committee.
-Triennial variable remuneration: its perception does not apply until the end of the three years period in 2018
-Life and accident insurance. Healthcare. Company car. All of that for a value of 3,273€.

General Managing Director
Receives no remuneration as a director. The remuneration solely corresponds to his senior management duties.
-Fixed remuneration: 347,185€.
-Annual variable remuneration: €285,000 as a consequence of the proposal of the Appointments and Remuneration Committee.
-Triennial variable remuneration: its perception does not apply until the end of the three years period in 2018.
-Life and accident insurance. Healthcare and health insurance. Company car. All of that for a value of 9,747€.

Total maximum limit.
-Total remuneration of the Board < 1.5% annual consolidated cash profit before taxes.
Remuneration for other functions due to work-related or professional services is not included.

D- BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

NAME	TYPE	ACCRUAL PERIOD 2017
JOSÉ DOMINGO DE AMPUERO Y OSMA	EXECUTIVE	FROM 01/01/2017 TO 31/12/2017
NÉSTOR BASTERRA LARROUDE	OTHER EXTERNAL	FROM 01/01/2017 TO 31/12/2017
ÁGATHA ECHEVARRÍA CANALES	OTHER EXTERNAL	FROM 01/01/2017 TO 31/12/2017
ALEJANDRO LEGARDA ZARAGüETA	INDEPENDENT	FROM 01/01/2017 TO 31/12/2017
IGNACIO MARCO-GARDOQUI IBÁÑEZ	INDEPENDENT	FROM 01/01/2017 TO 31/12/2017
JOSÉ MARÍA ALDECOA SAGASTASOLOA	INDEPENDENT	FROM 01/01/2017 TO 31/12/2017
JAIME REAL DE ASÚA ARTECHE	INDEPENDENT	FROM 01/01/2017 TO 31/12/2017
JOSÉ ANTONIO CANALES GARCÍA	EXECUTIVE	FROM 01/01/2017 TO 31/12/2017
JUAN MARCH DE LA LASTRA	NOMINEE	FROM 01/01/2017 TO 31/12/2017
SANTIAGO DOMECQ BOHÓRQUEZ	NOMINEE	FROM 01/01/2017 TO 31/12/2017

D.1 Complete the following tables on the individual remuneration of each of the directors (including remuneration for carrying out executive functions) accrued during the year.

a) Remuneration accrued in the company covered by this report:

i) Cash remuneration (000'€)

Name	Salary	Fixed Remuneration	Allowances	Compensation Variable in short-term	Compensation Variable in long-term	Remuneration for positions on Board committees	Penalties	Others	2017 Total	2016 Total
JOSÉ DOMINGO AMPUERO Y OSMA	362	350	0	147	0	0	0	0	859	808
JOSÉ ANTONIO CANALES GARCÍA	357	0	0	285	0	0	0	0	642	547
NÉSTOR BASTERRA LARROUDÉ	0	330	33	0	0	100	0	0	463	463
ÁGATHA ECHEVARRÍA CANALES	0	255	33	0	0	100	0	0	388	388
IGNACIO MARCO-GARDOQUI IBÁÑEZ	0	80	30	0	0	65	0	0	175	176
ALEJANDRO LEGARDA ZARAGÜETA	0	80	30	0	0	30	0	0	140	148
JOSÉ MARÍA ALDECOA SAGASTASOLOA	0	80	33	0	0	30	0	0	143	143
JAIME REAL DE ASÚA ARTECHE	0	80	33	0	0	30	0	0	143	140
JUAN MARCH DE LA LASTRA	0	80	33	0	0	20	0	0	133	130
SANTIAGO DOMECQ BOHÓRQUEZ	0	80	33	0	0	30	0	0	143	92

ii) Share-based remuneration systems

iii) Long-term savings systems

b) Remuneration accrued by the company directors for their membership to boards in other companies of the group:

i) Cash remuneration (000'€)
ii) Share-based remuneration systems
iii) Long-term savings systems

c) Summary of the remuneration (thousands €):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to the director, in thousand euros.

Where there are long-term Saving Systems, include contributions or endowments made to such systems:

Name	Remuneration accruing to the company				Remuneration accruing to group companies				Totals		
	Total Cash remuner.	Value of Shares granted	Gross profit on options exercised	2017 Total	Total Cash remuner.	Value of Shares granted	Gross profit on options exercised	2017 Total	2017 Total	2016 Total	Contribu. to saving systems /year
JOSÉ DOMINGO AMPUERO Y OSMA	859	0	0	859	0	0	0	0	859	808	0
NÉSTOR BASTERRA LARROUDÉ	463	0	0	463	0	0	0	0	463	463	0
ÁGATHA ECHEVARRÍA CANALES	388	0	0	388	0	0	0	0	388	388	0
ALEJANDRO LEGARDA ZARAGÜETA	140	0	0	140	0	0	0	0	140	148	0
IGNACIO MARCO-GARDOQUI IBÁÑEZ	175	0	0	175	0	0	0	0	175	176	0
JOSÉ MARÍA ALDECOA SAGASTASOLOA	143	0	0	143	0	0	0	0	143	143	0
JAIME REAL DE ASÚA ARTECHE	143	0	0	143	0	0	0	0	143	140	0
JUAN MARCH DE LA LASTRA	133	0	0	133	0	0	0	0	133	130	0
JOSÉ ANTONIO CANALES GARCÍA	642	0	0	642	0	0	0	0	642	547	0
SANTIAGO DOMECQ BOHÓRQUEZ	143	0	0	143	0	0	0	0	143	92	0
	3.229	**0**	**0**	**3.229**	**0**	**0**	**0**	**0**	**3.229**	**3.035**	**0**

D.2 Give information on the relationship between the remuneration received by the directors and the earnings or other performance indicators of the entity, explaining, where appropriate, how variations in the company's performance may have influenced the variation in directors' remunerations.

Non-executive Board Members' remuneration is fixed and proportional to their responsibility and dedication in their respective positions.

The Company's results and performance are directly related to the following aspects of remuneration of the Board Members:

Remuneration of the Executive Directors.

Remuneration of the Executive Directors consists of the following:

- Annual variable remuneration and variable remuneration every three years.

Both shall be established by using as a reference point the same criteria determined

for Viscofan senior management, applying a combination of parameters based on achieving Group targets linked to results and share price growth, as well as personal performance.

The parameters that have been marked as objectives for the 2017 annual variable remuneration, through applying this remuneration policy, are: Revenue, EBITDA, Net Result, Inventory over Revenue ratio. Others parameters applied are share value, and greater drive in EHS and Corporate Responsibility policies.

The amount shall be decided on the basis of the evaluation of the Executive Directors by the Board of Directors, based on the Appointments and Remuneration Committee reports.

The payment only occurs once the Appointments and Remuneration Committee has approved completion of all the customised targets in accordance with those established when fixing them.

In fiscal year 2017 the targets proposed were not reached and the Appointments and Remuneration Committee proposed a variable remuneration lower than that reached in 2016.

Therefore, company performance is directly related to the amount of annual variable remuneration of the Executive Directors.

D.3 Give information on the outcome of the consultative vote of the annual general meeting on the annual remuneration report of the previous year, indicating the number of votes cast against, if any.

	Number	% of total
Votes cast	36,873,231	79.12%

	Number	% of votes cast
Votes against	744,800	2.02%
Votes in favour	35,955,335	97.51%
Abstentions	173,096	0.47%

E- OTHER INFORMATION OF INTEREST

If there are any relevant aspects relating to directors' remuneration that you have not been able to describe in other sections of this report but that are necessary to provide more comprehensive and fully reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

The total remuneration accrued in 2016 does not match with that reported in the

2016 remuneration report because in that report they included 41,000 euros accrued by Ex-Director Laura González Molero during that year.

This annual remuneration report was approved by the company's board of directors in the meeting on 28th February 2018.

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

	Yes	No	X