

KEY PERFORMANCE INDICATORS

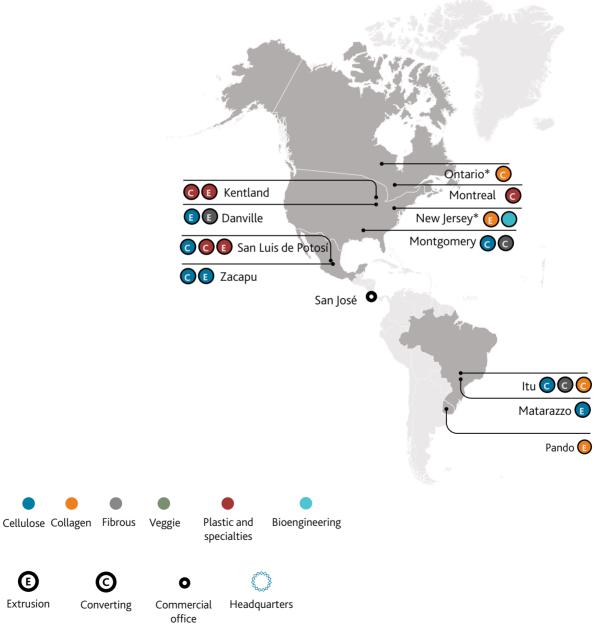
KEY PEKFORMA	NCE INDICATORS	
+ - × ÷	SHAREHOLDERS	
Market Capitalization	Ordinary	Revenue
€2,190.2	remuneration per share	€849.7
Mn €2,242.6 Mn in 2018	€1.62 €1.60 in 2018	Mn €786.0 Mn in 2018
-2.3%	1.3%	8.1%
EBITDA	EBITDA Margin	Net Profit
€201.0	23.7%	€105.6
Mn €208.8 Mn in 2018	26.6% in 2018	Mn €123.7 Mn in 2018
-3.7%	-2.9 p.p.	-14.7%
Сарех	Net Financial Debt	Share price CAGR
€62.1	€89.4	10.2%
Mn €71.6 Mn in 2018	Mn €95.4 Mn in 2018	10 years
-13.3%	-6.3%	



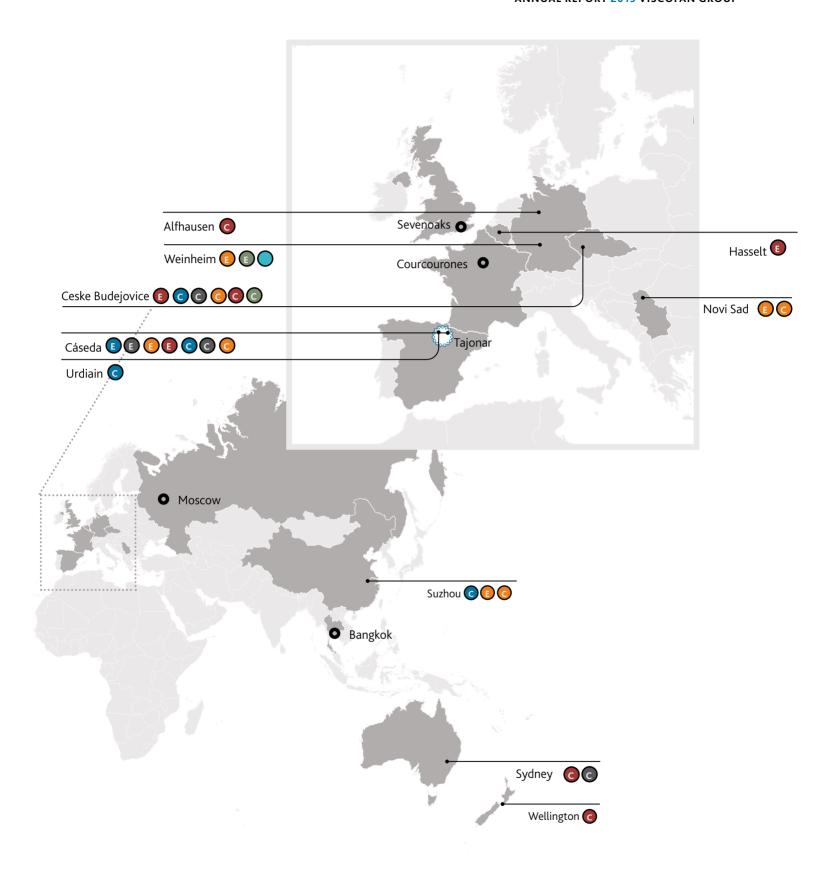
MARKET Estimated market Countries with Countries with share in the gut commercial productive and casings market presence presence 18% > 100 13 Casings portfolio: cellulose, collagen, fibrous, plastic and vegetable >14,000 **Sold references**

EMPLOYEES		
Average Workforce 4,628 4,641 in 2018	Training hours 130,668 115,162 in 2018	Women's workforce 28.7% 29.0% in 2018
Training investment €2.6 Mn €2.2 Mn in 2018	Training hours in safety and health 24,810 28,366 in 2018	Working hours lost due to accident / Total working hours 0.23% 0.38% in 2018

PRODUCTIVE AND COMMERCIAL FOOTPRINT



^{*}Includes the plants of Nitta Casings Inc. and Nitta Casings (Canada) Inc. acquired in December 2019. The corporate name of these companies has been changed to "Viscofan Collagen USA Inc." and "Viscofan Collagen Canada Inc.", respectively.





Audit and Verification Reports

Annual Consolidated Accounts

Management Report



Viscofan, S.A. and subsidiaries

Auditor's Report, Consolidated Annual Accounts and Consolidated Management Report at 31 December 2019



"This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation."

Audit report on the consolidated annual accounts issued by an independent auditor

To the shareholders of Viscofan, S.A.:

Report on the Consolidated Annual Accounts

Opinion

We have audited the consolidated annual accounts of Viscofan, S.A. (parent company) and subsidiaries (the Group), consisting of the statement of financial position at 31 December 2019, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, all of the foregoing on a consolidated basis, and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the Group's consolidated equity and financial position at 31 December 2019 and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

Our audit has been carried out in accordance with prevailing Spanish auditing regulations. Our responsibilities under said regulations are described below under Responsibilities of the auditor in relation to the audit of the consolidated annual accounts.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, applicable to our audit of the consolidated annual accounts in Spain, as required by auditing regulations. In this respect, we have not provided any services other than audit services, nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in the audit of the consolidated annual accounts for the current period. These matters have been addressed in the context of our audit of the consolidated annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.





Key audit matters

How the matters were addressed in the audit

Revenue recognition

The most significant item in the Group's income statement is revenue (note 5.1 to the accompanying consolidated annual accounts).

This item is a key indicator of the Group's business.

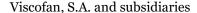
The Group's revenue includes a multitude of transactions and relate mainly to sales of artificial wrappings for cold meats and, to a lesser extent, sales of electricity produced through co-generation systems (Note 1 to the accompanying annual accounts).

Verifying that sales are properly recognised taking into account the relevant conditions is therefore a key audit matter.

Our audit procedures included the validation of the efficiency of the controls over the sales process and verification procedures such as:

- Verification of the design and implementation and operational efficiency of the relevant controls that support the integrity of sales, including identifying the manual and automatic controls of the information systems throughout the process used to create orders, generate delivery notes and invoice sales.
- Evaluation that the revenue recognition criteria are adequate taking into account the contract terms and obligations by reviewing customer orders.
- Performing tests of detail on sales operations, verifying, for a sample, the appropriate recognition of transactions through third-party supporting documentation.
- Selecting and verifying, if appropriate, the entries recorded in revenue that we considered could give rise to unusual or irregular items.
- Obtaining confirmation of the year-end balances for a sample of customers.
- Verification that sales have been recognised in the correct period based on established terms and conditions.

As a result of our tests, we have no relevant observations to make regarding this matter.





Other information: Consolidated directors' report

Other information refers exclusively to the consolidated directors' report for 2019, the preparation of which is the responsibility of the parent company's directors, and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated directors' report. Our responsibility for the information contained in the consolidated directors' report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

- a) A specific level applicable to the consolidated non-financial statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the management report or where applicable, that the management report includes the corresponding reference to the separate non-financial report as stipulated under prevailing regulations and if not, disclose this fact.
- b) A general level applicable to other information included in the consolidated management report that consists of assessing and reporting on the consistency of that information with the consolidated annual accounts, on the basis of the understanding of the Group that we have obtained in the performance of the audit of those accounts, not including other information not obtained as evidence during the course of the audit and assessing and reporting on whether the content and presentation of that part of the consolidated management report are in conformity with applicable legislation. If, based on the work performed, we conclude that there are material misstatements, we are required to report them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the other information contained therein is consistent with that provided in the 2019 consolidated annual accounts and its content and presentation are in conformity with applicable regulations.

Directors' and audit committee's responsibility in relation to the consolidated annual accounts

The parent company's directors are responsible for the preparation of the accompanying consolidated financial statements such that they present fairly the equity and the financial position of the Group and subsidiaries and the consolidated results of their operations in accordance with Financial Reporting Standards adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain, and the internal control considered necessary to permit the preparation of consolidated financial statements which are free from material misstatement, due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The parent company's audit committee is responsible for overseeing the preparation and presentation of the consolidated financial statements.





Responsibilities of the auditor in relation to the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with auditing standards prevailing in Spain will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated annual accounts.

As part of an audit conducted in accordance with prevailing auditing standards in Spain, we apply our professional judgement and maintain an attitude of professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not to express an opinion on the
 effectiveness of the Group's internal control.
- We assess whether the accounting policies applied are appropriate and the reasonableness of the accounting estimates and the related disclosures by the parent company's directors.
- We conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and assess whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.



Viscofan, S.A. and subsidiaries

• We obtain sufficient and adequate evidence in relation to the financial information of the companies or the business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the parent company's Audit Committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control deficiency that we identify in the course of our audit.

We also provide the parent company's audit committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the Audit Committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.

Among the matters communicated to the parent company's audit committee, we determine those that have been of the greatest significance in the audit of the consolidated annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless law or regulation precludes the public disclosure of the matter concerned.

Report on other legal and regulatory requirements

Additional report for the parent company's audit committee

The opinion expressed in this report is consistent with the content of our additional report for the parent company's Audit Committee dated 27 February 2020.

Term of engagement

We were appointed Group auditors for a three-year period as from the year ended 31 December 2017 at the general and extraordinary meeting of shareholders held on 27 April 2017.

Services rendered

Non-audit services provided to the Group are detailed in note 27 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by David Zubizarreta Lecumberri (21650)

27 February 2020



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INDEPENDENT VERIFICATION REPORT

To the shareholders of Viscofan, S.A.

Pursuant to Article 49 of the Code of Commerce, we have performed a verification, with a limited scope of assurance, of the non-financial information identified in the GRI table and in the non-financial information statement (hereinafter, NFIS) included in the Consolidated Management Report (hereinafter, CMR) concerning Viscofan, S.A and subsidiaries (hereinafter, Viscofan or the Group) corresponding to the financial year ending 31 December 2018.

The CMR includes information in addition to the details required by trade regulations in force in terms of non-financial reporting and the core Global Reporting Initiative standards to produce sustainability reports (hereinafter, GRI standards), which have not been included in our verification work. In this connection, our work has been limited exclusively to verifying the information identified in the "GRI Table" and in the "Contents of Law 11/2018" table from Chapter 7 of the CMR.

Responsibility of the Directors

Viscofan's Board of Directors is responsible for the preparation of the Group's Consolidated Management Report, in addition to its content. The NFIS featured in the CMR has been prepared in line with the contents of the trade regulations in force and following the core GRI standards, in addition to the other criteria set out pursuant to the provisions for each topic in the "GRI Table" and in the "Contents of Law 11/2018" table from Chapter 7 of the CMR.

This responsibility includes the design, roll-out and maintenance of internal control that is considered necessary to ensure the CMR is free from material misstatement, whether due to fraud or error.

The directors at Viscofan are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CMR is obtained.

Our independence and quality control

We have satisfied the independence requirements and other requirements set out in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectiveness, professional competence, diligence, confidentiality and professionalism.

Our company applies International Standard on Quality Control 1 (ISQC 1) and thus maintains a global quality control system that encompasses documented policies and procedures concerning compliance with ethics requirements, professional rules and the applicable legal and regulatory provisions.

The work team was made up of experts in reviewing Non-Financial Information and, specifically, information on economic, social and environmental performance.

Conclusion

Based on the procedures carried out in our verification and the evidence obtained, we have not identified any aspect that leads us to believe that:

- a) The non-financial information identified in Viscofan's "GRI Table" corresponding to the financial year ending 31 December 2018 has not been prepared, in all its significant aspects, in line with the core GRI standards.
- b) Viscofan's NFIS corresponding to the financial year ending 31 December 2018 has not been prepared, in all its significant aspects in line with the contents of the trade regulations in force and following the GRI standard criteria selected, in addition to the other criteria set out pursuant to the provisions for each topic in the "GRI Table" and in the "Contents of Law 11/2018" table from Chapter 7 of the CMR.

Use and distribution

This report has been prepared in response to the requirement established in the trade regulations in force in Spain, meaning it may not be appropriate for other purposes and jurisdictions.

Deloitte S.L.

Helena Redondo

28February 2019

Our responsibility

Our responsibility is to provide our conclusions in an independent limited assurance verification report based on the work carried out, which corresponds exclusively to the 2018 financial year. The data corresponding to previous years was not subject to the verification provided for in the trade regulations in force.

We have performed our verification work in line with the requirements established in the revised International Standard on Assurance Engagements 3000 in force "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the Guidelines on verification works concerning non-financial information statements issued by the Spanish Chartered Accountants Association.

In a work of limited assurance, the procedures carried out vary in nature and time, and their scope is smaller than reasonable assurance works; therefore, the assurance obtained is substantially smaller.

Our work has consisted of preparing questions for management, in addition to the different departments at Viscofan that have participated in the creation of the CMR, in the review of processes to gather and validate the non-financial information presented in the CMR and in the application of specific analytical procedures and sample revision tests described below:

- Meetings with Viscofan staff to understand the business model, the policies and management
 approaches applied, the main risks relating to these maters and obtain the necessary information
 for the external review.
- Analysis of the scope, relevance and integrity of the content included in the non-financial
 information of the CMR based on the materiality analysis performed by Viscofan and described in
 the "Materiality" chapter of the CMR, in addition to considering the content required in the trade
 regulations in force.
- Analysis of the processes to gather and validate the 2018 data presented in the CMR's non-financial information.
- Revision of information relative to risks, policies and management approaches applied in relation to the material aspects identified set out in the "Materiality" chapter of the CMR.
- Confirmation that the financial information used to respond to the contents of GRI and NFIS standards has been obtained from Viscofan's annual accounts.
- Confirmation, by tests, based on a sample selection of information corresponding to the contents of non-financial information included in the 2018 CMR and its appropriate compilation using the data supplied by Viscofan's sources of information.
- Submission of a representation letter by the Directors and Management.



Auditor's report on the "Information concerning the System of Internal Control over Financial Reporting (SICFR)" of Viscofan S.A. for 2018

For the Directors:

At the request of the Board of Directors of Viscofan, S.A. (hereinafter, the Entity) and pursuant to our proposal letter dated 21 December 2018, we have applied certain procedures to the accompanying "Information concerning the SICFR" included in pages 56 to 67 of the Annual Corporate Governance Report" (ACGR) of Viscofan, S.A. for 2018, which summarises the Entity's internal control procedures with respect to its annual financial information.

The Board of Directors is responsible for taking the measures that are necessary to reasonably assure the implementation, maintenance and oversight of an appropriate internal control system, and for developing improvements to this system and preparing and establishing the content of the accompanying Information concerning the SICFR.

In this connection, it should be borne in mind that, irrespective of the design quality and efficiency of the Entity's system of internal control over its annual financial reporting, it can only provide reasonable - but not absolute - assurance in relation to the objectives it seeks to achieve due to the limitations inherent to any internal control system.

In the course of our audit work on the annual accounts in accordance with Technical Auditing Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of the audit procedures on the Entity's annual accounts. Accordingly, our internal control evaluation performed for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the system of internal control over the regulatory annual financial reporting.

For the purposes of the present report, we have only applied the specific procedures described below and indicated in the *Guidelines concerning the Auditor's Report on the Information concerning the System of Internal Control over Financial Reporting for listed entities* published by the National Securities Market Commission on its website, which lays down the work to be performed, the scope of the work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is limited and substantially less than the scope of an audit or an internal control system review, we do not express an opinion on its effectiveness, its design or operational efficiency, in relation to the Entity's annual financial reporting for 2018 described in the accompanying SICFR Information. Therefore, had we applied additional procedures to those determined by said Guidelines or had we performed an audit or review of the internal control system in relation to the regulatory annual financial reporting, other matters could have come to light of which you would have been informed.

As this special work does not constitute an audit and is not subject to the Audit Law, we do not express an audit opinion in the terms envisaged in said legislation.



The procedures applied are as follows:

- 1. Reading and understanding of the information prepared by the Entity in relation to the SICFR breakdown included in the management report and evaluation of whether said information covers all the data required as per the minimum content described in Section F of the model Annual Corporate Governance Report, as established in Circular 5/2013 of the National Securities Market Commission dated 12 June 2013, subsequently amended by Circular 7/2015 of the National Securities Market Commission dated 22 December 2015 and Circular 2/2018 of the National Securities Market Commission dated 22 June 2018.
- 2. Making enquiries of personnel in charge of preparing the information mentioned in 1. above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Entity.
- 3. Review of supporting documentation explaining the information described in 1. above and which will mainly comprise the information made directly available to the persons responsible for preparing the information on the SICFR. In this respect, that documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their functions supporting the Audit Committee.
- 4. Comparison of the information detailed in 1. above with the knowledge of the Entity's SICFR obtained from the application of the procedures performed within the framework of the audit of the annual accounts
- Reading of the minutes of meetings of the Board of Directors, Audit Committee and other
 committees of the Entity for the purpose of evaluating consistency between the matters dealt with
 therein in relation to the SICFR and the information described in 1. above.
- Obtaining the letter of representation concerning the work performed, duly signed by the persons
 responsible for the preparation and drafting of the information mentioned in 1. above.

As a result of the procedures applied to the Information concerning the SICFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively within the framework of the requirements of Article 540 of the Spanish Companies Act and Circular No. 5/2013 of the National Securities Market Commission of 12 June 2013, amended by Circular No. 7 2015 of the National Securities Market Commission of 22 December 2015 and Circular 2/2018 of the National Securities Market Commission of 12 June 2018, for the purposes of the description of the SICFR in Annual Corporate Governance Reports.

PricewaterhouseCoooers Auditores, S.L.

David Zubizarreta Lecumberri

28 February 2019



<u>Free translation from the original in Spanish, in event of discrepancy, the Spanish-language version prevails)</u>

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Management report for the year ended 31 December 2019



Consolidated income statement (Thousands of euros)

	Note	2019	2018
Sales and services rendered	5.1	849,697	786,049
Changes in inventories of finished goods and work in progress		(9,041)	25,097
Consumption of raw materials and other consumables		(262,623)	(252,646)
Other income	5.2	6,948	23,436
Personnel expenses	5.3	(201,278)	(189,135)
Other operating expenses	5.4	(190,023)	(189,208)
Intangible assets amortization	9	(4,087)	(3,801)
Property, plant and equipment depreciation	10	(62,071)	(58,637)
Right-of-use assets amortization	11	(4,516)	_
Impairment and gains (losses) on disposal of non-current assets		(92)	(320)
Impairment of goodwill	9	(3,520)	_
Negative differences from business combinations	8	10,889	5,486
Operating profit		130,283	146,321
Finance income	5.5	597	309
Finance costs	5.5	(1,966)	(2,134)
Fair value adjustment to financial investment	5.5	15	4
Exchange differences	5.5	1,135	2,799
Profit before tax		130,064	147,299
Income tax expense	22	(24,487)	(23,588)
Net result for the year from continued operations		105,577	123,711
Profit for the year		105,577	123,711
Result attributable to equity holders of the parent		105,577	123,833
Result attributable to non-controling interests		_	(122)
Earnings per share, basic and diluted, from profit for the year attributable to equity holders of the parent (in euros)	6	2.2725	2.6578
Earnings per share, basic and diluted, from continuing operations attributable to equity holders of the parent (in euros)	6	2.2725	2.6578



Consolidated statements of other comprehensive income (Thousands of euros)

	Note	2019	2018
Result attributable to equity holders of the parent		105,577	123,833
Exchange differences on translation of foreign operations	16.5	1,763	(8,104)
Net movement on cash flow hedges		2,865	(2,979)
Income tax effect	•	(823)	826
Net other compehensive income to be reclasified to profit or loss in subsequent periods		3,805	(10,257)
Re-measurement gains (losses) on defined plans	18.1	(2,391)	646
Income tax effect		573	(169)
Net other compehensive income not to be reclasified to profit loss in subsequent periods	or	(1,818)	477
Other comprehensive income for the year, net of tax		1,987	(9,780)
otal comprehensive income for the year, net of tax attibutable equity holders of the parent	to	107,564	114,053



Consolidated statements of financial position (Thousands of euros)

Assets	Note	2019	2018
Intangible assets	9	19,635	22,915
Property, plant and equipment	10	494,994	479,479
Right-of-use assets	11.1	19,332	-
Other non-current financial assets	14	2,376	2,615
Non-curent derivatives	21	96	13
Deferred tax assets	22	28,432	22,533
Total non-current assets		564,865	527,555
Inventories	12	277,390	284,341
Trade and other receivables	13	186,279	175,443
Income tax receivable	22	1,522	6,178
Current financial assets	14	815	8,433
Current derivatives	21	2,768	742
Cash and cash equivalents	15	51,370	31,050
Total current assets		520,144	506,187
Total assets		1,085,009	1,033,742



Consolidated statements of financial position (Thousands of euros)

Equity and liabilities	Note	2019	2018
Share capital	16.1	32,550	32,623
Share premium and Other reserves	16.2	738,173	701,389
Own shares	16.3	(6,487)	(5,289)
Profit for the year	***************************************	105,577	123,833
Interim dividend	16.6	(30,127)	(35,818)
Hedge transaction reserves	16.4	1,662	(380)
Translation differences	16.5	(56,982)	(58,745)
Equity attributable to equity holders of the parent		784,366	757,613
Non-controlling interests		_	13
Total equity		784,366	757,626
Grants	17	1,551	2,135
Provisions	18	33,602	21,964
Non-current financial liabilities	20	71,909	56,449
Non-current liabilities on Right-of-use assets	11.2	14,392	28
Non-curent derivatives	21	_	495
Deferred tax liabilities	22	23,669	21,351
Total non-current liabilities		145,123	102,422
Current financial liabilities	20	50,428	78,412
Current liabilities on Right-of-use assets	11.2	4,903	35
Current derivatives	21	125	1,047
Trade and other payables	19	85,947	82,471
Income tax payable	22	5,158	5,984
Provisions	18	8,959	5,745
Total current liabilities		155,520	173,694
Fotal equity and liabilities		1,085,009	1,033,742



Consolidated statement of cash flows (Thousands of euros)

	Note	2019	2018
Profit for the year before tax		130,064	147,299
Amortization of intangible assets	9	4,087	3,801
Depreciation of property, plant and equipment	10	62,071	58,637
Depreciation of Right-of-use assets	11	4,516	-
Changes in provisions	***************************************	5,999	2,831
Impairment of goodwill	9	3,520	-
Negative differences from business combinations	8	(10,889)	(5,486)
Finance income	5.5	(597)	(309)
Finance costs	5.5	1,966	2,130
Foreign currency differences (net)	5.5	(1,135)	(2,799)
Other adjustments		(499)	(313)
Adjustments to reconcile profits before tax with net cash flows		69,039	58,492
Inventories		15,023	(35,239)
Trade and other receivables		(6,919)	(9,354)
Trade and other payables		(1,969)	(3,587)
Changes in working capital		6,135	(48,180)
Income tax paid	22	(26,742)	(31,717)
Contributions and other payments related to pension plans	18	(565)	(629)
Cash flow from operating activities		177,931	125,265
Acquisition of subsidiaries, net of cash acquired	8	(1,544)	(7,128)
Payments for acquisition of property, plant, equipment and intangible assets	16.1	(62,755)	(71,949)
Disposal of property, plant, equipment and intangible assets	***************************************	766	583
Interest received		891	723
Cash flows from investing activities		(62,642)	(77,771)
Proceeds from borrowings	16.1	49,366	47,778
Repayment of borrowings	16.1	(66,355)	(8,907)
Own share acquisition	16.3	(6,487)	(5,289)
Dividends paid to shareholders of the parent		(74,302)	(78,694)
Interest paid	16.1	(1,909)	(2,182)
Payments of Right-of-use assets	16.1	(4,552)	_
Other financial liabilities (net)	16.1	8,914	2,760
Cash flows from financing activities		(95,325)	(44,534)
Impact of changes in exchange rates on cash and cash equivalents		356	(53)
Net increase (decrease) in cash and cash equivalents		20,320	2,907
Cash and cash equivalents at January 1,	15	31,050	28,143
Cash and cash equivalents at December 31,	15	51,370	31,050



Consolidated statement of changes in equity (Thousands of euros)

	Balance at January 1, 2019	Total recognized income and expense	Increase / (decrease)	Distributed dividends	Owns shares acquisition	Transaction s with non- controlling interests	Share-based payements cost	Transfers between equity accounts	Balance at December 31, 2019
Share capital (Note 16.1)	32,623	-	(73)	-	-	-	-	-	32,550
Share premium and other Reserves (Note 16.2)	701,389	(1,818)	(5,216)	-	(5)	(279)	262	43,840	738,173
Own shares (Note 16.3)	(5,289)	-	5,289	-	(6,487)	-	-	-	(6,487)
Profit for the year attributable to equity holders of the parent	123,833	105,577	-	(79,993)	-	-	-	(43,840)	105,577
Interim dividend (Note 16.6)	(35,818)	-	-	5,691	-	-	-	-	(30,127)
Hedge transaction reserves (Note 16.4)	(380)	2,042	-	=	-	_	-	-	1,662
Conversion differences (Nota 16.5)	(58,745)	1,763	-	-	-	-	-	-	(56,982)
Total Equity attributed to the parent	757,613	107,564	_	(74,302)	(6,492)	(279)	262	-	784,366
Non-controlling interests	13	-	-	-	-	(13)	-	-	-
Total Net equity	757,626	107,564	-	(74,302)	(6,492)	(292)	262	-	784,366

	Balance at January 1, 2018	Total recognized income and expense	Increase / (decrease)	Distributed dividends	Owns shares acquisition	Transaction s with non- controlling interests	Share-based payements cost	Transfers between equity accounts	Balance at December 31, 2018
Share capital (Note 16.1)	32,623	-	-	-	-	-	-	-	32,623
Share premium and other Reserves (Note 16.2)	650,585	476	-	-	(3)	-	-	50,331	701,389
Own shares (Note 16.3)	-	-	-	-	(5,289)	-	-	-	(5,289)
Profit for the year attributable to equity holders of the parent	122,101	123,833	_	(71,770)	_	_	-	(50,331)	123,833
Interim dividend (Note 16.6)	(28,894)	-	-	(6,924)	-	-	-	-	(35,818)
Hedge transaction reserves (Note 16.4)	1,772	(2,152)	-	-	-	-	-	-	(380)
Conversion differences (Nota 16.5)	(50,641)	(8,104)	-	-	-	-	-	-	(58,745)
Total Equity attributed to the parent	727,546	114,053	_	(78,694)	(5,292)	-	_	-	757,613
Non-controlling interests	135	(122)	-	-	-	-	-	-	13
Total Net equity	727,681	113,931	-	(78,694)	(5,292)	-	-	-	757,626



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1. <u>Description and Principal Activities</u>

Viscofan, S.A. (hereinafter the Company or the parent) was incorporated in Spain with limited liability on 17 October 1975 as Viscofan, Industria Navarra de Envolturas Celulósicas, S.A. At a meeting held on 17 June 2002 the shareholders agreed to change the name of the Company to the current one.

Its statutory and principal activity consists of the manufacture of artificial casings, mainly for use in the meat industry; manufacture and distribution of collagen-based products for food and bioengineering use; as well as, to a lesser extent, the generation of electricity for sale to third parties through cogeneration systems. Its industrial installations are located in Cáseda and Urdiain (Navarre). The head office and registered office are located in Polígono Industrial Berroa, Calle Berroa nr. 15, 4ª planta, 31192 - Tajonar (Navarre).

Viscofan, S.A. is the parent of a group of companies (the Viscofan Group or the Group) which mainly carry out their activities in the food sector and in cellulose, plastic, fibrous and collagen casing sectors, as explained in more detail in Note 2.

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

The Group's 2018 consolidated financial statements were approved at the General Shareholders' Meeting held on 12 April 2019.

The parent's directors expect these 2019 consolidated financial statements, which were draw up on 27 February 2020, to be approved by the shareholders in general meeting without modification.

2. Viscofan Group

With effect on 1 January 2019, Gamex C.B. s.r.o. was taken over by Viscofan CZ, s.r.o. in the Czech Republic.

In July 2019, Viscofan (Thailand) Co. Ltd. was formed in Thailand.

In August 2019, Transform Pack Inc. in Canada was wound up after the transfer en bloc of its assets, liabilities, rights and obligations to Viscofan Canada Inc.

In December 2019, Viscofan Group acquired 100% of shares of Nitta Casings Inc. in the United States and Nitta Casings (Canada) Inc. in Canada. After the acquisition, the companies were renamed Viscofan Collagen USA Inc and Viscofan Collagen Canada Inc, respectively.

As of 31 December 2019, the Group holds 100% of the shares in Nanopack Technology and Packaging S.L.U.

Supralon International AG under liquidation, which was inactive during 2019, is still in the process of liquidation pending the resolution of a claim against a supplier.

In February 2018, 100% of the shares of Transform Pack Inc. were purchased.

In November 2018, 100% of the shares of Globus Group Australia and New Zealand were purchased.

Vector UK Ltd was wound up in April 2018.

Details of the subsidiaries and associates comprising the Viscofan Group at 31 December 2019 and 2018, including certain additional information, are shown below:



2.1. <u>Details of subsidiaries and associates comprising the Viscofan Group at 31 December 2019</u>

Percentage of interest Group companies Direct Indirect Activity Registered offices Jupiter PTY Ltd 100.00% Services rendered Bankstown (Australia) Manufacture and marketing of artificial Novi Sad Koteks Viscofan, d.o.o. 100.00% (Serbia) casings Tajonar, Nanopack, Technology and Packaging S.L. 100.00% Manufacture of interleaver film Navarra (Spain) Manufacture and marketing of artificial Naturin Viscofan GmbH 100.00% Weinheim (Germany) Lease of an industrial machinery (to the Chur Supralon Verpackungs AG 100.00% Group)/Other services (Switzerland) Manufacture and marketing of artificial Supralon Produktions und Vertriebs GmbH 100.00% Alfhausen (Germany) Courcouronnes Supralon France SARL 100.00% Marketing of artificial casings (France) Schaan (Liechtenstein) Supralon International AG under liquidation 100 00% Marketing of artificial casings Hasselt Vector Europe NV. 100.00% Marketing of artificial casings (Belgium) Manufacture and marketing of artificial Hasselt Vector Packaging Europe NV. 100.00% (Belgium) Manufacture and marketing of artificial Oak Brook, Vector USA Inc. 100 00% Illinois (USA) casings Quebec Viscofan Canadá Inc. 100.00% Marketing of artificial casings (Canada) San José Viscofan Centroamérica Comercial, S.A. 99.50% 0.50% Marketing of artificial casings (Costa Rica) Manufacture and marketing of artificial Markham Viscofan Collagen Canada Inc 100.00% casings (Canada) Manufacture and marketing of artificial Bridgewater Viscofan Collagen USA Inc 100.00% New Jersey (USA) Manufacture and marketing of artificial Ceske Budejovice 100 00% Viscofan CZ, s.r.o. (Czech Republic) Viscofan Globus Australia PTY Ltd 100.00% Marketing of artificial casings Bankstown (Australia) Lower Hutt (New Viscofan Globus New Zealand Ltd 100.00% Marketing of artificial casings Zealand) Manufacture and marketing of artificial San Luis Potosí Viscofan de México S.R.L. de C.V. 99.99% 0.01% (Mexico) casings San Luis Potosí Viscofan de México Servicios, S.R.L. de C.V. 99.99% 0.01% Services rendered (Mexico) Manufacture and marketing of artificial Sao Paulo Viscofan do Brasil, soc. com. e ind. Ltda 100.00% (Brazil) Viscofan (Thailand) Co. Ltd. 100.00% Marketing of artificial casings Bangkok (Thailand) Manufacture and marketing of artificial Suzhou 100.00% Viscofan Technology (Suzhou) Co. Ltd. (China) Seven Oaks Viscofan UK Ltd. 100.00% Marketing of artificial casings (United Kingdom) Manufacture and marketing of artificial Viscofan Uruguay, S.A. 100.00% Montevideo (Uruguay) Manufacture and marketing of artificial Montgomery, Alabama Viscofan USA Inc. 100.00% casings (USA) Zacapu, Zacapu Power S.R.L. de C.V. 100.00% Cogeneration plant Michoacán (Mexico)



2.2. Details of subsidiaries and associates comprising the Viscofan Group at 31 December 2018

Percentage of interest Group companies Direct Indirect Activity Registered offices Lease of an industrial warehouse (to the Ceske Budejovice Gamex, C.B. s.r.o. 100.00% Group)/Other services (Czech Republic) Jupiter PTY Ltd 100.00% Services rendered Bankstown (Australia) Manufacture and marketing of artificial Novi Sad 100.00% Koteks Viscofan, d.o.o. (Serbia) casings Taionar. Nanopack, Technology and Packaging S.L.U. 90.57% Manufacture of interleaver film Navarra (Spain) Manufacture and marketing of artificial Naturin Viscofan GmbH 100.00% Weinheim (Germany) casings Lease of an industrial machinery (to the Supralon Verpackungs AG 100.00% Group)/Other services Switzerland) Manufacture and marketing of artificial Supralon Produktions und Vertriebs GmbH 100.00% Alfhausen (Germany) Courcouronnes Supralon France SARL 100.00% Marketing of artificial casings (France) Supralon International AG 100.00% Marketing of artificial casings Schaan (Liechtenstein) Manufacture and marketing of artificial New Brunswick 100.00% Transform Pack Inc (Canada) Hasselt Vector Europe NV. 100.00% Marketing of artificial casings (Belgium) Manufacture and marketing of artificial Hasselt Vector Packaging Europe NV. 100.00% (Belgium) Manufacture and marketing of artificial Oak Brook Vector USA Inc. 100.00% Illinois (USA) casings Quebec Marketing of artificial casings Viscofan Canadá Inc. 100.00% (Canada) San José Viscofan Centroamérica Comercial, S.A. 99.50% 0.50% Marketing of artificial casings (Costa Rica) Manufacture and marketing of artificial Ceske Budejovice Viscofan CZ, s.r.o. 100.00% (Czech Republic) casings Viscofan Globus Australia PTY Ltd 100 00% Marketing of artificial casings Bankstown (Australia) Lower Hutt (New Viscofan Globus New Zealand Ltd 100.00% Marketing of artificial casings Zealand) Manufacture and marketing of artificial San Luis Potosí Viscofan de México S.R.L. de C.V. 99.99% 0.01% (Mexico) casings San Luis Potosí Viscofan de México Servicios, S.R.L. de C.V. 99.99% 0.01% Services rendered (Mexico) Manufacture and marketing of artificial Sao Paulo Viscofan do Brasil, soc. com. e ind. Ltda. 100.00% (Brazil) casings Manufacture and marketing of artificial Suzhou Viscofan Technology (Suzhou) Co. Ltd. 100.00% (China) Seven Oaks Viscofan UK Ltd. 100.00% Marketing of artificial casings (United Kingdom) Manufacture and marketing of artificial Viscofan Uruguay, S.A. 100.00% Montevideo (Uruguay) Manufacture and marketing of artificial Montgomery, Alabama Viscofan USA Inc. 100.00% (USA) casings Zacapu, Zacapu Power S.R.L. de C.V. 100.00% Cogeneration plant Michoacán (Mexico)



3. Basis of preparation

The consolidated financial statements have been prepared based on the accounting records of Viscofan, S.A. and the companies comprising the Group. The consolidated financial statements for 2019 have been prepared under EU-endorsed International Financial Reporting Standards (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Viscofan, S.A. and subsidiaries at 31 December 2019 and 2018, as well as the consolidated results from its operations, its consolidated cash flows and consolidated recognised income and expenses for the year then ended. The Group adopted EU-IFRS on 1 January 2004, and also applied IFRS 1 "First-time Adoption of International Financial Reporting Standards at that date".

3.1. New and amended standards and interpretations

The accounting policies used during the preparation of these consolidated financial statements are the same as those applied for the consolidated financial statements for the year ended 31 December 2018. with the exception of the application of standards that came into force on 1 January 2019 and are applicable to the Group.

The Group has applied the following standards and amendments for the first time for its annual financial year beginning on 1 January 2019:

IFRS 16 - Leases.

This standard sets out the principles applicable to the recognition, measurement, presentation and disclosure of leases. The aim is to ensure that relevant information is provided by lessees and lessors in a manner that accurately reflects these transactions. The information provides users of financial statements with a basis for assessing the effect of leases on an entity's financial position, financial performance and cash flows. When applying this standard, entities must take into account the terms of contracts and all relevant facts and circumstances. Entities must apply the standard consistently to contracts having similar features and circumstances.

Under the new standard, most leases are recorded on the balance sheet as a right-of-use asset and as a liability for the amounts payable. The only exceptions are short-term, low-value leases (see Notes 4.15 and 11).

3.2. Published standards which are not applicable

The Group has adopted the standards, interpretations and amendments issued by the IASB, which are mandatory in the European Union at the date of preparation of these consolidated financial statements.

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

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

- Capital grants can be recognised reducing the cost of the assets for which financing was granted or as
 deferred income (which was the Group's choice). They are recognised in the income statement under
 "Other income."
- Certain property, plant, and equipment may be measured at market value or historical cost less depreciation and impairment loss. Viscofan has chosen the latter criteria.



3.4. Comparison of information

For comparison purposes, the consolidated financial statements present, for each item in the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, in addition to the consolidated figures for 2019, the figures for the previous year, except where an accounting standard specifically states that this is not necessary.

3.5. Relevant accounting estimates, assumptions and judgments

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

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

(a) Taxes

The subsidiaries comprising the Group are individually responsible for their own local tax obligations, and do not file consolidated tax returns.

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

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

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

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



Further details on taxes are disclosed in Note 22.

(b) Pension benefits

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

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

Details on the hypotheses used and a sensitivity analysis are provided in Note 18.1.

(c) Provisions for litigation and contingent assets and liabilities

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

The breakdown of provisions for litigations is shown in Note 18.3, while the main contingent assets and liabilities that may give rise to the future recognition of assets and liabilities are described in Note 18.7.

(d) Fair value of share-based remuneration

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

(e) Other accounting estimates and hypotheses

- Assessment of possible impairment losses on certain assets: (Notes 4.14 and 9).
- Useful life of property, plant, and equipment and intangible assets: (Notes 4.13 and 4.14)
- Measurement of derivative financial instruments: (Note 4.24)



4. Significant accounting principles

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

A summary of the most significant principles is as follows:

4.1. Changes in accounting policies

The Group adopted IFRS 16 Leases with effect from 1 January 2019.

For contracts under which the Group acts as a lessee, an asset is recognised representing its right to use the underlying asset and a lease liability is recognised representing its obligation to make payments over the term of the lease.

The duration of the various leases is determined as the non-cancellable period of each lease considering options to extend when there is a reasonable assurance of exercising such options.

The right to use an asset is initially measured at cost and subsequently measured at cost less accumulated depreciation or amortisation and impairment losses.

Right-of-use assets are amortised on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the Group obtains ownership of the underlying asset at the end of the lease term, depreciation or amortisation is based on the useful life of the asset.

Lease liabilities are measured at the present value of future lease payments. The Group has analysed the impact with the incremental rate of its own indebtedness: the result is an immaterial amount.

As a practical solution, the Group has chosen, for certain classes of underlying assets, not to separate the non-lease components from the lease components, but instead to account for each lease component and any related non-lease components within the contract as a single lease component.

For the purposes of the transition, the Group has decided

- To apply the modified retrospective method from 1 January 2019; hence no comparative figures from previous years have been restated.
- To measure the initial right of use at an amount equal to the lease liability at 1 January 2019; except for those contracts that were previously classified as finance leases under IAS 17, which were measured at their carrying amount at the date of adoption of IFRS 16.
- No reassessment is made as to whether a contract is or contains a lease on the date of initial application.
- Following assessment, the Group has concluded that no onerous leases exist.

The most significant impact for the Group of the application of the new standard was the recognition of new assets under "Right-of-use assets" and of lease liabilities, both long and short term, in the Consolidated Statement of Financial Position.

As regards accounting for previous finance leases, they remain unchanged in comparison with IAS 17; however, the Group has reclassified the carrying amount to the new heading "Right-of-use assets" at 1 January 2019.



In relation to the cash flow statement, cash payments for the principal portion of the lease liability are classified as financing activities.

The change in accounting policy affected the following balance sheet items at 1 January 2019:

- Property, plant, and equipment: 91 thousand euros decrease
- Right-of-use assets: 19,630 thousand euros increase
- Financial debt: 63 thousand euros decrease
- Lease liabilities: 19,508 thousand euros increase

Lease liabilities recognised at the date of initial application are calculated as follows:

	Thousands of e
Operating lease commitments disclosed as at 31 December 2018	7,613
Finance lease liabilities recognised as at 31 December 2018	63
Contracts reassessed as lease contracts	11,832
Lease liability recognised as at 1 January 2019	19,508

4.2. Going concern basis

The consolidated financial statements have been prepared on a going concern basis.

4.3. Method of consolidation

All the subsidiaries were consolidated using the full consolidation method.

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

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

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date it ceases. Subsidiaries are excluded from the consolidation scope from the moment control is lost. Note 2 breaks down the nature of the relationships between the parent and its subsidiaries.



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

All of the assets, liabilities, equity, income, expenses, and cash flow arising from transactions between Group companies are totally eliminated during the consolidation process.

The accounting policies of subsidiaries have been adapted to those of the Group.

The financial statements of consolidated subsidiaries reflect the same reporting date as that of the parent.

4.4. Effects of changes in foreign exchange rates

(a) Foreign currency transactions

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

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

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

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

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

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



(b) <u>Translation of foreign operations</u>

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

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

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

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

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

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

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



4.6. Calculation of fair value

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

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

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

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

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

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

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

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

The fair values for the remaining financial assets and liabilities are disclosed in Notes 14 and 20, respectively.



4.7. Financial instruments- Initial recognition and subsequent measurement

(a) Classification

Since 1 January 2018, the Group has classified its financial assets in the following valuation categories:

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

Debt instruments

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

- Amortised cost: Assets held for the collection of contractual cash flows, when these flows only represent the payments of principal and interest, are valued at amortised cost. Interests income on these financial assets are included in financial income in accordance with the effective interest rate method. Any gains or losses arising when they are derecognised are directly recognised in profit or loss for the year and appear under other gains/(losses) along with gains and losses on exchange differences. Impairment losses appear as a separate item in the profit and loss statement.



- Fair value through other comprehensive income: Assets held for the collection of contractual cash flows and the sale of financial assets, when the cash flows of assets only represent the payments of principal and interest, are valued at fair value through profit or loss Changes in the carrying amount are taken to other comprehensive income, with the exception of the recognition of impairment losses or gains, interest income and gains or losses from exchange differences, which are recognised in the statement of profit or loss. When the financial asset is derecognised, the accumulated gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income on these financial assets are included in financial income in accordance with the effective interest rate method. Gains and losses on exchange differences are presented in other gains and losses and impairment losses are presented as a separate item on the statement of profit or loss.
- Fair value through other profit or loss: Assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income are recognised at fair value through profit or loss. Gains or losses on a debt investment recognised subsequently at fair value through profit or loss are recognised through profit or loss and presented net on the statement of profit or loss under other gains/(losses) in the year in which they occur.

Equity instruments

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

(d) <u>Impairment</u>

Since 1 January 2018, the Group measures against a prospective base of expected credit losses associated with its assets at amortised cost and fair value through other comprehensive income. The methodology applied for impairments depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group takes the simplified approach permitted under IFRS 9, which requires that expected losses during their useful life are recognised from the initial recognition of the receivables. See Note 13 for further details.

4.8. <u>Impairment of non-financial assets subject to depreciation or amortisation</u>

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



(a) Calculation of recoverable amount

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

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

(b) Reversal of impairment

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

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

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

4.9. Revenue recognition

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

Before recognising revenue, the Group:

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



4.10. Significant judgements

(a) Sale of artificial casings

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

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

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

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

(b) Sale of energy

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

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

4.11. Earnings per share

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

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

In the Viscofan Group's consolidated financial statements for the years ended 31 December 2019 and 2018, basic earnings per share coincide with diluted earnings per share. For 2019 share-based plans, contingently issuable shares are not included in the calculation of diluted earnings per share unless the conditions are satisfied.



4.12. Business combinations and goodwill

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

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

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

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

The excess of:

- the consideration transferred
- the amount of any non-controlling interest in the acquiree; and
- the fair value at the acquisition date of any previous equity interest in the acquired entity

the fair value of the identifiable net assets acquired is recognised as goodwill. If those amounts are less than the fair value of the acquired subsidiary's identifiable net assets, the difference is recognised directly in profit or loss as a purchase on very advantageous terms.

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

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

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



4.13. Intangible assets

(a) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to the cash-generating units. The allocation is made among cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 9).

(b) Development costs

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

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

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

(c) <u>Self-constructed assets</u>

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

Expenditure on activities which cannot be clearly distinguished from costs attributable to the development of intangible assets is recognised in the consolidated income statement. Expenditure on development that was recognised initially as an expense is not recognised subsequently as part of the cost of an intangible asset. The Group has not capitalised any development expenses.

(d) Other tangible assets

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

Software maintenance costs are expensed as incurred.

(e) Useful lives and amortisation rates

The Group evaluates whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is considered to have an indefinite useful life where there is no foreseeable limit to the period over which it will generate net cash inflows. At 31 December 2019 and 2018, the Group had no intangible assets with indefinite useful lives, except for Goodwill discussed in Note 9.

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



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

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

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

4.14. Property, plant, and equipment

(a) Initial recognition

Property, plant, and equipment is stated at cost, less accumulated depreciation and any impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, considering the principles established to determine the cost of production. The cost of production is capitalised with a charge to work performed by the Group on non-current assets in the consolidated income statement.

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

The Group opted to use the previous GAAP re measurement of property, plant, and equipment, as the cost recognised at 1 January 2004, as permitted by IFRS 1 First Time Adoption of IFRS.

(b) amortisation and depreciation

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



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

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

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

(c) Subsequent recognition

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

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

4.15. Leases

Until 31 December 2018, property, plant and equipment leases under which the Group, as the lessee, has substantially all the risks and rewards incidental to ownership were classified as finance leases. Finance leases were capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding lease payment obligations, net of financial charges, were included in other current and non-current accounts payable. Each lease payment was divided between the liability and the finance charge. The finance charge was charged to profit and loss over the term of the lease, thus producing a constant periodic rate of interest on the outstanding balance of the liability for each year. Property, plant and equipment acquired under finance leases was depreciated over the shorter of the useful life of the asset or the lease term if there was no reasonable certainty that the Group would obtain ownership at the end of the lease term.

Leases under which a significant part of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) were charged to profit and loss on a straight-line basis over the term of the lease.

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

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

• fixed payments (including fixed payments in substance), less any lease incentive to collect



- variable lease payments that depend on an index or rate, initially measured according to the index or rate at the start date
- amounts expected to be paid by the Group as residual value guarantees
- the exercise price of a call option if the Group is reasonably certain that it will exercise that option, and
- penalty payments on termination of the lease, if the term of the lease reflects the Group's exercise of that option.

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

Lease payments are discounted using the interest rate implied in the lease.

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

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

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

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

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

4.16. Inventories

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

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

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



Indirect fixed costs distributed to each production unit are not increased as a result of a low level of production or idle production capacity. Indirect costs that are not distributed are recognised as expenses for the financial year in which they are incurred. In periods of abnormally high production, the amount of indirect costs distributed to each production unit is decreased so that inventories are not measured above cost. Variable indirect costs are distributed to each production unit on the basis of the actual use of the production facilities.

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

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

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

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

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

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



4.17. Emission rights

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

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

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

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

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

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

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

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

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

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

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

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

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



4.19. Cash and cash equivalents

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

4.20. Dividend

The interim dividends approved by the Board of Directors in 2019 and 2018 are included as a reduction of the Viscofan Group's equity.

4.21. Government grants

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

(a) Capital grants

Government grants in the form of non-monetary assets are recognised at fair value in the same manner, with a debit to deferred income. They are transferred to "Other income" in the consolidated income statement in line with the depreciation of the related asset.

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

(b) Operating subsidies

Operating subsidies are recognised as "Other income" in the consolidated income statement.

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

(c) Interest rate subsidies

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

4.22. Employee benefits

(a) Liabilities for retirement benefits and other commitments

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



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

Defined benefit plan costs are recognised under "Employee benefits expense" in the consolidated income statement and comprise current service costs plus the effect of any reduction or liquidation of the plan.

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

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

A description of each of the Group's defined benefit pension plans is included in Note 18.1.

(b) Termination benefits

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

(c) Short-term employee benefits

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

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

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

(d) Share-based payment

Certain classes of employees are provided with share-based remuneration benefits through the Long Term Employee Incentive Plan, an employee share ownership plan. Note 24.3 provides information on these plans.

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

including market performance conditions (for example, the entity's share price)



• excluding the impact of non-market related service or performance targets for the vesting of the shares (e.g. accident rate, waste reduction targets)

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

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

4.23. Provisions

(a) General criteria

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

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

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

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

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

(b) Onerous contracts

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

(c) Restructuring expenses

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

(d) Emission rights provision



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

4.24. Derivatives and hedge accounting

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

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

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

The fair values of derivative financial instruments designated in hedging relationships are broken down in Note 21. Changes to hedging reserves included in shareholders' equity are shown in Note 16. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

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

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

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

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



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

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

4.25. Income tax

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

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

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

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

(a) Taxable temporary differences

Taxable temporary differences are recognised in all cases except where:

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

(b) Deductible temporary differences

Deductible temporary differences are recognised provided that:

• It is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.



• The temporary differences are associated with investments in subsidiaries to the extent that the difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

(c) Measurement

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

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

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

(d) Classification and offsetting

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

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

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

(e) investment tax credits

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

4.26. Environmental issues

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

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



Assets used by the Group to minimize the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognised in the consolidated balance sheet based on the criteria for recognition, measurement, and disclosure detailed in Note 26.

4.27. Related party transactions

Transactions with related parties are accounted for in accordance with the measurement criteria detailed throughout this Note 4. The only transactions with related parties are detailed in Note 25 on "Information relating to directors of the parent and key management personnel of the Group".

5. Revenue and operating expenses

5.1. Sales and rendered services:

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

The detail of this heading for 2019 and 2018 is as follows:

Thousands of euros

	Casings sales a	Casings sales and services		Energy sales		Total sales and rendered services	
	2019	2018	2019	2018	2019	2018	
Spain	68,432	70,294	37,537	37,729	105,969	108,023	
Other European and Asian countries	374,168	339,560		-	374,168	339,560	
North America	235,510	216,863	7,625	6,957	243,135	223,820	
South America	126,425	114,646	_	-	126,425	114,646	
Total	804,535	741,363	45,162	44,686	849,697	786,049	



Revenue from external customers come from the sale of artificial casings generally made to manufacturers of cold meats, as well as, to a lesser extent, the generation of electricity for sale to third parties through co-generation systems.

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

In terms of the sales of electricity produced, they are recognised as the energy generated by co-generation systems is produced and delivered, applying the tariffs in force.

As there are no other types of customer contract, the Group has disaggregated sales by geographic location.

5.2. Other income

The breakdown of "Other Operating Income" for 2019 and 2018 is as follows:

	Thousands of euros		
	2019	2018	
Work performed by the Group on non- current assets	958	1,796	
Capital Grants (Note 17)	590	637	
Other operating income	5,400	21,003	
Other Grants	1,793	1,357	
Other income	3,607	19,646	
Total other income	6,948	23,436	

During 2018, other income includes the amount of €15.4 million corresponding to compensation for patent infringement (€8.5 million) and the amount received resulting from the agreement reached with Crown Food España S.A.U. to end the litigation between the two companies (€6.9 million).

There is no breach of the conditions or contingencies associated with the grants received.



5.3. <u>Personnel expenses</u>

The breakdown of "Personnel expenses" in 2019 and 2018 is as follows:

	Thousands of euros		
	2019	2018	
Wages and salaries	155,801	144,786	
Indemnity payments	2,280	1,123	
Current service cost of defined benefits (Notes 18.1)	417	335	
Company social security contributions	29,209	28,231	
Other welfare benefits and taxes	13,571	14,660	
Total personnel expenses	201,278	189,135	

Group employees during 2019 and 2018, by professional category and gender, were as follows:

Total headcount at the end of year

	Men	Women	Total 2019 (*)	Men	Women	Total 2018 (**)
Executives	98	14	112	98	17_	115
Technicians and supervisors	833	319	1,152	804	288	1,092
Administratives	56	182	238	49	163	212
Specialized personnel	641	213	854	647	218	865
Labourers	1,704	653	2,357	1,676	649	2,325
Total	3,332	1,381	4,713	3,274	1,335	4,609

Average number of employees

	Men	Women	Total 2019 (*)	Men	Women	Total 2018 (**)
Executives	99	18	117	92	17	109
Technicians and supervisors	824	299	1,123	832	263	1,095
Administratives	53	178	231	19	212	231
Specialized personnel	637	209	846	647	176	823
Labourers	1,688	623	2,311	1,703	680	2,383
Total	3,301	1,327	4,628	3,293	1,348	4,641

^(*) The scope does not include the staff of Viscofan Collagen USA Inc. and Viscofan Collagen Canada Inc. acquired in December 2019. The staff of these two companies at the end of 2019, for illustrative purposes, came to 204 people (156 men and 48 women).



(**) The scope does not include the staff of the companies located in Australia and New Zealand acquired in November 2018. The staff of these companies at the end of 2018, for illustrative purposes, came to 98 people (76 men and 22 women).

Four parent employees have a recognized degree of disability equal to or higher than 33%, this information is given in accordance to Royal Decree 602/2016 of December 2. The breakdown by professional category is 3 labourers and 1 administrative employee. The same as in 2018.

Due to the circumstances of the production process, since 3 May 2017, Viscofan S.A. has recognised, through Resolution 1187 of the Directorate of the Navarre Employment Service, the recognition of exceptionality that justifies adopting alternative measures to comply with the reserve quota in favour of disabled workers and authorises, as an alternative measure, the conclusion of civil or commercial contracts with Special Employment Centres, for a period of three years.

Likewise, with regard to promoting employability among diverse people, Viscofan has 78 differently abled people among its workers - 70 men and 8 women - and has signed contracts with special employment centres - in Spain and other countries - to carry out certain tasks that contribute to our production activity.

5.4. Other operating expenses

The detail of "Other operating expenses" for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Research and development costs	2,564	2,517
Repair and maintenance	29,859	27,518
Environment	5,020	4,684
Power supplies	55,622	54,011
Plant expenses (surveillance, cleasing and others)	23,490	23,595
Leasing expenses	3,295	6,714
Insurance premium	4,644	4,519
Other taxes	5,993	5,368
Administrative and selling costs	50,799	51,157
Other expenses	8,737	9,125
Other operating expenses	190,023	189,208

[&]quot;Other Expenses" includes the expenses relating to the acquisition of Viscofan Collagen USA Inc and Viscofan Collagen Canada Inc, amounting to 1,497 thousand euros. In 2018, the expenses relating to the acquisition of Transform Pack Inc. and Globus Group Australia and New Zealand amounting to 1,419 thousand euros were included.

[&]quot;Lease" expenses include fees as well as short-term rentals not affected by IFRS 16 Leases.



5.5. Financial income and expense

The breakdown of financial income and expenses for 2019 and 2018, according to the origin of the items making it up, is as follows:

	Thousands of euros	
	2019	2018
Financial income	597	309
Bank borrowings and other financial liabilities	(1,512)	(1,705)
Net finance cost of pension plans and other L.T. benefits	(454)	(429)
Financial expense	(1,966)	(2,134)
Fair value adjustment to financial investment	15	4
Exchange gains	13,716	18,588
Exchange losses	(12,581)	(15,789)
Exchange gains (losses)	1,135	2,799
Financial income (expenses) total	(219)	978

6. Earnings per share

6.1. <u>Basic</u>

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

	Thousands	Thousands of euros		
	2019	2018		
Weighted average number of ordinary shares in circulation	46,458,230	46,592,686		
Profit attributable to ordinary equity holders of the parent	105,577	123,833		
Basic earnings per share (in euros)	2.2725	2.6578		

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



	2019	2018
Average number of ordinary shares in circulation	46,500,000	46,603,682
Own shares effect	-41,770	-10,996
Weighted average number of ordinary shares in circulation at December 31,	46,458,230	46,592,686

6.2. Diluted

Diluted earnings per share are calculated by dividing profit attributable to equity holders of the parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares. For 2019 share-based plans, contingently issuable shares are not included in the calculation of diluted earnings per share unless the conditions are satisfied.

At 31 December 2019, basic earnings per share were the same as diluted earnings per share since the conditions under the plan went unmet.

7. Segment reporting

IFRS 8: "Operating segments" establishes that an operating segment is a component of an entity:

- a) when it engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- b) when its operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- c) for which discrete financial information is available.

The Group's management bases its decisions on the assignment of resources and performance evaluations on the profitability of the markets in which it operates; its key geographic areas are Spain, Europe and Asia, North America, and South America. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss on the consolidated financial statements.

The Group also carries out production-related activities, and sells electricity through its co-generation plants in Spain, Mexico, and Germany. These co-generation activities have three aims: to decrease the cost of energy while remaining self-sufficient, and at the same time reducing CO₂ emissions. Although the plants located in Spain and Mexico sell part of the energy produced to third parties, these activities are not organised as business segments, nor are they contemplated as business units to be reported on per se.



The main figures for 2019 and 2018 are as follows::

Thousands of euros

Spain	Other European and Asian countries	North America	South America	Eliminations and other	Consolidated
105,970	374,167	243,135	126,425	-	849,697
83,850	234,996	81,005	27,650	(427,501)	_
189,820	609,163	324,140	154,075	(427,501)	849,697
(18,692)	(31,227)	(12,826)	(7,929)	(7,929) -	
23	401	117	56	_	597
(883)	(740)	(337)	(6)	_	(1,966)
778	(299)	(793)	1,449	_	1,135
(2,225)	78,536	14,773	39,689	(709)	130,064
237,499	477,133	285,503	157,678	(72,804)	1,085,009
128,418	139,170	107,269	20,870	(95,084)	300,643
28,097	19,689	7,482	6,786		62,054
	105,970 83,850 189,820 (18,692) 23 (883) 778 (2,225) 237,499	Spain European and Asian countries 105,970 374,167 83,850 234,996 189,820 609,163 (18,692) (31,227) 23 401 (883) (740) 778 (299) (2,225) 78,536 237,499 477,133 128,418 139,170	Spain European and Asian countries North America 105,970 374,167 243,135 83,850 234,996 81,005 189,820 609,163 324,140 (18,692) (31,227) (12,826) 23 401 117 (883) (740) (337) 778 (299) (793) (2,225) 78,536 14,773 237,499 477,133 285,503 128,418 139,170 107,269	Spain European and Asian countries North America South America 105,970 374,167 243,135 126,425 83,850 234,996 81,005 27,650 189,820 609,163 324,140 154,075 (18,692) (31,227) (12,826) (7,929) 23 401 117 56 (883) (740) (337) (6) 778 (299) (793) 1,449 (2,225) 78,536 14,773 39,689 237,499 477,133 285,503 157,678 128,418 139,170 107,269 20,870	Spain European and Asian countries North America South America Eliminations and other 105,970 374,167 243,135 126,425 - 83,850 234,996 81,005 27,650 (427,501) 189,820 609,163 324,140 154,075 (427,501) (18,692) (31,227) (12,826) (7,929) - 23 401 117 56 - (883) (740) (337) (6) - 778 (299) (793) 1,449 - (2,225) 78,536 14,773 39,689 (709) 237,499 477,133 285,503 157,678 (72,804) 128,418 139,170 107,269 20,870 (95,084)

Thousands of euros

Year 2018	Spain	Other European and Asian countries	North America	South America	Eliminations and other	Consolidated
Revenue from external customer	108,023	339,560	223,820	114,646	-	786,049
Revenue from inter-segment	83,809	237,426	80,365	31,428	(433,028)	_
Total revenue	191,832	576,986	304,185	146,074	146,074 (433,028)	
Depreciation and amortization	(17,147)	(27,138)	(10,880)	(7,273)	-	(62,438)
Finance income	35	63	140	71	-	309
Finance costs	(765)	(612)	(284)	(473)	_	(2,134)
Exchange differences	(570)	1,179	107	2,083	_	2,799
Segment profit before tax	30,363	75,501	7,560	34,301	(426)	147,299
Total assets	229,410	474,997	253,295	162,815	(86,775)	1,033,742
Total liabilities	133,758	131,364	88,284	23,746	(101,036)	276,116
Acquisition of assets	27,636	27,192	9,729	7,036	_	71,593

Goodwill of 2,671 thousand euros relates to the Rest of Europe and Asia segment in the amount of 1,780 thousand euros and to North America in the amount of 891 thousand euros.



8. Business combinations

8.1. Acquisitions in 2019

In December 2019, Viscofan Group acquired 100% of shares of Nitta Casings Inc. in the United States and Nitta Casings (Canada) Inc. in Canada. After the acquisition, the companies were renamed Viscofan Collagen USA Inc and Viscofan Collagen Canada Inc, respectively.

The fair value of the consideration at the acquisition date amounted to 3.8 million euros, of which 2.5 million euros was paid in cash, and a price premium was agreed for the remainder in order to achieve certain targets set out in the contract.

This acquisition implies completing the productive portfolio of the Viscofan Group in North America with collagen casings at the United States and Canada sites. This deal is part of the Group's strategy and commitment to the development of the global market for casings using all technologies.

Amounts recognised at the date the assets, liabilities, and contingent liabilities were recognised at their fair value were as follows:

	Thousands of euros
Property, plant and equipment (Note 10)	20,480
Right-of-use assets	675
Inventories	6,149
Receivables	2,764
Cash and cash equivalents	1,005
Total assets	31,073
Provisions	(9,224)
Non-current financial liabilities	(550)
Current financial liabilities	(173)
Payables	(4,115)
Deferred tax liabilities	(2,275)
Total liabilities	(16,337)
Total identififiable net assets	14,736
Negative differences from business combinations	(10,889)
Purchase consideration transferred	3,847

From acquisition to year-end, the acquired business did not generate any profit in the consolidated income statement.

Ordinary revenue in 2018 (April 2018 - March 2019) from the acquired business amounted to 36,142 thousand euros, for a total recurrent net loss of 480 thousand euros.

The profit arising from the transaction totalled 10,889 thousand euros, and is recognised on the consolidated income statement under "Negative difference on business combinations."



The key factors driving the negative difference on the business combination are insufficient cash generation at the acquired companies due to operational deterioration of the business in recent years. New sources of short-term financing had to be found to continue their activity and meet their payment obligations.

Net assets recognised in the financial statements at 31 December 2019 were definitively measured at fair value for property, plant and equipment and intangible assets. The Group used an independent expert to carry out the main valuations.

8.2. Acquisitions in 2018

a) Transform Pack Inc.

In February 2018, 100% of the shares of Transform Pack Inc. were purchased.

The fair value of the consideration at the acquisition date amounted to 2,232 thousand euros, 1,793 thousand euros of which were paid for in cash in 2018, leaving 439 thousand euros as a deferred amount that could be reduced by achieving certain sales goals included in the contract.

The incorporation of Transform Pack, its innovative spirit, combined with the know-how of Viscofan, our productive portfolio and our commercial network, opens up new opportunities that expand the range of solutions available on the market and that will make the development of this type of product available in many countries worldwide.

Amounts recognised at the date the assets, liabilities, and contingent liabilities were recognised at their fair value follow:

	Thousands of euros
Intangible assets (Note 9)	1,361
Property, plant and equipment (Note 10)	148
Deferred tax assets	243
Inventories	56
Receivables	55
Cash and cash equivalents	32
Total assets	1,895
Payables	(187)
Deferred tax liabilities	(340)
Total liabilities	(527)
Total identififiable net assets	1,368
Goodwill	864
Purchase consideration transferred	2,232

The goodwill generated and measured at cost amounted to 864 thousand euros, being the excess of the aggregate of the consideration transferred over the fair value of assets acquired and liabilities assumed.



The acquired business generated consolidated losses for the period for the Group amounting to 480 thousand euros during the period ranging from the acquisition date and year end, and ordinary income totalling 99 thousand euros, which were incorporated in the consolidated income statement.

Ordinary income generated during the entire year from the acquired business totalled 280 thousand euros, with net ordinary total losses of 1,069 thousand euros.

b) Globus Group Australia and New Zealand

In November 2018, 100% of the shares of Globus Group in Australia and New Zealand were purchased.

The fair value of the consideration at the acquisition date amounted to 6,296 thousand euros, 5,536 thousand euros of which were paid for in cash in 2018, leaving 760 thousand euros as a deferred amount that could be reduced by achieving certain sales goals included in the contract.

The inclusion of Globus means that we will continue to expand our commercial and productive presence on a new continent, including the knowledge of this market and providing our customers with a better service and new solutions.

Amounts recognised at the date the assets, liabilities, and contingent liabilities were recognised at their fair value follow:

	Thousands of euros
Intangible assets (Note 9)	632
Property, plant and equipment (Note 10)	4,569
Inventories	13,703
Receivables	7,606
Cash and cash equivalents	168
Total assets	26,678
Current financial liabilities	(2,408)
Payables	(11,491)
Deferred tax liabilities	(997)
Total liabilities	(14,896)
Total identififiable net assets	11,782
Negative differences from business combinations	(5,486)
Purchase consideration transferred	6,296

The acquired business generated consolidated losses for the period for the Group amounting to 217 thousand euros during the period ranging from the acquisition date and year end, and ordinary income totalling 2,391 thousand euros, which were incorporated in the consolidated income statement.

Revenue generated during the 2018 tax year (July 2017 - June 2018) from the acquired business totalled 34,396 thousand euros, with a total net ordinary profit of 91 thousand euros.



The profit arising from the transaction totalled 5,486 thousand euros, and is recognised on the consolidated income statement under "Negative difference on business combinations."

The key factors driving the negative difference on business combinations was the company's need for a strategic lift and the impact of the depreciation of the Australian dollar on last year's income statement.

Net assets recognised on the financial statements a 31 December 2018 were definitively measured at fair value for both tangible and intangible assets. The Group used an independent expert to carry out the main valuations.

9. Intangible assets

The breakdown and movements in intangible assets during 2019 and 2018 are as follows:

Thousands of euros

	Customer portfolio	Software	Concessions, patents, licenses and use rights	Development	Goodwill (Note 8)	Prepayments	Amortization	Total
Balance at January 1, 2018	621	35,321	20,421	_	4,906	177	(42,153)	19,293
Translation differences	-	117	358	-	163	(5)	(489)	144
Acquisition of a subsidiary (Note 8.2)	_	-	1,993	-	864	-	_	2,857
Additions	-	2,463	9	1,541	-	423	(3,801)	635
Disposals	-	(18)	(11)	-	-	(14)	29	(14)
Transfers	-	342	(244)	244	-	(342)	-	-
Balance at December 31, 2018	621	38,225	22,526	1,785	5,933	239	(46,414)	22,915
Translation differences	-	170	273	-	258	(1)	(324)	376
Acquisition of a subsidiary (Note 8.1)	_	-	_	-	-	-	_	_
Additions	-	3,004	56	670	-	221	(4,087)	(136)
Disposals	-	(798)	-	-	(3,520)	-	798	(3,520)
Transfers	_	309	_	_	_	(309)	_	_
Balance at December 31, 2019	621	40,910	22,855	2,455	2,671	150	(50,027)	19,635



The balances of this heading at 31 December 2019 and 2018 are the following:

Thousands of euros

		31.12.2019		31.12.2018			
	Cost	Amortization	Total	Cost	Amortization	Total	
Client portfolio	621	(169)	452	621	(124)	497	
Software	40,910	(31,941)	8,969	38,225	(29,735)	8,490	
Concessions, patents, licenses and use rights	22,855	(17,350)	5,505	22,526	(16,555)	5,971	
Development	2,455	(567)	1,888	1,785	-	1,785	
Goodwill (Note 8)	2,671	-	2,671	5,933	-	5,933	
Prepayments	150	_	150	239	_	239	
TOTAL	69,662	(50,027)	19,635	69,329	(46,414)	22,915	

[&]quot;Software" includes the ownership and usage rights for IT programs acquired from third parties.

Details of the cost of fully amortised intangible assets in use at 31 December 2019 and 2018 are as follows:

Tho	usa	nds	of	euro	S

	2019	2018
Software	24,537	22,704
Concessions, patents, licenses and use rights	12,989	12,544
Fully anortizated intangible assets	37,526	35,248

Impairment test

Below, we provide details of the calculation used in the impairment test for the different goodwill recognised at 31 December 2019.

a) Nanopack Technology & Packaging, S,L,

The goodwill at Nanopack Technology & Packaging, S.L. recognised in the Group's consolidated balance sheet at 31 December 2018 was impaired in 2019. No asset class other than goodwill was impaired. The cashgenerating unit corresponds to the legal entity or subgroup itself that is responsible for producing and marketing plastic film and new products based on the technology acquired and its expected development.

The company acquired in 2015 focuses on R+D+i in plastics technology. They had achieved promising advances and need investment and commercial support for the introduction of new products in the market.

Plans for rapid growth in the first years of activity were scaled back due to a delay in product development and slower than expected adoption by potential customers.



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

The main assumption affecting cash flows arise from the projections made based on hypotheses on increases in average volumes and use of the installed capacity, as well as increases in sales prices and moderate costs.

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

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

Based on a sensitivity analysis;

- Variations of 10% in the discount rate do not imply a need to recognise significant additional impairment.
- Sensitivity to reasonably possible changes in revenue does not entail the need to recognise additional significant impairment.

The consolidated carrying amount totalled 5,756 thousand euros (goodwill totalling 3,520 thousand euros, with PP&E and other intangible items amounting to 2,236 thousand euros).

Therefore, as a result of this analysis, the Directors consider at 31 December 2019 the need to make a valuation adjustment of 3,520 thousand euros.

b) CGU Supralon Group

Goodwill for the sum of 1,780 thousand euros, recognised on the Group's consolidated balance sheet corresponds to the Supralon Group, whose CGU corresponds to the legal company or subgroup, dedicated to the production and distribution of casings for the meat industry.

The company, acquired in 2017, has productive presence in Germany and commercial distribution in the main European markets.

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

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

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

Based on a sensitivity analysis;

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





The consolidated carrying amount totalled 7,411 thousand euros (goodwill totalling 1.780 thousand, with PP&E and other intangible items amounting to 5,631 thousand euros).

Therefore, taking the above into consideration, the Directors consider that at 31 December 2019 there were no indications that any impairment losses should be recognised.

c) Transfer of ingredients

In February 2018, the Group acquired 100% of Transform Pack Inc., whose cash-generating unit generated goodwill in the consolidated financial statements of 864 thousand euros.

To improve performance, in 2019 Transform Pack Inc. transferred all its assets, liabilities, rights and obligations to Viscofan Canada Inc. and, as a result, the CGU remains within the Group and is now called "Transfer of ingredients".

Goodwill recognised in the Group's consolidated balance sheet at 31 December 2019 amounted to 891 thousand euros, of which 27 thousand euros related to translation differences.

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

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

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

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



Based on a sensitivity analysis;

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

The consolidated carrying amount totalled 3,628 thousand euros (goodwill totalling 891 thousand euros, with PP&E and other intangible items amounting to 2,737 thousand euros).

Therefore, taking the above into consideration, the Directors consider that at 31 December 2019, there were no indications that any impairment losses should be recorded.

10. Property, plant, and equipment

The breakdown and movements in property, plant, and equipment during 2019 and 2018 are as follows:

Thousa	nds o	f euros
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	Land and buildings	Plant and machinery	Other install., equip. and furniture	Other property, plant and equipment	Advances and assets under construct.	Amorti- zation	Impairment	Total
Balance at January 1, 2018	250,848	749,815	87,471	30,896	49,939	(699,016)	(154)	469,799
Translation differences	(1,658)	(2,361)	(397)	236	27	1,400	-	(2,753)
Acquisition of a subsidiary (Note 8.2)	-	3,912	60	745	-	-	-	4,717
Additions	3,530	21,523	5,401	3,049	33,654	(58,637)	(371)	8,149
Disposals	(194)	(2,630)	(1,268)	(756)	(127)	4,537	5	(433)
Transfers	4,713	43,659	11,815	537	(59,933)	(791)	-	-
Balance at December 31, 2018	257,239	813,918	103,082	34,707	23,560	(752,507)	(520)	479,479
Translation differences	(291)	2,020	(610)	292	72	(1,642)	(4)	(163)
Acquisition of a subsidiary (Note 8.1)	8,422	11,656	16	42	344	_	_	20,480
Additions	1,351	30,327	5,451	3,247	17,727	(62,071)	(192)	(4,160)
Disposals	(4)	(7,146)	(503)	(1,392)	(184)	8,651	-	(578)
Transfers	1,919	21,128	2,085	1,901	(26,811)	(222)	-	-
Lease assetes reclasification	-	(33)	-	(36)	-	5	-	(64)
Balance at December 31, 2019	268,636	871,870	109,521	38,761	14,708	(807,786)	(716)	494,994



The balances of this heading at 31 December 2019 and 2018 are the following:

Thousands of euros

	31.12.2019 Amortization Cost and <i>Total</i> impairment			31.12.2018			
				Cost	Amortization and impairment	Total	
Land and buildings	268,636	(118,645)	149,991	257,239	(111,537)	145,702	
Plant and machinery	871,870	(589,148)	282,722	813,918	(547,380)	266,538	
Other installations, equipment and furniture	109,521	(74,850)	34,671	103,082	(69,872)	33,210	
Other property, plant and equipment	38,761	(25,859)	12,902	34,707	(24,238)	10,469	
Advances and assets under construction	14,708	-	14,708	23,560	-	23,560	
TOTAL	1,303,496	(808,502)	494,994	1,232,506	(753,027)	479,479	

In 2019, investments in property, plant and equipment in the Group totalled 58,103 thousand euros. The main projects were the installation of new production modules of the new cellulose technology in Cáseda, Spain, installation of new collagen capacity, process improvements and other investments dedicated to improving the sustainability of our production process aimed at reducing environmental impact, waste treatment plants, and improvements in facility safety.

In 2018, investments in property, plant and equipment in the Group totalled 67,157 thousand euros. The main projects have been the completion of the Cáseda plant (Spain), the installation of new technology to manufacture viscose-based casings and the installation and commissioning of a new edible collagen capacity in Serbia.

Details of fully depreciated property, plant, and equipment in use at 31 December 2019 and 2018 are as follows:

Thousands	of	euros
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2019	2018
40,339	37,728
384,484	348,653
57,414	54,524
17,663	16,927
499,900	457,832
	40,339 384,484 57,414 17,663

Some of the Group's buildings, plant and machinery were financed in part by grants amounting to 274 thousand euros in 2018 (see Note 17).

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

As a result of the annual investment plan, at 2019 year-end there were commitments to acquire non-current assets amounting to 1,598 thousand euros, relating mainly to recurring maintenance investments.



At 2018 year-end, non-current asset purchase commitments amounted to 4,850 thousand euros, relating mainly to innovation and improvement in technological processes.

Impairment test

No evidence of impairment was detected in any of the Group's cash-generating units, as they are generally performing well; therefore, it was not considered necessary to perform any impairment tests.

11. Leases

This note provides information on the leases under which the Group is a lessee.

The Group did not have to make any adjustments to the accounting for assets held as a lessor under operating leases as a result of the adoption of IFRS 16.

11.1. Right-of-use assets

The balance sheet shows the following amounts related to leases:

Thousands of euros

	Buildings	Plant and machinery	Other install., equip. and furniture	Other property, plant and equipment	Amorti- zation	Total
Balance at January 1, 2019	17,719	140	144	1,627	_	19,630
Translation differences	45	-	-	13	(10)	48
Acquisition of a subsidiary (Note 8.1)	512	163	-	-	-	675
Additions	932	158	94	2,326	(4,516)	(1,006)
Disposals	_	_	_	(20)	5	(15)
Balance at December 31, 2019	19,208	461	238	3,946	(4,521)	19,332



The balances at 31 December 2019 were:

lho	usan	Ids	ot	eur	os

	31.12.2019				
	Cost	Amortization and impairment	Total		
Buildings	19,208	(3,192)	16,016		
Plant and machinery	461	(83)	378		
Other installations, equipment and furniture	238	(101)	137		
Other property, plant and equipment	3,946	(1,145)	2,801		
TOTAL	23,853	(4,521)	19,332		

In 2018, the Group only recognised lease assets and liabilities that were classified as "finance leases" under IAS 17 Leases. Assets were presented under property, plant and equipment and liabilities as part of the Group's borrowings.

Additions to right-of-use assets in 2019 amounted to 3,510 thousand euros.

11.2. Lease liabilities

The balance sheet shows the following amounts related to leases:

	Thousands of euros
Up to 3 months	505
3 months to 1 year	4,398
Current	4,903
1 to 5 years	10,968
More than 5 years	3,424
Non current	14,392
Total at December 31, 2019	19,295

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

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



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

12. Inventories

Details of inventories at 31 December 2019 and 2018 are as follows:

	Thousands of euros		
	2019	2018	
Raw materials and other supplies	71,311	74,199	
Semi-finished products	60,673	61,342	
Finished products	134,377	134,666	
Goods for resale	4,330	9,808	
Greenhouse gas emission rights	4,972	2,610	
Prepayments to suppliers	1,727	1,716	
Total Inventories	277,390	284,341	

The valuation adjustments in 2019, corresponding to impairment and obsolescence, entailed an expense of 4,269 thousand euros (an expense of 1,696 thousand euros in 2018, and they are recognised under "Consumption of raw materials and other consumables" and "Changes in inventory of finished goods and work in progress" in the consolidated income statement.

The emission rights consumed by the Company during 2019 and 2018 amounted to 266,621 and 258,960 tonnes, respectively.

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



13. Trade and other receivables

The breakdown for "Trade and other receivables" at 31 December 2019 and 2018 is as follows:

	Thousands	of euros
	2019	2018
Trade receivables	171,135	153,015
Other receivables	3,175	1,804
Advances to employees	209	237
Provisions for bad debts	(3,821)	(3,264)
Total trade receivables	170,698	151,792
Receivable from public administrations	12,127	20,741
Prepayments	3,454	2,910
Total other receivables	15,581	23,651
otal trade and oher receivables	186,279	175,443

At 31 December 2019 and 2018, the age of trade receivables by maturity was as follows:

	Thousands of euros							
	Not due	Due not impaired						
	Not due	< 30 days	31-60 days	61-90 days	> 90 days	Total		
2019	146,169	19,276	3,686	(694)	2,261	170,698		
2018	131,523	15,673	3,077	785	734	151,792		

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

The movement in provisions for irrecoverable debt from trade receivables and other receivables is as follows:

	Thousands	Thousands of euros		
	2019	2018		
Balance at January 1,	(3,264)	(3,388)		
Translation differences	(626)	118		
Amounts provisioned	(255)	(431)		
Amounts applied	324	437		
Balance at December 31,	(3,821)	(3,264)		

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

The breakdown by currency of trade receivables is as follows:



Thousands of euros

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2019	55,599	71,156	286	20,734	553	11,785	10,585	170,698
2018	52,645	62,173	8	18,728	969	8,597	8,672	151,792

At 31 December 2019 and 2018, balances receivable from public administrations are as follows:

	Thousands of euros		
	2019	2018	
VAT receivable form the Treasury	11,217	19,676	
Withholdings and peyments on account receivable from the Treasury	210	-	
Other public bodies	700	1,065	
Balance at December 31,	12,127	20,741	

A breakdown by currency is as follows:

Thousands of euros

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2019	5,028	17	770	4,216	143	369	1,584	12,127
2018	5,954	-	617	10,007	2,118	64	1,981	20,741

In 2018, VAT payable includes a balance to be recovered by ICMS (Brazilian VAT equivalent) amounting to 3,785 thousand euros. Viscofan do Brasil took steps to offset and recover these balances in the short term.

Impairment losses on financial assets

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

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

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

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

The expected loss rates are based on the payment profiles of sales during a 36-month period prior to 1 January 2019 and the corresponding historic credit losses experienced during this period. Historic loss rates are adjusted to reflect annual, forward-looking information about macroeconomic factors that affect the ability of customers to repay accounts receivable.

Equity funds investments

Loans and other receivables

Short term deposits

Current financial assets

Total at December 31, 2018



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

The accounts receivable for which an impairment provision was recognised are eliminated against the provision when there is no expectation that additional cash will be recorded.

14. Current and non-current financial assets

All financial derivative instruments at 31 December 2019 and 2018 are included in level 2: assets and liabilities whose fair value has been determined with technical valuation techniques that use hypotheses observable in the market.

The breakdown at 31 December 2019 and 2018 of current and non-current financial assets not including trade and other receivables is as follows:

		Thousands of euros					
	Meası	ured at					
	Amotised cost	Fair value with changes in P&L	Carrying amount	Fair value			
Financial investments	704	633	1,337	1,337			
Guarantees and deposits	1,039	_	1,039	1,039			
Non-current financial assets	1,743	633	2,376	2,376			
Equity funds investments	_	746	746	746			
Loans and other receivables	69	-	69	69			
Current financial assets	69	746	815	815			
otal at December 31, 2019	1,812	1,379	3,191	3,191			
		Thousands	of euros				
	Measi	ured at					
	Amotised cost	Fair value with changes in P&L	Carrying amount	Fair value			
Financial investments	1,726	266	1,992	1,992			
Guarantees and deposits	623	-	623	623			
Non-current financial assets	2,349	266	2,615	2,615			

730

730

996

57

7,646

7,703

10,052

730

57

7,646

8,433

11,048

730

57

7,646

8,433

11,048



A breakdown of financial assets by maturity is as follows:

Thousands of euros

	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total
2019	815	268	8	2	806	1,292	3,191
2018	8,433	1,195	184	291	184	761	11,048

A breakdown by currency is as follows:

Thousands of euros

	Euros	US dollars	Brazilian real	Chinese yuan	Others	rotal carrying
2019	1,450	146	1,447	142	6	3,191
2018	2,138	692	899	7,314	5	11,048

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

The Group has not recognised any impairment in relation to these assets at 31 December 2019 (or 31 December 2018).

15. Cash and cash equivalents

"Cash and cash equivalents" at December, 31 2019 and 2018 correspond entirely to balances held by the Group in cash and credit accounts, and an account which earns interest at market rates. The Group had no banking overdrafts during the periods, with all its balances freely distributable.

A breakdown by currency is as follows:

Thousands of euros

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2019	5,448	21,053	14	4,138	3,260	15,077	2,380	51,370
2018	9,010	9,788	896	1,245	1,549	6,370	2,192	31,050



16. Equity

16.1. Share capital

At 31 December 2019, the Parent's share capital consisted of 46,500,000 bearer shares of 0.70 euros par value each. Total capital value was 32,550 thousand euros.

In 2019, 103,682 shares were redeemed.

At 31 December 2018, the Parent's share capital consisted of 46,603,682 bearer shares of 0.70 euros par value each. Total capital value was 32,623 thousand euros.

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

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

At 31 December 2019 and 2018, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% of investment		
	2019	2018	
Corporación Financiera Alba, S. A.	13.03	13.00	
APG Asset Management N.V.	10.09	10.07	
Angustias y Sol, S.L.	5.26	5.27	
Norges Bank	4.98	5.20	
Marathon Asset Management, LLP.	4.94	4.93	
Setanta Asset Management Limited	4.02	-	
Wellington Management Group LLP	3.22	-	

Additionally, in accordance with Article 32 of Royal Decree 1362/2007, of 19 October, on shareholders obliged to notify their residence in tax havens or in countries not requiring the payment of taxes, or with whom there is no effective exchange of tax information, no notification was received at year-end 2019 and 2018.

Capital management

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

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

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



The Viscofan Group's primary objective is to maintain a healthy capital position. The leverage ratios as well as the analysis of net debt, at 31 December 2019 and 2018 were as follows:

	Thousands of euros		
_	2019	2018	
Cash and cash equivalents (Note 15)	51,370	31,050	
Other financial assets, S.T. (Note 14)	815	8,433	
Financial liabilities (Note 20)	(122,337)	(134,860)	
Liabilities on Right-of-use assets (Note 11.2)	(19,295)	(63)	
Total net financial debt	(89,447)	(95,440)	
Total equity	(784,366)	(757,626)	
Leverage ratio	11.4%	12.6%	

	Thousands of euros		
	2019	2018	
Cash and cash equivalents (Note 15)	51,370	31,050	
Other financial assets, S.T. (Note 14)	815	8,433	
Financial debt refundable in one year (Note 20)	(55,331)	(78,448)	
Financial debt refundable in more than one year (Note 20)	(86,301)	(56,475)	
Net debt	(89,447)	(95,440)	

	Thousands o	f euros
	2019	2018
Cash and cash equivalents (Note 15)	51,370	31,050
Other financial assets, S.T. (Note 14)	815	8,433
Gross debt at fixed interest rates	(107,291)	(86,937)
Gross debt at variable interest rates (Note 23.4)	(34,341)	(47,986)
Net debt	(89,447)	(95,440)

Total net debt



The change in net debt, at 31 December 2019 and 2018 is as follows:

			Thousands	of euros			
	Balance at January 1, 2019	Cash flow	Adquisitions and other non- monetary changes	Variarion on fair value	Translation differences	Balance at December 31, 2019	
Cash and cash equivalents	31,050	19,964	-	-	356	51,370	
Other financial assets, S.T. Liabilities included on cash flows from financing activities	8,434	(7,743)			124	815	
S.T. Financial debt	(66,206)	66,355	(38,420)	_	(233)	(38,504	
L.T. Financial debt	(44,175)	(49,366)	38,420	_	(113)	(55,234	
Interest	(219)	1,909	(2,034)	_	165	(179	
Fixed assets suppliers	(7,838)	665	-	_	(13)	(7,186	
Other financial liabilites, S.T.	(3,795)	2,778	562	(4,111)	7	(4,559	
Other financial liabilites, L.T.	(12,628)	(3,949)	(562)	495	(31)	(16,675	
Current liabilities on Right-of-use assets	(9,506)	4,552	51	-	-	(4,903	
Non current liabilities on Right-of-use assets	(14,341)	_	(51)	_	-	(14,392	
otal net debt	(95,440)	35,165	(2,034)	(3,616)	262	(65,663	
	Thousands of euros						
	Balance at January 1, 2018	Cash flow	Adquisitions and other non- monetary changes	Variarion on fair value	Translation differences	Balance at December 31, 2018	
Cash and cash equivalents	28,143	2,960	_	_	(53)	31,050	
Other financial assets, S.T. Liabilities included on cash flows from financing activities	790	7,675	_	-	(31)	8,434	
S.T. Financial debt	(6,343)	8,907	(66,498)		(2,272)	(66,206	
L.T. Financial debt	(62,679)	(47,778)	66,561	-	(279)	(44,175	
Interest	(228)	2,182	(2,169)	_	(4)	(219	
Fixed assets suppliers	(8,079)	71,949	(72,922)	_	1,214	(7,838	
				10,335	60	(3,795	
Other financial liabilites, S.T.	(4,713)	(9,477)	-	.0,555	***************************************		
Other financial liabilites, S.T. Other financial liabilites, L.T.	(4,713)	(9,477) (958)		-	(14)		
			(35)	-		(12,628 (35	

(64,765)

35,460

(75,091)

10,335

(1,379)

(95,440)



16.2. Share premium and other reserves

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

Changes in this item are as follows:

		Thousands of euros					
	Share premium	Other reserves	Share-based payments (Note 24.3	Total			
Balance at January 1, 2018	12	650,573	-	650,585			
Actuarial gain (losses)	-	476	-	476			
Distribution of prior year results	-	50,331	-	50,331			
Own shares acquisition	-	(3)	-	(3)			
Balance at December 31, 2018	12	701,377	_	701,389			
Share capital reduction	-	(5,216)	-	-			
Actuarial gain (losses)	-	(1,818)	-	(1,818)			
Own shares acquisition	_	(5)	_	(5)			
Transactions with non-controlling interests	_	(279)	_	(279)			
Apropiation of prior year results	_	43,840	_	43,840			
Share-based payements cost	_	-	262	262			
Balance at December 31, 2019	12	737,899	262	738,173			

(a) Legal reserves

In accordance with the Spanish Corporate Enterprises Act, companies registered in Spain are obliged to transfer 10% of the profits for the year to a legal reserve until it reaches an amount of at least an amount equivalent to 20% of share capital. This reserve is not distributable to shareholders and its value at 31 December 2019 and 2018 amounts to 2,935 thousand euros.

(b) Revaluation reserve

The parent opted for the voluntary revaluation of PP&E items as established in the Navarre Regional Law 21/2012 of December 26, on modifying various taxes and other tax measures. The revaluation was carried out with respect to items recorded in the balance sheet for the year ended 31 December 2012, with the resulting reserve, net of 5% tax, amounting to 7,329 thousand euros. The effect of said revaluation was not recognised in the consolidated financial statements of the Group.



On 31 December 2019, once the inspection period had past the balance may be used to:

- Offset prior years' losses.
- Increase share capital.
- Increase freely distributable reserves once ten years have elapsed from the closing date of the balance sheet for the year in which the revaluation was recognised. However, said balance can only be distributed, directly or indirectly, when the remeasured equity items have been fully depreciated, transferred, or derecognised.

Revaluation reserve in accordance with Navarre Regional Law 23/1996, is considered as distributable from 31 December 2006, on to the extent that gains have been realised, that is, when the related assets have been depreciated, disposed of or otherwise written off.

(c) <u>Treasury share reserves</u>

Pursuant to Article 148 of Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Corporate Enterprises Act, the Parent Company must establish an unavailable reserve equivalent to the value of treasury shares in its possession (see Note 16.3). These reserves must be held for both stakes and shares that have not been disposed of.

16.3. Movement in treasury shares

At the Ordinary Meeting of 25 May 2018, an agreement was reached to invalidate the authorisation granted to the Board of Directors at the General Meeting of 30 April 2013 and new authorisation granted to the Board of Directors to acquire and hold treasury shares as follows:

Provide new authorisation to the Board of Directors to buy and sell on the market, through the person, Company or institution that it deems advisable, shares in the Company at the market price on the transaction date, for the maximum number of shares permitted by the Corporate Enterprises Act and related provisions, with the minimum price not being below the nominal value or more than 15% higher than the share price listed on the Spanish Automated Quotation System at the time of the acquisition.

In 2019, treasury share acquisitions took place. At 31 December 2019, Viscofan, S.A. held a total of 150,000 treasury shares that represented 0.32% of the voting rights, acquired at a total price of 6,487 thousand euros.

In 2018 Viscofan, S.A. acquired a total of 103,682 of its own shares, representing 0.22% of voting rights, acquired at a total price of 5,289 thousand euros. These shares were fully redeemed in 2019.



16.4. Valuation adjustments

Movements in the years ended 31 December 2019 and 2018 were as follows:

	Thousands of euros		
	Exchange rate insurance	Raw material derivatives	Total
Balance at January 1, 2018	274	1,498	1,772
Gains/(losses), net of tax effects	593	-	593
Reclassification of gains to the income statement, net of tax	(274)	(2,471)	(2,745)
Balance at December 31, 2018	593	(973)	(380)
Gains/(losses), net of tax effects	2,027	-	2,027
Reclassification of gains to the income statement, net of tax	(593)	608	15
Balance at December 31, 2019	2,027	(365)	1,662

16.5. Exchange gains (losses)

The detail of the most significant translation differences by company for the years ended 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Koteks Viscofan, d.o.o.	(11,158)	(11,315)
Viscofan de México S.R.L. de C.V.	(6,473)	(9,546)
Viscofan do Brasil, soc. com. e ind. Ltda.	(45,273)	(40,364)
Viscofan Uruguay, S.A.	(15,223)	(16,840)
Rest of Group companies	21,145	19,320
Balance at December 31, 2019	(56,982)	(58,745)



16.6. Profit distribution and other remuneration paid to the shareholders

The proposed distribution of income of the parent for 2019, formulated by the Directors of the parent and pending approval by the General Shareholders' Meeting, corresponds to a total remuneration to shareholders of 1.62 euros per share, of which, the distribution of earnings in the form of dividends is 1.61 euros per share and 0.01 euros per share for the premium payment for attending the General Shareholders' Meeting in 2020.

In relation to 2018, the total remuneration for shareholders amounted to a total of 1.73 euros per share. The distribution of earnings resulted in a dividend of 1.59 euros per share (0.64 euros per share paid on 20 December 2018 as an interim dividend), an extraordinary dividend of 0.13 euros per share (paid on 22 March 2018) for the extraordinary gain from the collection of patent indemnities, and 0.01 euros per share for the payment of a premium for attendance at the 2019 General Meeting. This premium was recognised as an expense for the year.

	Thousands of eu	os
	Distribution proposal year 2019	Distributed profits year 2018
Dividends	74,624	79,993
Voluntary reserves	30,838	11,260
Distributable profits attributable to the parent	105,462	91,253

Parent profits for the year ended 31 December 2018 were distributed as approved by the shareholders at their annual general meeting held on 12 April 2019.

On 21 November 2019, based on projected profit for the year, the Board of Directors approved an interim dividend for 2019 of 30,127 thousand euros, equal to 0.65 euros per share. This dividend was paid on December 20, 2019.

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



The statement required by current legislation and prepared by the parent's Board of Directors in respect of the distribution of the interim dividend for 2019 is as follows:

	Miles de euros
Cash available at 8.11.2019	10,686
Trade and other receivables	213,790
Trade and other payables	(137,143)
Payments to employees	(50,467)
Interest expense	(816)
Other payments	(5,600)
Cash flow from operating activities	19,764
Dividends received	91,986
Purchases of property, plant and equipment	(14,700)
Cash flow from investment activities	77,286
Variations in bank borrowings	(15,746)
Dividends paid	(75,087)
Cash flows from financing activities	(90,833)
Projected liquidity at 8.11.2020	16,903

17. Capital grants

The movements under this heading in 2019 and 2018 were as follows:

	Thousands of euros
Balance at January 1, 2018	2,482
Translation differences	16
Additions	274
Taken to profit	(637)
Balance at December 31, 2018	2,135
Translation differences	6
Taken to profit	(590)
Balance at December 31, 2019	1,551

The breakdown of capital grants during 2019 and 2018, all related to fixed assets, is as follows:



IhΛ	iican/	10 ヘヤ	euros
1110			

	2019	2018
Navarre Regional Government	1,053	1,468
Ministry of Science and Technology	233	261
International organizations	265	406
Balance at December 31	1,551	2,135

18. Current and non-current provisions

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

	_	Thousands o	of euros
	Note	2019	2018
Defined benefit	18.1	29,995	18,012
Other employee benefits	18.2	3,298	3,566
Provisions for other litigation	18.3	307	312
Others	***************************************	2	74
Total non-current provisions	•	33,602	21,964
Provisions for warranties/repayments	18.4	1,582	1,818
Provisions for safety in the workplace	18.5	1,183	1,323
Provisions for emission rights	18.6	5,667	2,357
Others	***************************************	527	247
Total current provisions		8,959	5,745

18.1. Provisions for defined benefit plans

The Group makes contributions to various different defined benefit plans. The key plans were located in Germany, until 2018, and with the new business combinations, also in the United States and Canada.

Independent actuarial valuations are used for all plans, and, for new entrants, there are assets assigned to the pension plans.

• Pension plans in Germany

A contribution is made through the Naturin Viscofan GmbH subsidiary for a defined benefit plan consisting of a life pension plan for retired employees. At 31 December 2019, there were 360 employees, 456 retirees and ex-employees. At 31 December 2018, there were 386 employees and 442 retirees and ex-employees.



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

The net obligation corresponding to pension plans amounts to 18,757 thousand euros at 31 December 2019, and 16,153 thousand euros at 31 December 2018.

• Pension plans in the United States

Through the subsidiary Viscofan Collagen USA Inc. the Group has two defined benefit plans.

- 1) Retirement Plan for Hourly Employees. This plan is frozen as of 1 December 2010. It provides a life annuity for employees and former employees of the company and has a total of 190 beneficiaries (35 of them active, 155 retired and former employees).
 - The net obligation amounted to 3,642 thousand euros at 31 December 2019. The capitalisation rate was 72.7% of the value of the obligation.
- 2) Retirement Plan for Salaried Employees. This plan is frozen as of 31 January 2008 and provides an annuity for 133 participants (21 of whom are active, while 112 are retirees and former employees).

The net obligation amounted to 5,444 thousand euros at 31 December 2019. The capitalisation rate was 65.6% of the value of the obligation.

Pension plans in Canada

Through the subsidiary Viscofan Collagen Canada Inc. the Group operates a defined benefit plan consisting of an annuity for the 41 beneficiaries (21 of whom are active, 20 retired and former employees). This plan is frozen as of 31 March 2011.

The net obligation amounted to 138 thousand euros at 31 December 2019. The capitalisation rate was 97.2% of the value of the obligation.



a) Changes in the present value of net obligations are as follows:

		-	
Tho	usands	Ot e	uros

Tota 2019	l 2018
	2018
18,012	18,361
418	335
401	381
(496)	(504)
2,391	(646)
45	85
34,042	-
54,813	18,012
(24,818)	-
(24,818)	_
29,995	18,012
17,770	9,398
5,454	2,690
31,589	5,924
	(496) 2,391 45 34,042 54,813 (24,818) 29,995

The detail of plan assets is as follows:

Thousands of euros

	USA	Canada
Cash	79	-
Domestic Investment funds	18,584	2,447
Foreing Investment funds	1,431	1,535
Real estate funds	-	742
Fair value of pension plan assets	20,094	4,724



b) The following table provides information relating to the amounts recognised in the consolidated income statement. Current service costs for the period are included in employee benefits expenses.

	Thousands of euros	
	2019	2018
Current service cost	417	335
Plans in Germany	283	302
Plans in other countries	134	33
Net financial cost	401	381
Interest expense for German plans	320	310
Interest expense for plans in other countries	81	71
Expense (income) recognized for the year	818	716

c) The following table provides information relating to the amounts recognised in the consolidated statement of comprehensive income:

	Thousands of euros		
	2019	2018	
Actuarial losses and gains of	(2,391)	646	
Arising from changes in demographic assumptions	(110)	96	
Arising from changes in financial assumptions	(2,363)	355	
Arising from experience	82	195	
Tax effect	573	(169)	
et results recognized in the consolidated attement of comprehensive income	(1,818)	477	

d) The principal actuarial assumptions used in the plans located in Germany are as follows:

	2019	2018
Annual discount rate	1.3%	1.9%
Expected rate of salary increases	2.0%	2.0%
Expected age of retirement for employees	65-67	65-67

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



In relation to the valuation of the net obligation of the pension plans acquired in the business combination, the actuarial assumptions used were

	USA	Canada
Annual discount rate	3.0%	2.9%
Expected rate of return on assets	5.3%	2.9%

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

Future payments expected for coming periods are shown in the following table:

	Thousands of euros		
	2019	2018	
Payable within the next 12 months	306	283	
Payable within 1 and 2 years	326	303	
Payable within 2 and 3 years	347	323	
Payable within 3 and 4 years	381	359	
Payable within 4 and 5 years	413	395	
Payable within 5 and 10 years	2,670	2,564	
Payable within more than 10 years	21,706	21,946	

The following table shows the sensitivity analysis for each of the main hypotheses on how a possible reasonable change in each hypothesis would affect the obligation at year end. This information is not included in the analysis of the pensions acquired in the business combination.

2019	2018
(1,784)	(1,498)
2,053	1,720
1,416	1,166
(1,282)	(1,059)
742	598
	1,416 (1,282)



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

18.2. Other employee benefits and long-term remuneration

The movements at 31 December 2019 and 2018 are as follows:

	2019	2018
	3,566	3,277
	(3)	(18)

Thousands of euros

Balance at January 1, Translation differences Modifications (936)Allowances 970 433 **Payments** (299)(126)Balance at December 31, 3,298 3,566

Included under this heading are prizes that the subsidiary Naturin Viscofan GmbH has established for its employees. This loyalty premium was modified in 2019 in agreement with the company's employees. When employees reach 25 years of length of service, they are entitled to a salary of 1,000 euros and one month's gross salary multiplied by 0.8 (1.6 in 2018) plus one day's holiday; when they reach 40 years of length of service, a payment of 1,000 euros and the gross salary of one month multiplied by 1.1 (1.6 in 2018) plus a holiday day; when they reach 50 years, a holiday day (as in 2018). In 2018, a payment of 1,000 euros was included when they reached 10 years of length of service.

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

The number of beneficiaries amounts to 360 employees (386 in the previous period), while the obligation amounts to 1,751 and 2,754 thousand euros at 31 December 2019 and 2018, respectively. The beneficiaries received 284 thousand euros in payments during 2019 (2018: 126 thousand euros). The payable amount expected for 2020 totals 137 thousand euros.

Recognised service costs and financial expenses for the current period amounted to 164 thousand and 52 thousand euros, respectively (2018: 163 thousand and 48 thousand euros, respectively).

This heading also includes the long-term incentive plan amounting to 930 thousand euros, the features of which are detailed in Note 24.3.



18.3. Provisions for other litigations

The movements at 31 December 2019 and 2018, are as follows:

	Thousands of euros		
	2019	2018	
Balance at January 1,	312	554	
Translation differences	(1)	(32)	
Allowances	-	72	
Payments	(4)	(282)	
Balance at December 31,	307	312	

The provision for other litigation mainly covers claims brought against the Brazilian subsidiary by the Brazilian tax authorities and certain company employees. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at 31 December 2019.

18.4. Provision for guarantees / refunds

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

18.5. Safety in the workplace provision

The safety in the workplace provision covers claims brought against the Group by certain employees, most of whom are based in the US, related to workplace accidents. These claims did not arise as a result of a specific incident, but are customary practice in many companies. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at 31 December 2019.

18.6. Emission rights provision

The emission rights provision includes the estimated consumption of emission rights during 2019 and 2018 valued in accordance with the measurement standard described in Note 4.17.



18.7. Contingent assets and liabilities

(a) Contingent liabilities

At year end, there were a number of different legal claims filed against the Brazilian subsidiary totaling 3.7 million euros (2018: 4.47 million euros) classified as possible.

Also, at year-end there are several legal claims in progress with Griffith Colombia, S.A. ("Griffith"). In the year ending 31 December 2012, Viscofan terminated its commercial relationship with Griffith. As a consequence of such termination, in 2013 Griffith filed suits in Colombia against Viscofan do Brasil, Viscofan CZ and Viscofan SA claiming an indemnity for the termination of the commercial relationship for a total amount of approximately 3,700,000 euros. Griffith pursued a single suit and a claim for a cumulative amount and therefore it is not possible to determine the amount claimed from each of the companies, although it is viewed as possible. The court proceedings are ongoing. There were no significant developments in 2019. In addition, Griffith filed a claim of unfair competition in in Colombia against Viscofan do Brasil, Viscofan CZ and Viscofan SA. The proceedings are pending appeal in cassation to the Supreme Court. The risk is assessed as probable, although the suit does not involve a monetary claim.

In September 2019 an accident occurred at the production centre in Cáseda, Navarra, Spain. An external worker at the centre died; a Viscofan S.A. employee was seriously injured. Preliminary proceedings opened before the Court of First Instance and Investigation No. 2 of Aoiz. Liability cannot be determined at this time.

(b) Contingent assets

Viscofan S.A. filed legal proceedings before the Commercial Court against Sayer Technologies S.L. for disclosing confidential information. In 2018 the trial was held. In 2019 the first instance judgment was handed down; it was appealed against by Viscofan. The proceedings are currently in the appeal phase before the Provincial Court of Navarre.

In terms of the electricity sector regulation in Spain, in September 2018, Viscofan, S.A. received the combined agreement from the Treasury of Navarre rejecting the applications for the refund of revenue obtained unduly in terms of the tax on Electricity Production corresponding to 2013, 2014 and 2015 on the basis that this tax breaches different legal provisions at a European level and in the Spanish Constitution. On 31 October 2018, Viscofan, S.A., filed an administrative economic claim against this rejection before the Administrative Economic Court of Navarre. This claim was dismissed by the Regional Economic Administrative Tribunal in December 2019. Against that decision, in January 2020, within the time limit laid down for that purpose, Viscofan S.A. lodged an administrative appeal with the Pamplona Court of Judicial Review, requesting that the proceedings be suspended until the Court of Justice of the European Union has ruled on the issue referred for a preliminary ruling by the Judicial Review Chamber of the High Court of Justice of the Community of Valencia on various questions relating to the IVPEE. Viscofan S.A. received from the Judicial Review Court No. 3 of Pamplona a ruling accepting its request of suspension of the judicial review proceedings by reason of a prior issue at civil law.

In July 2018, Supralon International AG, a Group company, initiated arbitration proceedings against Podanfol S.A. for different breaches of a supply contract it had entered into. In these proceedings, Supralon International AG is requesting the payment of contractual penalties for the sum of 3 million euros and damages for an amount yet to be defined. The arbitration continues. In 2019, Podanfol responded to the claim filed by Supralon International AG by denying any breach of the supply contract and making a counterclaim in the amount of 1.1 million euros. The risk is qualified as remote.



19. Trade and other payables

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

	Thousands of euros		
	2019	2018	
Suppliers	29,961	29,565	
Amounts owed for services received and other payables	26,021	26,730	
Customer advances	2,624	2,161	
Remuneration pending payments	15,937	12,941	
Trade payable	74,543	71,397	
Payable to public administrations	11,404	11,074	
Other payables	11,404	11,074	
Balance at December 31,	85,947	82,471	

The breakdown by currency of trade payables is as follows:

Thousands of euros

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2019	33,570	17,856	2,882	4,642	3,878	3,621	8,094	74,543
2018	30,639	20,477	2,436	1,768	4,253	3,264	8,560	71,397

At 31 December 2019 and 2018, balances payable to public administrations were as follows:

	Thousands of euros		
	2019	2018	
VAT payable to Treasury	3,681	2,782	
Amounts payable to the Treasury for withholdings	6,752	6,020	
Payable to social security agencies	792	2,091	
Other public bodies	179	181	
Balance at December 31,	11,404	11,074	

A breakdown by currency is as follows:



Thousands of euros

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Others	Total carrying amount
2019	8,098	137	488	661	969	579	472	11,404
2018	6,894	98	469	500	1,875	701	537	11,074

<u>Information on the average period of payment to suppliers in Spain in commercial transactions</u>

In accordance with the Third transitory provision "Disclosure requirements" of Law 15/2010 dated 5 July, information the average payment period to Spanish suppliers of the Spanish entities included in the consolidated group follows:

	Day	Days		
	2019	2018		
Average supplier payment period	23.20	27.67		
Ratio of transactions paid	23.50	28.13		
Ratio of unpaid transactions	20.10	22.92		

	The	Thousands of euros		
	20	19	2018	
Total payments made	1:	32,329	132,840	
Total unmade payments	1	10,002	12,801	



20. Current and non-current financial liabilities

Total at December 31, 2018

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at 31 December 2019 and 2018, is as follows:

		Thousands of euros							
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Carrying amount	Fair value			
Bank borrowings	17,111	21,392	54,234	1,000	93,737	93,737			
Accrued interest payable	115	64	-	-	179	179			
Other financial liabilities	8,646	3,100	10,612	6,063	28,421	28,421			
Measured at amorised cost	8,646	3,100	10,612	6,063	28,421	28,421			
Total at December 31, 2019	25,872	24,556	64,846	7,063	122,337	122,337			
			Thousand	s of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Carrying amount	Fair value			
Bank borrowings	45,400	20,843	44,203	-	110,446	110,446			
Accrued interest payable	170	49	-	-	219	219			
Other financial liabilities	8,039	3,912	8,828	3,417	24,196	24,196			
Measured at amorised cost	8,039	3,912	8,828	3,417	24,196	24,196			

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

24.804

53.031

3.417

134.861

134.861

53.609

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

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

Financial liabilities for bank borrowings bearing interest at floating rates are referenced to Euribor or Libor plus an average spread of 0.86 percentage points (0.683 percentage points in 2018).

The average fixed interest rate on financial liabilities for bank borrowings in 2019 is 0.76% (1% in 2018).



"Other financial liabilities" at 31 December 2019, both current and non-current, mainly includes:

- A loan from the parent amounting to 1,666 thousand euros. The nominal amount received from COFIDES (Compañía Española de Financiación del Desarrollo) totalled 5,000 thousand euros. It accrues interest at market rates.
- Loans with interest rates granted by entities such as the CDTI and the Ministry of Economy and Competitiveness amounting to 12,031 thousand euros.
- Non-current assets suppliers, amounting to 7,187 thousand euros.

At 31 December 2018 mainly includes:

- A loan from the parent amounting to 2,500 thousand euros. The nominal amount received from COFIDES (Compañía Española de Financiación del Desarrollo) totalled 5,000 thousand euros. It accrues interest at market rates.
- Loans with interest rates granted by entities such as the CDTI and the Ministry of Economy and Competitiveness amounting to 10,588 thousand euros.
- Non-current assets suppliers, amounting to 7,838 thousand euros.

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

A breakdown by currency is as follows:

Thousands of euros

	Euros	US dollars	Czech crown	Others	Total carrying amount
2019	107,440	8,458	956	5,483	122,337
2018	115,177	10,393	5,478	3,813	134,861

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

	2019	2018
Limit	131,767	115,238
Amount draw down	14,867	37,542
Drawable amount	116,900	77,696



The undiscounted value of financial liabilities classified by maturity stripping out derivative financial instruments at 31 December 2019 and 2018 is as follows:

		Thousands of euros							
	Less than 1	From 1 to 2	From 2 to 3	From 3 to 4	From 4 to 5	More than 5	Total		
	year	years	years	years	years	years			
Borrowings - debt principal	38,503	26,571	15,467	10,196	2,000	1,000	93,737		
Interest	600	419	209	89	17	6	1,340		
Financial liabilities - borrowings	39,103	26,990	15,676	10,285	2,017	1,006	95,077		
Debt principal	11,746	5,262	2,240	1,939	1,171	6,063	28,421		
Interest	71	42	29	23	18	15	198		
Other financial liablities	11,817	5,304	2,269	1,962	1,189	6,078	28,619		
otal at December 31, 2019	50,920	32,294	17,945	12,247	3,206	7,084	123,696		
		Thousands of euros							
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	Total		
Borrowings - debt principal	66,243	12,539	12,539	12,447	6,678	-	110,446		
Interest	845	450	313	180	42	_	1,830		
Financial liabilities - borrowings	67,088	12,989	12,852	12,627	6,720	-	112,276		
Debt principal	11,967	3,560	2,475	1,541	1,236	3,417	24,196		
Interest	53	37	22	9	6	6	133		
Other financial liablities	12,020	3,597	2,497	1,550	1,242	3,423	24,329		
Total at December 31, 2018	79.108	16.586	15.349	14.177	7.962	3.423	136.605		

At 31 December 2019, the Group had reverse factoring facilities with a joint limit of 5,000 thousand euros (5,600 as at 31 December 2018), as well as multi-risk policies totalling 8,000 thousand euros, as in December 2018.



21. Derivatives

The breakdown of balances which include the values of derivatives at 31 December 2019 and 2018 is as follows:

				Thousa	nds of euros			
		20	19			20°	18	
	Measured at fair value with changes in OCI		th Measured at fair value with changes in P&L		Measured at fair value with changes in OCI		Measured at fair value with changes in P&L	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Exchange rate insurance	32	-	-	-	13	-	-	-
Raw materials hedges	64	-	-	-	-	495	-	-
L.T. Derivatives	96	-	_	-	13	495	_	_
Exchange rate insurance	2,277	40	47	85	701	49	41	142
Raw materials hedges	444	-	_	-	-	856	-	_
S.T. Derivatives	2,721	40	47	85	701	905	41	142
Total	2,817	40	47	85	714	1,400	41	142

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

		Thousands of euros					
	Measured at fa	air value					
	With changes in P&L	With changes in OCI	Carrying amount	Fair value			
Non-current derivatives	-	96	96	96			
Current derivatives	47	2,721	2,768	2,768			
Total Financial assets at December 31, 2019	47	2,817	2,864	2,864			
Current derivatives	(85)	(40)	(125)	(125)			
Total Financial liabilities at December 31, 2019	(85)	(40)	(125)	(125)			
	Thousands of euros						
	Measured at fa	air value					
	With changes in P&L	With changes in OCI	Carrying amount	Fair value			
Non-current derivatives	-	13	13	13			
Current derivatives	41	701	742	742			
Total Financial assets at December 31, 2018	41	714	755	755			
Non-current derivatives	-	(495)	(495)	(495)			
Current derivatives	(142)	(905)	(1,047)	(1,047)			
Total Financial liabilities at December 31, 2018	(142)	(1,400)	(1,542)	(1,542)			



21.1. Raw material hedges

A significant amount of the Company's production costs is linked to energy costs. For this reason, and in order to mitigate the negative effect of variations of energy prices, in 2018 the Company entered into hedging contracts on the cost of gas for a total of 840,000 MWh, covering gas purchases for the period from February 2019 to January 2020, the contracted prices of which range from 2.05 to 2.368 euro cents per kilowatt hour. The amount contracted in 2016, for 2018, amounted to a total of 540,000 MWh. These contracts were arranged based on the parent's hedging policies, which cover up to 80% of the foreseen gas consumption.

In 2019, the Company entered into hedging contracts for the period from February 2020 to January 2021 for a total of 240,000 MWh, with a contracted price of 1.9. These contracts were arranged based on the parent's hedging policies, which cover up to 80% of the foreseen gas consumption.

The valuation formula used included, among other variables, Brent forward prices; and there are no significant inefficiencies.

21.2. Exchange rate insurance

Part of the fair value of the exchange rate insurances at year end was recognised as income or expense on the consolidated income statements for 2019 and 2018. The amount recognised directly in the consolidated income statements relates to exchange rate insurances designated as hedges to cover amounts payable or receivable recognised in the consolidated statements of financial position at the exchange rate at year end. No significant inefficiencies were noted in 2019 and 2018 in any derivative financial instruments contracted.

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

The nominal value of the main exchange rate insurances in effect at 31 December 2019 and 2018 is as follows:

	Thousands	Thousands of euros		
	2019	2018		
US dollar	117,700	94,950		
Pounds sterling	5,550	9,850		
Canadian dollar	2,550	4,000		



22. Income tax

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

Thousands of euros

	Assets Liabilities		ties	Ne	t	
	2019	2018	2019	2018	2019	2018
Non-current assets	14,293	9,404	20,562	18,917	(6,269)	(9,513)
Current assets	8,844	8,355	1,732	1,740	7,112	6,615
Non-current liabilities	4,205	3,820	196	196	4,009	3,624
Current liabilities	1,090	954	1,179	499	(89)	455
Total at December 31,	28,432	22,533	23,669	21,352	4,763	1,181

Deferred tax assets, on current assets, are mainly due to the effect on tax of the elimination of the margin in inventory acquired between Group companies, as well as provisions on inventories that are not tax-deductible in some countries. The deferred tax asset for non-current assets relates mainly to the capitalisation of tax credits for tax losses (6,355 thousand euros) and investment deductions (2,848 thousand euros). In addition, deferred tax assets arising from current and non-current liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied. A large number of the provisions described in Note 18 have led to adjustments in the tax assessment basis in the different countries.

Deferred tax liabilities arising from non-current assets for the years ended 31 December 2019 and 2018, mainly relate to the application of different amortisation rates by certain Group subsidiaries (mostly in the USA) than those used for tax purposes. Also the tax effect of gains on PP&E items acquired in different business combinations is included.



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

	Thousands of euros		
	2019	2018	
Non-current assets	(3,993)	(3,972)	
Current assets	(281)	(935)	
Non-current liabilities	210	182	
Current liabilities	784	(152)	
Consolidated income statement	(3,280)	(4,877)	
Non-current assets	749	1,234	
Current assets	(216)	(280)	
Non-current liabilities	(595)	139	
Current liabilities	(240)	(439)	
"Other comprehensive income" on the consolidated statements of comprehensive income	(302)	654	
Total changes in taxes and deferred tax liablities	(3,582)	(4,223)	

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

	Thousands of	of euros
	2019	2018
Actuarial gains/(losses) on pension plans		
Germany	(573)	166
Other countries	-	3
Unrealized gains/(losses) on cash flow hedges	(823)	826
Changes due to translation differences	1,094	(341)
harged directly against "Other comprehensive income" on the onsolidated income statement	(302)	654



The major components of income tax expense for the years ended 31 December 2019 and 2018, are as follows:

	Thousands	Thousands of euros	
	2019	2018	
Income tax expense for the year	27,753	28,529	
Adjustment to income tax from prior years	14	(64)	
Current income tax	27,767	28,465	
Origination and reversal of temporaty differences	(3,280)	(4,877)	
Defered income tax	(3,280)	(4,877)	
Profit por continuing operations	24,487	23,588	

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

	Thousands o	Thousands of euros	
	2019	2018	
Profit before tax for the year	130,064	147,299	
28% tax rate	36,418	41,244	
Effect of application of tax rates in each country	(6,085)	(5,820)	
Deductions generated	(6,084)	(10,941)	
Adjustment to income tax from prior years	14	(64)	
Impact of permanent differences	224	(831)	
Tax on income expense	24,487	23,588	

During 2019 the Chinese subsidiary Viscofan Technology (Suzhou) Co. Ltd.'s rating was again deemed as "High Tech" for 3 years and therefore its tax rate changed from 25% to 15%.

Koteks Viscofan, d.o.o. may avail itself of a tax incentive which would reduce the corporate income tax quota 83% in tax returns presented until 2021 thanks to investments and the creation of jobs in the Serbian Republic.

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



Income tax payable from continued operations is as follows:

	Thousands of euros		
	2019	2018	
Current tax	27,753	28,529	
Withholdings and payments on account	(24,117)	(28,723)	
Total at December 31,	3,636	(194)	

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

	Thousands of euros		
	2019	2018	
Tax assets receivable	1,522	6,178	
Tax liabilities payable	(5,158)	(5,984)	
Total at December 31,	(3,636)	194	

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the tax authorities or the inspection period of four years has elapsed. At 31 December 2019, the parent and subsidiaries in Spain are open to inspection of all applicable taxes to which they are liable and for which the corresponding inspection periods have yet to expire. The situation of foreign companies depends on the legislation prevailing in each country.

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



23. Risk management

Risk management is controlled by the Group, in keeping with policies approved by the Board of Directors. The risk control system is described in *section E. Risk management and control systems* of the Annual Corporate Governance Report from the parent company, listing those that might affect the achievement of objectives, their appearance in 2019, and response and supervision plans. We will now focus on the financial risks described below.

The Group's activities are exposed to various financial risks: foreign currency, credit, liquidity and interest rate risk in cash flows and fair value. The Group's global risk management program focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the Group's profitability. Certain risks are hedged by derivative instruments.

23.1. Exchange rate risk

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

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

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

	Thousands of euros			
	2019		2018	
	+ 5%	- 5%	+ 5%	- 5%
US dollar	6,467	(5,845)	6,279	(5,681)
Czech Crown	(1,634)	1,478	(1,468)	1,328
Brazilian Real	1,451	(1,314)	999	(905)
Chinese Yuan Renmimbi	803	(728)	710	(643)

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

	Thousands of euros			
	2019		2018	
	+ 5%	- 5%	+ 5%	- 5%
US dollar	9,661	(8,740)	8,378	(7,593)
Czech Crown	3,141	(2,841)	2,183	(1,975)
Brazilian Real	4,910	(4,442)	5,001	(4,525)
Chinese Yuan Renmimbi	3,211	(2,905)	3,350	(3,031)



23.2. Credit risk

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

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

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

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

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

The Directors consider that at 31 December 2019 there were no significant assets that could be impaired with respect to their net carrying amount.

23.3. Liquidity risk

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

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



The following ratios show the level of liquidity at 31 December 2019 and 2018:

	Thousands of euros		
	2019	2018	
Current asstes	520,144	506,187	
Current liabilities	(155,520)	(173,694)	
Working capital	364,624	332,493	
Current liabilities	155,520	173,694	
% working capital/current liabilities	234.45%	191.42%	
Cash and cash equivalents	51,370	31,050	
Available borrowing facilities (Note 20)	116,900	77,696	
Cash and available on credit and discount lines	168,270	108,746	
% cash and cash equivalents+available on credit and discount lines/Current liabilities	108.20%	62.61%	

The amounts available on credit and discount lines do not include confirming lines or multi-risk policies which are described in Note 20.

Certain of the Group's non-current loans must meet a series of ratios calculated based on its consolidated financial statements. Lack of compliance represents an increase in finance costs and, depending on the case, represents the early termination of a contract. As of 31 December 2019 and 2018, all the main ratios have been satisfactorily met and neither Viscofan, S. A. nor any of its material subsidiaries were in breach of their financial commitments or any kinds of obligation that could trigger their early redemption.

In 2019 and 2018 there were no defaults or other noncompliance of the principal, interest, or repayments of debts with credit entities. No defaults are foreseen for 2020.

23.4. Interest rate risks in cash flows and fair value

The Group manages interest rate risk by maintaining a balanced portfolio of fixed and floating rate loans and credits. The Group's policy is to hold between 50% and 85% of its loans at a fixed interest rate. To manage it, the Group receives fixed-interest loans. At 31 December 2019, approximately 70% of the Group's loans are remunerated at a fixed interest rate (2018: 62%).

The Group does not own significant remunerated assets.



At 31 December 2019 and 2018 the structure of financial liabilities subject to interest rate risk, once hedges through the derivatives arranged have been taken into account, is as follows:

	Thousands o	of euros
	2019	2018
Bank borrowings	93,916	110,665
Other financial debt	21,234	16,358
Financial debt total	115,150	127,023
Fixed interest rate (*)	80,809	79,100
Variable interest rate	34,341	47,923
(*) Crantad loans included		***************************************

^(*) Granted loans included

In 2019 and 2018, the floating interest rates on loans are linked to Euribor and Libor dollar.

The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations in US and Germany (Note 18.1).

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

		Thousands of euros				
	2019	2019		3		
	+ 1%	- 1%	+ 1%	- 1%		
Pension plans commitments						
Germany	(168)	181	(163)	163		
Plans in other countries	(18)	19	(20)	19		
Financial debt						
Euribor	(413)	410	(319)	320		

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

The Viscofan Group is exposed to variations in Brent prices, which is the main indicator affecting the price of gas and other fuels used in producing its casings.

The Group policy is to set the prices for main fuels through the arrangement of one-year duration contracts with suppliers, or by using hedging policies (Note 21.1). It thus attempts to mitigate the impact of Brent variations on the consolidated income statement.

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

	Thousands of euros			
	2019 2018			
+ 10%	2,874	2,709		
- 10%	(2,874)	(2,709)		



24. Information on the Board of Directors of the Parent and Top Management

24.1. Directors

Directors' compensation is outlined in Article 27 ter of the bylaws and remuneration policies approved by the shareholders during their general meeting.

The breakdown for Board remuneration in 2019 and 2018 is as follows:

Thousands of euros

	Salaries	Fixed remuneration	Allowances	Variable short- term remuneration	Variable long- term remuneration	Remuneration for membership of commissions	Other notions	Total
Mr. José Domingo de Ampuero y Osma	595	160	-	271	-	-	6	1,032
Mr. José Antonio Canales García	458	80	-	209	-	-	39	786
Mr. Ignacio Marco-Gardoqui Ibáñez	-	80	36	-	-	45	-	161
Mr. José María Aldecoa Sagastasoloa	-	80	36	-	-	50	-	166
Mr. Jaime Real de Asúa y Arteche	_	80	36	_	_	30	-	146
Mr. Nestor Basterra Larroudé	-	80	36	-	-	20	-	136
Ms. Agatha Echevarría Canales	-	80	36	-	-	30	-	146
Mr. Juan March de la Lastra	_	80	33	_	_	20	_	133
Mr. Santiago Domecq Bohórquez	-	80	33	-	-	30	-	143
Ms. Laura González Molero	-	80	36	-	-	30	-	146
Total 2019	1,053	880	282	480	-	255	45	2,995

Thousands of euros

	Salaries	Fixed remuneration	Allowances	term	Variable long- term remuneration	Remuneration for membership of commissions	Other notions	Total
Mr. José Domingo de Ampuero y Osma	585	239	-	212	129	-	10	1,175
Mr. José Antonio Canales García	450	47	-	163	99	-	25	784
Mr. Ignacio Marco-Gardoqui Ibáñez	-	80	33	-	-	53	-	166
Mr. José María Aldecoa Sagastasoloa	-	80	30	-	-	42	-	152
Mr. Jaime Real de Asúa y Arteche	-	80	33	-	-	30	-	143
Mr. Nestor Basterra Larroudé	-	184	33	-	-	54	_	271
Ms. Agatha Echevarría Canales	-	153	33	-	-	59	-	245
Mr. Juan March de la Lastra	-	80	30	-	-	20	-	130
Mr. Santiago Domecq Bohórquez	-	80	30	-	-	30	-	140
Ms. Laura González Molero	_	47	18	_	_	17	_	82
Mr. Alejandro Legarda Zaragüeta	-	33	15	-	-	13	-	61
Total 2018	1,035	1,103	255	375	228	318	35	3,349



Remuneration paid to Mr. Alejando Legarda Zaragüeta correspond until the month of May 2018, when he stepped down as member of the parent's Board of Directors, in accordance with the decision made during the General Shareholders' Meeting held on 25 May 2018.

During the same meeting, Ms. Laura González Molero was appointed as an independent director of the parent company.

The two Executive directors, José Domingo de Ampuero y Osma and José Antonio Canales García earned a variable compensation totalling 480 thousand euros in the short term (375 thousand euros in the short term and 228 thousand euros long-term in 2018). These were calculated based on EBITDA, net profit, sales, and share price values which were determined in accordance with the annual and multi-year plan as well as personal performance.

In relation to the Long Term Incentive Plan, a liability of 101 thousand euros was recognised in the year.

"Other items" includes 45 thousand euros (35 thousand euros in 2018) in respect of life and accident insurance premiums, health care policies and company car.

During 2019, amounts were paid for insurance premiums covering the civil liability of its directors for damage caused by acts or omissions in their position amounting to 46 thousand euros (50 thousand euros in 2018).

At 31 December 2019 and 2018, no advances or loans had been granted to the Viscofan Group, nor did the Group have any pension commitments or other non-current savings plans. Likewise, no type of guarantee was granted on behalf of any present or former members of the Board of Directors, related individuals or entities. In 2019 and 2018 the members of the Board of Directors and related individuals or entities did not perform any transactions with the Company or with Group companies other than in the ordinary course of business or on terms other than on an arms' length basis.

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

In 2019, all the Group companies had no legal person administrators in any companies

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



24.2. Top management

The breakdown of the Top Management positions during 2019 follows:

Corporate management

FG	
Mr. José Angel Arrarás	R&D and Quality Officer
Mr. Andrés Díaz	Chief Operations Officer
Mr. Gabriel Larrea	Chief Commercial Officer
Ms. María Carmen Peña	Chief Financial Officer
Mr. Oscar Ponz	Chief Plastic Business Unit Officer
Corporate services	
Mr. Armando Ares	Chief IR & Corporate Communications Officer
Mr. César Arraiza	Chief Strategy Officer & IT
Mr. Javier García (*)	Chief Internal Audit
Ms. Alejandro Bergaz (*)	Chief Internal Audit
Mr. José Antonio Cortajarena	Chief Legal Officer and Secretary of Board of Directors
Mr. José Ignacio Recalde	Chief Technology & Diversification Officer
Mr. Juan José Rota	Chief Human Resources Officer
Mr. Ricardo Royo	Chief European Business Officer
Subsidiaries management	
Mr. Eduardo Aguiñaga	General Manager Mexico
Mr. Luis Bertoli	General Manager Brazil
Mr. Jesús Calavia	General Manager Spain
Ms. Belén Aldaz	Human Resources Manager Spain
Mr. Guillemo Eguidazu	General Manager USA
Mr. Miloslav Kamis	General Manager Czech Republic
Mr. Angel Maestro	Financial Manager Uruguay
Mr. Iñigo Martinez	General Manager Serbia
Mr. Juan Negri	General Manager Asia - Pacific
Mr. Wilfried Schobel	General Manager Germany

^(*) Javier Garcia served until June 2019. Alejandro Bergaz was appointed Head of Internal Audit in December 2019.



In 2019, remuneration received by key management personnel totalled 4,587 thousand euros. In relation to the Long Term Incentive Plan, a liability of 411 thousand euros was recognised in the year. In 2018, remuneration amounted to 4,679 thousand euros, including 678 thousand euros as an additional payment for multi-year supplements. This amount does not include the abovementioned payments made to José Antonio Canales García and José Domingo de Ampuero y Osma, which is reflected further on.

24.3. Long-term Incentive Plan

The Board of Directors of Viscofan S.A., in a meeting held on 30 July 2019, at the proposal of the Appointments and Remuneration Committee, approved a Long-Term Incentive Plan for 2019-2021 intended for the Company's executive directors, managers and other key staff of the Viscofan Group which, subject to compliance with its objectives, will result in a cash payment and a payment in Company shares. In accordance with Article 219 of the consolidated text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July and Article 29.2 of Viscofan's Bylaws, the Plan will be submitted, with regard to the Company's executive directors, for approval at the next General Meeting of Shareholders, under the terms provided for in current legislation and in the current Policy on the Remuneration of Directors.

The Plan consists of an extraordinary, multi-year and mixed incentive, payable in cash and in Company shares, in the percentages assigned according to the professional level of the Beneficiary, which may arise after the application of certain factors, based on the degree of attainment of certain targets, (i) the payment of a cash amount (ii) on the basis of an initial number of assigned shares, to the effective payment of shares in Viscofan S.A. on the scheduled payment date.

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

- Total shareholder return
- Accident rate reduction
- Environmental sustainability

It has been estimated that the Bonus will have around 140 beneficiaries, notwithstanding the possibility that new beneficiaries may be included in the authorised limits during the measurement period as a result of new hires or changes the maximum authorised limit in both cash and shares.

The Plan will be due and paid within one month of the approval by the Company's General Shareholders' Meeting of the financial statements for 2021 ("Settlement Date"), i.e. within the first half of 2022. Beneficiaries who voluntarily withdraw before the Settlement Date will lose all rights arising from it.

The Plan has the following limits:

- With regard to the part to be paid in cash, the Plan anticipates a maximum cost or payment of 11.5 million euros in the event of 100% attainment of the Target, and 13 million euros if the Target is exceeded.
- With regard to the part to be paid in shares, the Plan provides for a maximum of 175,000 shares for all beneficiaries if the Target is achieved and 230,000 shares if the Target is exceeded.

The amounts and maximum number of shares for executive directors, which are to be submitted to the shareholders at General Meeting for approval, are as follows:



- For the Executive Chairman a maximum of 374,850 euros and 17,853 shares for achieving the Target (449,820 euros and 21,424 shares if the Target is exceeded).
- A maximum of 288,540 euros for the Group's Chief Executive Officer and 13,742 shares for the target (346,248 euros and 16,491 shares in the event of exceeding the target).

The basic features of the Plan were disclosed as Inside Information to the CNMV on 30 July 2019.

25. Transactions and balances with related parties

The operations with directors and members of senior management are detailed in Note 24. No material transactions have been carried out with the Company or its group of companies that were outside the ordinary course of business of the company or were not carried out under normal market conditions.

In 2019, Viscofan S.A. had dealings with Banca March, a financial institution linked to Corporación Financiera Alba, S.A. which held 13.03% of the Company's shares at 31 December 2019 (13% at 31 December 2018). Specifically, borrowings include a loan of 10 million euros. At 31 December 2018, this included a loan of 5 million euros granted in 2018 by that bank, which was renegotiated and completely repaid in 2019, the payment of which totalled 5,061 thousand euros, including financial expenses. Viscofan S.A. has also taken out exchange rate insurance with the financial institution associated with Corporación Financiera Alba, S.A., worth 213 thousand euros at 31 December 2019 (24 thousand euros in 2018). No additional services been received by companies related to this shareholder in 2019 or 2018. All transactions took place in normal market conditions.

26. Environmental information

The cost of items related to the Group's environmental projects on 31 December 2019 was 54,172 thousand euros (2018: 50,279 thousand euros), with an accumulated amortisation of 25,781 thousand euros (2018: 24,432 thousand euros).

In accordance with the 2013-2020 National Emission Allowance Assignment Plan, and after applying the intersectorial adjustment factors outlined in Appendix II to EU Decision 2013/448/EU to non-electricity generators, and the annual 1.74% factor reduction in electricity generators, in accordance with Articles 9 and 9 bis of EC Directive 2003/87/EC, the Group was assigned emission allowances equivalent to 356.915 tones.

The emission rights consumed by the Company during 2019 and 2018 amounted to 266,621 and 258,960 tonnes, respectively.

In 2019, the Group incurred in environmental protection and improvement costs amounting to 5,020 thousand euros. In 2018 this amount totalled 4,684 thousand euros.



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

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

27. Audit fees

The auditors of the Group's consolidated Financial Statements, PricewaterhouseCoopers Auditores, S.L. in 2019, and other related companies as defined in the fourteenth additional disposition of legislation governing the reform of the financial system have accrued fees for professional services, with the exception of "Other Services", which are based on their billing date, for the year ended 31 December 2019 and 2018 as follows:

	Thousands of euros				
Year 2019	In the parent's Company	In other companies	Total		
PwC Auditores, S.L.	118	77	195		
PwC Network	-	425	425		
Audit services	118	502	620		
PwC Auditores, S.L.	4	-	4		
Other audit related services	4	-	4		
Total at December 31, 2019	122	502	624		
	Thousands of euros				
Year 2018	In the parent's Company	In other companies	Total		
PwC Auditores, S.L.	85	77	162		
PwC Network	-	424	424		
Audit services	85	501	586		
PwC Auditores, S.L.	4	_	4		
Other audit related services	4	_	4		
PwC Network	-	6	6		
Other services (tax services)	_	6	6		

[&]quot;Other audit-related services" correspond to the review of the system of Internal Control over Financial Reporting (ICFR) of Viscofan S.A.



28. Events after the balance sheet date

The Board of Directors, at its meeting on 27 February 2020, agreed to propose to the shareholders at General Meeting the distribution of a final dividend of 0.96 euros per share to be paid on 4 June 2020. Thus, total shareholder return amounts to 1.62 euros per share, including the interim dividend of 0.65 euros per share paid on 19 December 2019, the final dividend of 0.96 euros per share and the premium for attending the Meeting of 0.01 euros per share. This proposal increases ordinary remuneration by 1.3% as compared to the total of 1.60 euros approved for the previous year.

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

MANAGEMENT REPORT





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LETTER FROM THE CHAIRMAN



In 2019 we reached a new record high in revenue, gained market share and completed the major transformation initiatives of the strategic plan.

José Domingo de Ampuero y Osma

D. auguele

Chairman

DEAR SHAREHOLDER

In 2019 we completed the main transformation initiatives designed in the "MORE TO BE 2016-2020" strategic plan with the aim of making the company more sustainable in the long term. A shared challenge that inspires the more than 4,900 people who build Viscofan to work with the conviction that it is possible to improve day by day in every one of our business dimensions and become the leader in our market for all our stakeholders.

Viscofan is today a more sustainable company than at the beginning of our strategic plan. Since 2016 we have invested more than 32 million euros, nearly 10% of the total investments of the plan, in projects to improve our environmental and safety impact in our facilities. As signatories to the United Nations Global Compact since 2015, we will continue to advance in our commitment to achieving the Sustainable Development Goals through initiatives on the most significant issues identified in the dialogue with our stakeholders reported on in this integrated annual report. In this regard, the Board of Directors has approved a new sustainability action plan that contributes to the company's greater robustness.

This strength and sustainability was put to the test in 2019, a particularly turbulent year for the packaging market, reflecting a world in which adverse and favourable scenarios follow one after the other with increasing swiftness.

In these circumstances we have been faithful to the major commercial and operational initiatives designed in our MORE TO BE plan guided by the purpose of leadership in service, technology and cost. The results obtained show the importance of having a diversified and solid company that can withstand the tensions of an unfavourable environment, and at the same time have enough flexibility to quickly take advantage of opportunities that arise when the scenario changes.

Thus, coinciding with the IFFA in Frankfurt, the largest meat fair in the world, last May we made the biggest commercial launch in our history. Some examples of these innovations are the new references of traditional products, such as the Marathon line in cellulose or the Natur casing in collagen, new concepts within what we have called "functional solutions" that save work and time for our customers, the Vispice line with a new technology of ingredient transfer, or the Veggie casings, a new technology of edible wrapping based on vegetables where we have contributed a pioneering concept that adapts very well to new consumption habits for those who want to enjoy a 100% vegetable sausage.

On an operational level, the latest modules of the new plant in Cáseda, Spain, have been put into operation with cellulose and fibrous casings production technology that opens up new horizons for future improvement and competitiveness. As the most significant project in our strategic plan, it should not be overlooked that it is complemented by other improvements that have been made in the Group's other plants.

We are stronger in the casings market, but we are also making significant achievements in diversifying our revenue streams.

I was saying that 2019 was a particularly turbulent year. In the first months of the year the market environment was more adverse than expected due to doubts about the impact of swine fever in Asia - both on the meat market and on the availability of casings - and the slowdown in consumption in Europe. We continued to grow, but with sales volumes below our expectations while cost inflation - especially energy costs eroded our margins and those of other companies in the sector. On the other hand, in the second half of the year, when the market has shown greater dynamism, especially in the Asian region and China, Viscofan had all the elements to take advantage of this new growth context, partly due to the replacement of animal casings, with a strong recovery in volumes and margins, well above other companies in the sector.

We have also been active in pursuing growth opportunities outside our perimeter. Last December we acquired the collagen casing companies in the United States and Canada from Nitta Gelatin Inc. This acquisition is a giant step in strengthening our business in North America, the world's largest market for casings. Strategically, we have our own productive presence of collagen in this continent, which will allow us to improve our customer service and support, and we have significant room for operational improvements. In this sense, in these first months we are working to transfer knowledge that will allow a quick integration of the people and improve the profitability of the acquired companies. Lastly, I would like to add that, apart from the strategic fit, financial discipline and protection of shareholder value is first and foremost reflected in the positive results that have

emerged from the consolidation of net assets and liabilities.

We are stronger in the casings market, but we are also making significant achievements in diversifying our revenue streams, of which I would like to highlight the commercial deployment of collagen hydrolysates; partnerships with companies that are developing new collagen-based applications; and of course the progress of the bioengineering project "Cardiomesh" which last July reached a historical milestone when the first intervention was successfully performed on a person who has implanted our collagen membrane enriched with stem cells for the recovery of a heart from a heart attack. There is still a long way to go, but the steps taken so far are exciting.

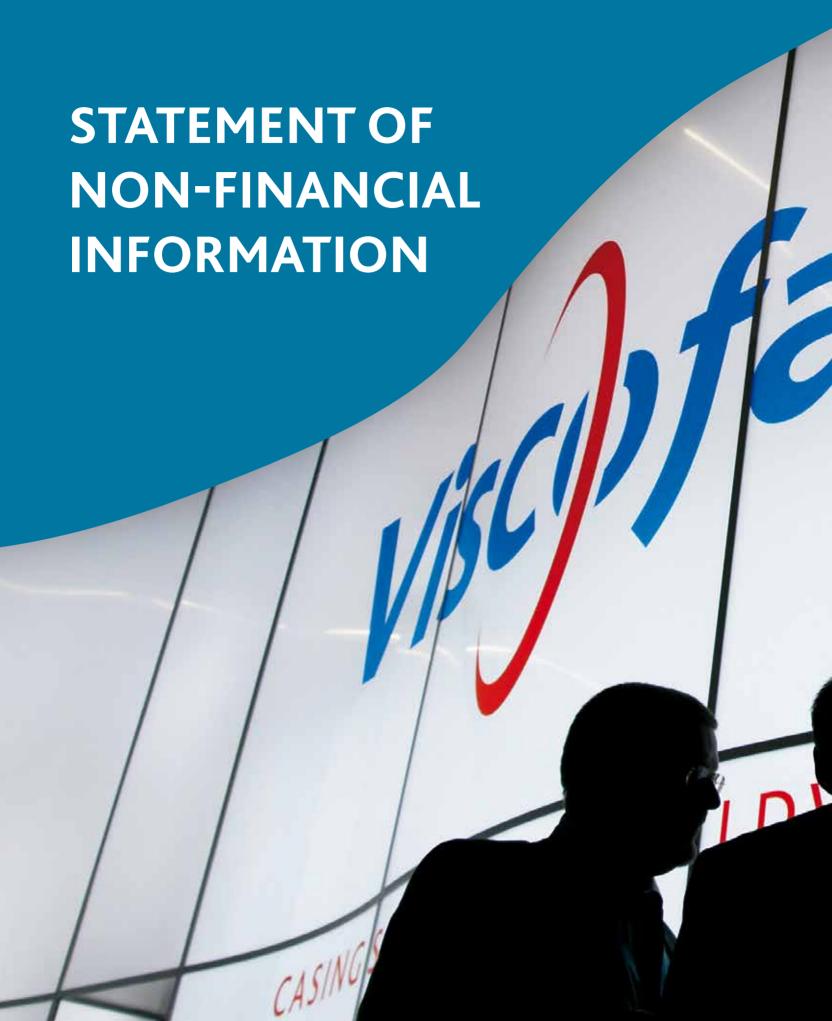
I will never tire of acknowledging the excellent work of an exceptional team, their enthusiasm, creativity, commitment. They are the engine that drives the progress of Viscofan and they achieve results far superior to those of other companies in the sector. Together with this recognition, I am very saddened by the terrible accident that took place last September in which one of our workers died, an accident that has left us even more emotionally affected as it was the first in the history of our plant in Cáseda since it was founded in 1975.

We will continue to share the strength of Viscofan with our shareholders. The Board of Directors has proposed for approval by the General Shareholders' Meeting a shareholder remuneration of 1.62 euros per share against 2019 results, 1.3% higher than the previous year.

In 2019 we reached a new record high in revenue, gained market share and completed the major transformation initiatives of the strategic plan. In order to achieve this, more than 327 million euros have been invested and we have acquired companies for a value of 44 million euros, the largest investments in our history. This great transformation has been combined with a strategy of financial discipline that places the financial leverage below 0.4 times EBITDA, and increasing dividends, which have resulted in a distribution of nearly 289 million euros in these years. We will continue to share the strength of Viscofan with our shareholders. The Board of Directors has proposed for approval by the General Shareholders' Meeting a shareholder remuneration of 1.62 euros per share against 2019 results, 1.3% higher than the previous year.

I would like to thank you for your contribution to making Viscofan a more sustainable company and share our optimism as we head into the last year of the strategic plan. We are certain that the improvements made in these years will be reflected in 2020 in a new drive to create value for our shareholders, driven by the greater cash flow from our operations and growth in the main financial figures for revenues, EBITDA and net profit, while we also push forward with environmental and social improvements in our activities.







FUNDAMENTALS

The purpose of the Non-Financial Information Statement is to communicate to all stakeholders how the Viscofan Group ("Viscofan Group" or "Viscofan"; Viscofan S.A., parent company of the Viscofan Group, will be referred to as the "Company") creates value and records economic, environmental, social and good governance impacts that can substantially influence the decision-making of such stakeholders. This non-financial statement covers the period from 1 January to 31 December 2019 for the financial year of the Viscofan Group.

The group of companies forming part of the Viscofan Group at 31 December 2019 is detailed in note 2 of the consolidated financial statements with the exception of Viscofan Collagen USA Inc. and Viscofan Collagen Canada Inc. which were acquired in December 2019.

This document has been prepared in order to improve the consistency and comparability of non-financial information compared to the previous year concerning environmental and social issues, as well as personnel, respect for human rights and the fight

against corruption and bribery. This document has been prepared for the second consecutive year in accordance with Spanish Law 11/2018 of 28
December on non-financial information and diversity, and following the Global Reporting Initiative (GRI) standard in accordance with the essential scope according to the requirements of the GRI guidelines. The United Nations Global Compact, of which Viscofan is a signatory member, has also been used as a reference.



For further information on the activities of the Viscofan Group throughout the year, see the documents available on the corporate website www.viscofan.com.

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Relations with our stakeholders

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



Details of stakeholders and the communication channels









SHAREHOLDERS

General Shareholders'
Meeting, roadshows,
conferences, telephone
and mail contact,
corporate website,
shareholder service
office

EMPLOYEES

Intranet, global opinion survey, meetings and presentations, training sessions, direct relationship with managers, internal magazine, whistleblowing channel, bulletin boards and information screens

CUSTOMERS

Customer satisfaction surveys, seminars and events organised by Viscofan, telephone and email technical assistance and continuous service, end-to-end claims and complaints system, active presence in trade fairs, visits to and from customers, local presence through agents and distributors, access to an extranet for customers accessible at www.viscofan.com

SUPPLIERS

Direct contact, collaboration agreements, training, assessments and audits

COMPANY

Contact with the local community, civil society actors, partnership agreements, sponsorships, etc.

Contact with governmental institutions, associations, lawyers.

Collaboration with research centres and institutes in different countries



The result of this analysis has served as a guideline for the preparation of a Sustainability Action Plan approved by Company's Board of Directors for the 2019-2020 period in which the most relevant aspects identified are to be aligned with the development established in the MORE TO BE Strategic Plan

Materiality

The most significant aspects reported in the Non-Financial Information
Statement have been prepared taking into account the result of the materiality analysis carried out with the advice of an independent expert and reflecting the result in a materiality matrix with the aim of identifying the most significant economic, environmental, social and governance impacts of the company that substantially influence stakeholder assessments and decisions.

For the preparation of the materiality analysis, 46 material aspects have been identified for the different stakeholders on the basis of the following:

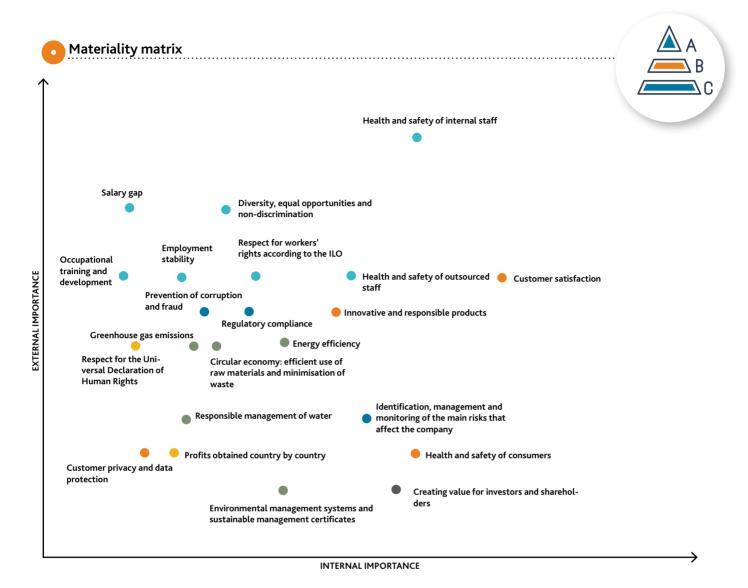
- Analysis of the reporting standards used by similar companies and of the main customers.
- Analysis of different media to identify trends in the most significant aspects for society.
- Sustainability trends. United Nations Global Compact and Sustainable Development Goals (SDG).
- Reporting standards (Sustainability Accounting Standards Board or "SASB").
- Requirement of analysts and institutions.
- Regulatory analysis. Law 11/2018, of 28 December, which amends the revised text of the Companies Act approved by Legislative Royal Decree 1/2010, 2 July, and Law 22/2015, 20 July, from Account Auditing, in subjects of non-financial and diversity information.

These significant issues were then presented to the managers of different areas of the Viscofan Group to assess their impact on the Group's operations and reputation.

Materiality matrix

The results of this analysis have been presented in a materiality matrix, with the vertical axis representing the external importance, and the horizontal axis the internal importance.

The positioning obtained enables us to focus on the issues of greatest external and internal relevance to highlight in this Non-Financial Information Statement. The result of this analysis has served as a guide for the preparation of a Sustainability Action Plan approved by the Company's Board of Directors for the period 2019-2020, in which the most significant aspects identified are to be aligned with the development established in the MORE TO BE Strategic Plan.

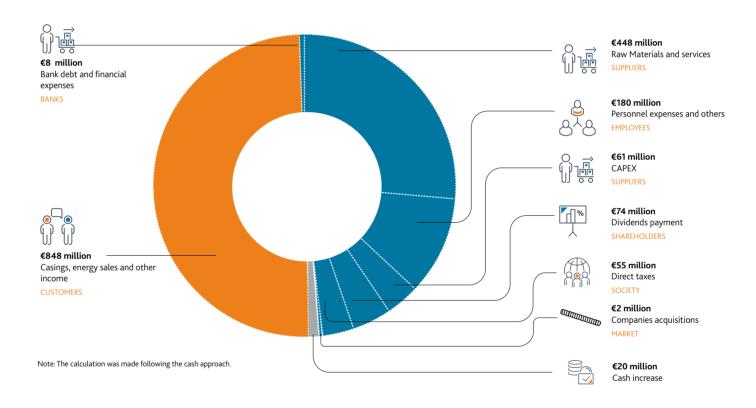


CORPORATE FINANCIAL WORK **ENVIRONMENTAL** COMMERCIAL **HUMAN RIGHTS GOVERNANCE AND SUPPLY MANAGEMENT ISSUES** AND IMPACT IN **MANAGEMENT SOCIETY** ••••• Identification, Environmental Respect for Customer Respect for workers' Creating value management and satisfaction rights according to management the Universal for investors and shareholders monitoring of the the ILO systems and Declaration of Health and safety of main risks that sustainable **Human Rights** Occupational consumers affect the company management training and Profits obtained Customer privacy certificates Prevention of development country by country and data protection Circular economy: corruption and fraud Innovative and Health and safety of Efficient use of Regulatory internal staff responsible products raw materials and compliance Health and safety of minimisation of outsourced staff waste Diversity, equal Responsible opportunities and management of non-discrimination water Employment Energy efficiency stability Greenhouse gas Salary gap emissions

Generated and distributed value matrix 2019

Based on the cash flows generated in 2019, the value matrix generated and distributed by stakeholders is as follows:

Economic value generated Economic value distributed €848 million



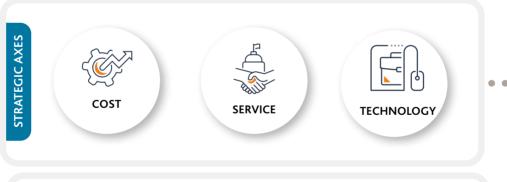
€20 million

OUR BUSINESS MODEL



Meet global food industry needs



















VISION

In 2020 we want to be and authentic global

CUSTOMERS









Mission, vision and values

MISSION

Meet global food industry needs

The Viscofan Group aims to meet food industry needs through the production and sale of customized casings, and to seize the business opportunities that arise from know-how achieved by the company through the production and sales of collagen-based products for food and bioengineering uses.

VISION

To become an authentic global leader in 2020

Viscofan aims to become The Casing Company in 2020, continuing to grow with the goal of achieving triple leadership in service, cost and technology in all casings markets. This vision means giving a value proposal for each of the stakeholders identified by Viscofan:

The Casing Company means:

- Being the global leader in all families of customized casings and actively promoting the development of new markets.
- Being the preferred option of our customers pursued by competitors.
- Being the benchmark of the sector in efficiency and productivity in all its casing technologies.
- Being the best market team, attracting and maintaining talent and developing its capacities.
- Focusing effort on creating value for shareholders sustainably.

The Casing Company means being the leader in service, leader in technology and leader in cost.

VALUES

We rely on shared values and inalienable ethical principles

The Viscofan Group understands that the creation of long-term sustainable value for all stakeholders can only be achieved through ethical behaviour that favours the development of a culture of best practice in social responsibility within the Group and by contributing to improving people's well-being through the economic, environmental and social development of the communities in which the Viscofan Group is present.

To achieve this, we have designed and implemented a "MORE TO BE" strategic plan for the 2016-2020 period that deploys the main initiatives. To successfully realise this vision, our team relies on shared values (service, quality, team work, learning and focus on results) and on the non-negotiable ethical principles that arise from the fundamental of all human beings (respect and non-discrimination, responsibility, efficiency, loyalty, integrity and sustainability).

Competitive advantages

Viscofan's progress is viewed from the perspective of achieving sustainable competitive advantages, which are the result of the work and commitment of an exceptional team that has offered the best of each individual for over 40 years, making Viscofan the leader in the sector.

R&D and innovation

Viscofan's products look simple and are simple to use. This belies the sophisticated technology underlying the manufacturing process which only a few companies worldwide have developed.

The cold meat production sector requires high performance products at very competitive costs, in order to enable large scale production. Meeting this demand implies a huge technological and development challenge that Viscofan performs successfully as the largest casings supplier, and the only one with the technological capacity to offer the four main families of casings: cellulose, collagen, fibrous and plastic casings.

Viscofan's position in the constantlyevolving, highly competitive world market is sustained by cutting-edge efforts in research, development and investigation of its technology and products. Only through the application of this philosophy will the company be able to continue advancing in its leadership of innovation in the global customized casings market, benefiting all of its stakeholders.

Constant innovation required by our globalised world must be taken into account. Our products must be compatible and adapt to the food habits and uses of millions of world consumers, their preferences and evolution over time. Viscofan couples its growth as

Diagram of the Viscofan Group's production process and value chain



INNOVATION PRESENT THROUGHOUT THE WHOLE PROCESS

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Development of new products and improvement of a propietary technology





casing)











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RAW MATERIALS	EXTRUSION	CONVERTING	COMMERCIAL	FOOD INDUSTRY	RETAILER	CONSUMER
High purity cellulose, collagen hides, abaca paper, plastic polymer, etc depending on the casing type	Raw materials are extruded in a seamless tube thanks to a mechanical and chemical process, and subsequently are rolled into boyines (flat	The flat casing is converting into a stick that adapts better to the process of our customers	Viscofan has a global network of distributors, and technical assistance team	Viscofan supplies a taylor-made casing to meet the needs of more than 1,700 customers	Viscofan casings help our customers to comply with high quality and food safety standards	Feeding a growing population of more than 7,500 million people



At present, there are strategic product and technology development projects across the entire casings range in progress (cellulose, collagen, fibrous, plastic and vegetable casings), as well as other diversification products aimed at developing applications that provide Viscofan with the product range required to reinforce its presence in the world market.

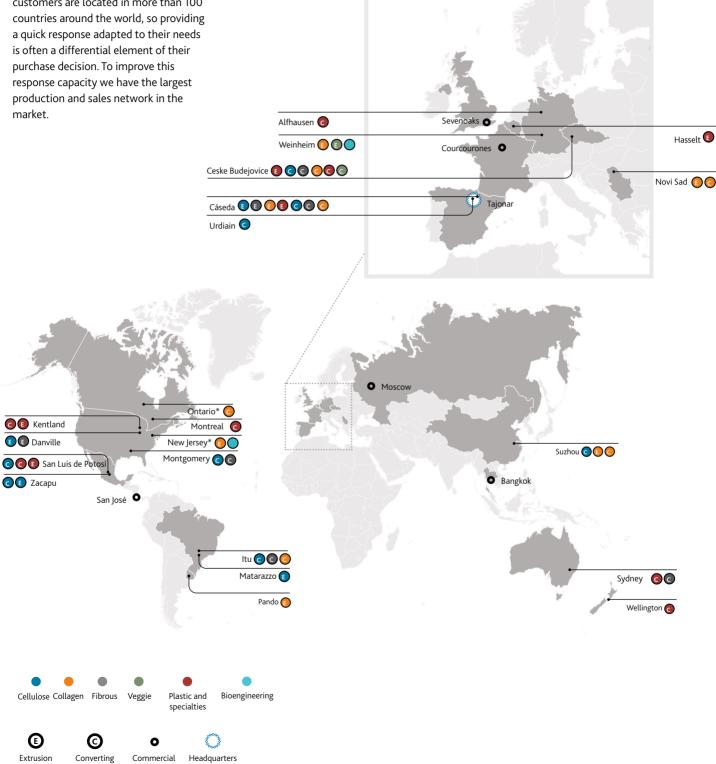
a business with the development of its innovation capability so that it can access the best technologies available on the market, implement them and improve them, and develop its own technologies to create an enduring competitive edge.

At present, there are strategic product and technology development projects across the entire casings range in progress (cellulose, collagen, fibrous, plastic and vegetable casings), as well as other diversification products aimed at developing applications that provide Viscofan with the product range required to reinforce its presence in the world market. On-going and completed Research, Development and Innovation projects focus mainly on:

- The development of new products according to the target markets defined in the expansion plan, and new generation implementations, designed and oriented towards offering products with differential performance and features.
- The development of active casings that are able to confer functionalities to the product they contain, gaining in efficiency and preventing food waste.
- The development of production alternatives and technological solutions through breakthroughs which allow an increase in added value or significantly reduce production costs for meat casings through modernisation, streamlining and simplification, improving Viscofan's competitiveness.

- Research in the area of raw materials aimed at developing technological processes that enable an adequate range of materials to manufacture casings, while also taking into account sustainability criteria like their biodegradability or recyclability.
- Technological support for improving existing products and processes, and for the Company's international expansion, all this adhering to Viscofan's technological and quality standards and current regulations, as well as the optimisation of production costs.

This activity is supported by the R&D team, which during 2019 on average had 135 people in the whole Group (133 in 2018) throughout all the factories. The corporate research and development centre coordinates, directs and supports the specific research and development activities conducted at each production plant, and coordinates the multidisciplinary teams which exchange best practices, technological knowledge and ideas across product sites.



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*Includes the plants of Nitta Casings Inc. and Nitta Casings (Canada) Inc. acquired in December 2019. The corporate name of these companies has been changed to "Viscofan Collagen USA Inc." and "Viscofan Collagen Canada Inc.", respectively.

Diversification

Innovation in the use of the raw materials we employ also generates growth opportunities beyond the customized casings itself. One example is the new solutions based on the technological knowledge of collagen.

Collagen is the most abundant protein in the human body and therefore there are numerous applications and uses that can be given to this material in people's benefit. Thus, at Viscofan we are increasingly developing activities around collagen, ranging from medical applications to recent business in advanced nutrition.

In 2019, the Bioengineering Unit made significant progress in the medical and nutraceutical areas, increasing the source of income thanks to the size of the sales network, and also making significant progress in the product research phase.

In the medical field, the Cardiomesh project - based on the regeneration of heart tissue through the implantation of a medical device made from our collagen membrane - is in the clinical trial phase and reached a major milestone in July 2019. Specifically, the first implantation of this device in Spain was successfully carried out in the Gregorio Marañón Hospital in Madrid in a patient with heart failure due to a myocardial infarction. This is the first of ten interventions planned in this initial phase, the objective of which is to evaluate the safety and tolerance of this new regenerative therapy.

In parallel, in the nutrition market we have made progress with the commercial expansion of COLLinstant®, a high quality collagen hydrolysate that has been quite successful in the market. These collagen hydrolysates are used as a component of nutritional supplements that improve the health of skin, bones

and articulations. In the launch year of COLLinstant®, Viscofan has managed to sell its full capacity.

In addition, we have our own Diversification Division that actively seeks new growth opportunities and collaboration agreements with companies that have outstanding results in this field, such as functional casings with antimicrobials or the possibility of extruding collagen with other techniques and forms.



Sector trends

Belonging to the food market carries with it a great responsibility: that of providing millions of people worldwide with access to basic nutrition. A population that continues to grow and whose expectations in terms of taste, formulation and consumer experience are also changing and diversifying, while providing the maximum guarantee of quality and food safety.

Casings play a key role in this market. They are soft, cylindrical containers made from animal gut or from materials specially designed for stuffing meat or other food ingredients. They give sausages and cold meats their characteristic shape and are of great importance to our customers, who are looking for greater efficiency, increased production speed, reduced waste, and assured quality and consistency. That is why the use of casings is widespread throughout the world.

The casings market exceeds 57 billion meters and has an estimated value of €4.2 billion. In order to meet the sausage filling needs, a meat processor must choose among the different alternatives on the market, either with animal casings (a 47% of the market), or if he prefers customized casings which can be produced with different materials depending on the desired production and product characteristics, combining a better range of casings with production savings. Thus, the greater the production requirement and the sophistication of the meat processors, the greater the tendency to adopt customized casings as opposed to animal casings, and for this they have four main types of technology, cellulosic casings (13% of the total market), fibrous casings (7%), collagen (21%) and plastic casings and others (16%).

Growth in the customized casings market lies within the historical average range of 2-4% in volumes thanks to strong fundamentals based on:

- **Population growth**: An average annual rate of 1%, with emerging areas driving this expansion.
- Eating habits: Increased per capita demand for meat led by emerging areas thanks to the increased purchasing power of the middle classes, globalisation of eating habits and the growth of the population in cities. In developed areas, nutritional trends are evolving towards the search for greater convenience, and products of higher nutritional quality and food safety.
- Greater sophistication of meat processors: Increased search for productivity, food safety and hygiene, and the development of new products drives the replacement of animal casings with customized casings (mainly collagen) as well as the development of new products.

At Viscofan we feel the responsibility to adapt and create value in this market. This is reflected in the fact that 18% of the market (including casings and animal gut) trust our customized casings, compared to 15% at the beginning of the strategic period (2016). Moreover, if we take into account only market players with production of customized casings, the market share stands at 34% (30% at the end of 2015).

As with other basic food products, food crises or shortages can act as a brake on this growth trend.

18%

of the market (including casings and animal gut) trust our customized casings

15% in 2015

34%

Market share in the customized casings market

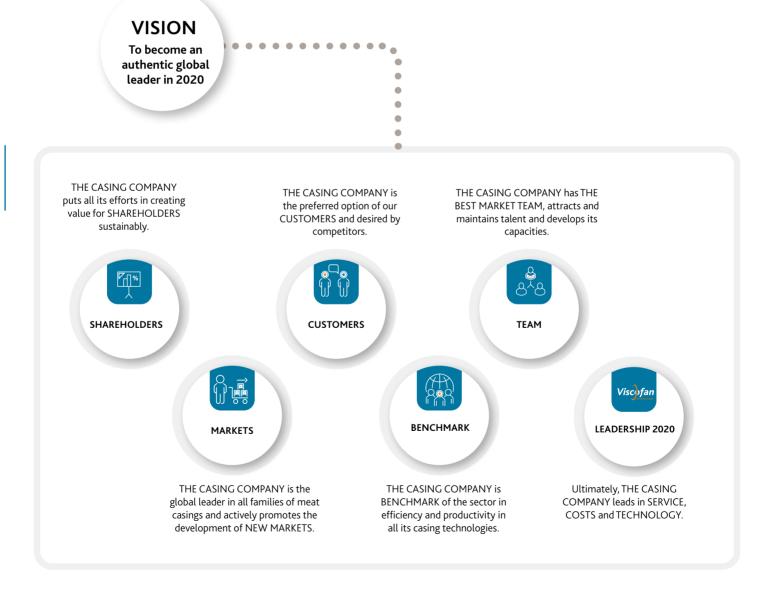
30% in 2015

MORE TO BE strategy

From this position of leadership, the development of the Viscofan Group is not unconnected with the changes in today's world, which has also affected the needs of our customers, market possibilities and the new world cost and funding structure.

In such a demanding environment, the Viscofan Group bolstered its position of leadership in the sector while developing the activities included in its MORE TO BE 2016-2020 strategic plan, with the objective of leading in all the main casings markets in terms of service, cost, and technology.

The current strategy means a step further in the track record that began with the Be ONE (2009-2011) strategic plan. Under the plan and after these acquisitions, it was decided to restructure operations and draw up management plan to improve economies of scale that the Viscofan Group did not previously



have. This approach made Viscofan become a very efficient company, which gave cost optimisation the greater weight of management.

Once that goal was accomplished, Be MORE (2012-2015) strategic plan committed to greater development. The best technological improvements introduced, without giving up competitive cost advantage, gave us a more global presence in collagen and in other families, enabling us to reach other markets and a new scale.

But to be a global leader, we have to lead our key markets. In order to reach our objective, we have to continue to make progress in costs, technology and, of course, step up our level of service. And that is exactly what guided the Viscofan Group towards its new vision: Become an authentic global leader: "THE CASING COMPANY".

Such leadership cannot be achieved without a strong commitment to sustainability. For this reason Viscofan is the first company in the sector to join the United Nations Global Compact for the achievement of Sustainable Development Goals.

Sustainability Action Plan

In 2016, the Company's Board of Directors signed the Corporate Social Responsibility Policy of the Viscofan Group and specific sustainability metrics were incorporated into the bonuses of Viscofan's senior management and key personnel.

Subsequently, an internal work team was set up with external assistance to carry out a sustainability maturity analysis in the Viscofan Group and the materiality analysis.

The growing importance of sustainability within the Viscofan Group is once again reflected in the 2019 financial year with the modification of the Board Regulations and the approval of new regulations for the Audit Committee and the Appointments and Remuneration Committee with specific distribution on the tasks of supervision in matters of sustainability.

Lastly, also in 2019 the Group drew up a Sustainability Action Plan approved by the Board of Directors with the aim of meeting expectations and improving service levels with all our stakeholders: our shareholders, our customers, our employees and, of course, the society in which we operate. Based on continuous dialogue with stakeholders, we have identified the most significant aspects of sustainability and incorporated them within a materiality matrix. In parallel, the dimensions of sustainable value creation (economic, governance, human-social and environmental) have been applied in the performance of our activity, and those Sustainable Development Goals (SDGs) where Viscofan can make a greater contribution have been analysed. The SDGs in place are as follows: SDG 2 Zero Hunger; SDG 6 Clean Water and Sanitation; SDG 8 Decent Work and Economic Growth; SDG 12 Responsible Production and Consumption; SDG 13 Climate Action.

As a result of this process, the Viscofan Group has made specific and measurable commitments in the area of sustainability and in January 2020 created a Sustainability Committee to promote and monitor the Action Plan.



In 2019 the Group drew up a Sustainability Action Plan approved by the Board of Directors with the aim of meeting expectations and improving service levels with all our stakeholders

Strategic initiatives

As part of the MORE TO BE Strategic Plan, in 2019 the Viscofan Group carried out various projects with the aim of being a leader in service, cost and technology in its main markets:



This area groups all initiatives aimed at offering solutions to meet needs, and addressable with a greater range of products, greater proximity, better assistance, greater adaptability, etc.

An example of initiatives aimed at improving the service axis is the wide variety of new products launched on the market, including Natur collagen casing for fresh sausages; Marathon Line, extra-long sticks to improve the profitability of our customers; Veggie casing, an edible option for vegans, vegetarians and flexitarians; Vispice, providing spices and aromas to meat products; Plastic transferable casings, among others.

Also with the new plant in Spain started up in 2018, where new cellulose and fibrous technology has been developed and installed. This project allows us to develop new products for the market, as well as gain proximity with European fibrous customers. In this sense, sales in 2018 and 2019 show a high degree of customer satisfaction.

Since December 2019, the acquisition of the collagen casings division from the Japanese group Nitta Gelatin Inc. allows the Viscofan Group to complete its productive presence of

this technology in North America, improving service and proximity to the customers in one of the largest casings markets in the world.

Also, in 2019, Viscofan improved its service and product range in Oceania thanks to the acquisition of Globus companies in Australia and New Zealand, a geographic complement to improve proximity in the region. With this acquisition, Viscofan incorporated its main distributor in these countries, which has a long history as a supplier of casings, films and bags, among others, as well as a great knowledge in the sale of equipment for the food industry.

MORE TO BE S





Our productive process of continuous improvement is based on proprietary technology where know-how of people is essential. As a result of this model of continuous improvement, from 2018 the Group has had new casings production technology based on viscose (cellulose and fibrous) in Caseda, Spain. It is a production plant with the most advanced technology in the market for producing these types of casings, and which is an advance for Viscofan in terms of efficiency and productive speed. This project progressed in 2019 as planned, and new cellulose modules have been put into operation, thus lowering production costs from the second half of the year.

Since 2019 Viscofan has a new technological family, Veggie edible casing and whose raw material is of vegetable origin, a raw material different from the four traditional technologies

Here we can also include the 4.0 industry projects undertaken in the Czech Republic and Spain, and the development of new, large-calibre collagen technology in Serbia.

In 2019, the company continued to promote projects focused on improving costs by seeking savings through the certification of new suppliers and the development of more efficient production technologies.

Further, in 2019 the Viscofan Group has faced an environment of inflation in the cost of energy and of CO₂ emission allowances as well as wage inflation in certain countries. The production improvements achieved in 2019, including the new Cáseda plant, have partially offset this increase in production input costs. In addition, in line with this cost context, commercial activity has sought to increase prices in a wide customer base.



CORPORATE GOVERNANCE

Viscofan adds a strategic value to its good corporate governance to provide a high level of trust to make its business goals and structure compatible with the protection of the rights of all stakeholders.



- Regulatory compliance
- · Prevention of corruption and fraud
- · Identification, management and monitoring of the main risks that affect the company.

Good governance practices

Good corporate governance is a key factor for generating value, improving economic efficiency, integration of businesses and bolstering the trust of its shareholders and other stakeholders, thanks to the appropriate division of functions, duties, and responsibilities, among all the Company's governing and administrative bodies.

In recent years, it has progressively reinforced its structure to ensure the incorporation of the principles and best practices of good corporate governance both nationally and internationally, adapting them to the circumstances of the Viscofan Group until reaching the best level of compliance.

The Viscofan Group's governance is ruled by the general ethical principles and guidelines established by the Group's Code of Conduct. In turn, the Viscofan Board of Director's commitment to good governance is manifested in its Corporate Social Responsibility (CSR) Policy, which was approved by the board to promote the development of a culture of best practices in sustainability and contribute to improving the welfare of people, promote the economic, environmental and social development of the communities in which the Viscofan Group is present, and create value on a sustainable basis through ethical behaviour for all its stakeholders:

was also formalised in 2019 with the

approval by the Board of Directors of the Sustainability Action Plan, establishing commitments and initiatives, within the framework of the sustainable value dimensions (economic, governance, human-social and environmental) and considering the Sustainable Development Goals of the United Nations Global Compact, of which Viscofan has been a signatory member since 2015.

In addition, during the 2019 financial year, the Regulations of the Board of Directors were modified in order to assign to the Appointments and **Remuneration Committee functions** relating to the supervision of corporate governance and corporate social responsibility, which up to that date had been assigned to the Audit Committee.

Following this modification, the Appointments and Remuneration Committee is now responsible for periodically evaluating the effectiveness of the Company's corporate governance system¹ to confirm that it is fulfilling its mission to promote the interests of the company and take account of the legitimate interests of other stakeholders. In addition, it should lead the review of CSR policy and ensure that it is geared towards the creation of sustainable value, and monitor CSR strategy and practices and evaluate the degree of compliance.

This commitment to good governance



1. Without prejudice to the functions that the Audit Committee maintains in the process of preparation and integrity of non-financial information and its verification, control and supervision of non-financial risks and the Group's Code of Conduct and Whistleblower Channel.

Governing Bodies

The governance structure of Viscofan is based on two main bodies: the General Shareholders's Meeting and the Board of Directors.

Shareholders and the General Meeting

The General Shareholders' Meeting is the supreme governing body of the Company in which shareholders decide by a majority vote on the affairs within the scope of their authority.

Viscofan has established the principle of "one share, one vote" which promotes equality among all of the Company's shareholders. There is only one class of shares, giving the same rights and obligations to all of the Company's shareholders. There are no restrictions to voting and no limit to the number of votes that can be cast by one single shareholder.

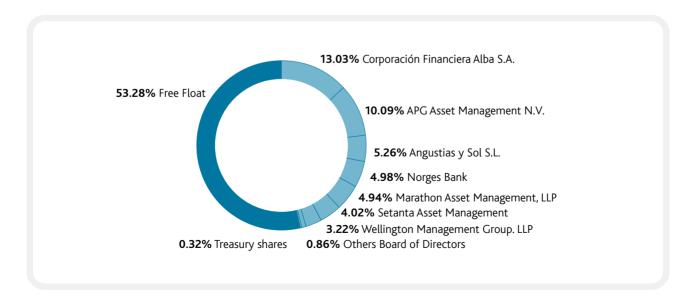
In recent years Viscofan has been pursuing a series of initiatives to promote transparency, communication and shareholder participation at the General Meeting, including information on the items on the agenda, an attendance premium of 0.01 euros per share, facilitating remote voting, an electronic forum and a questionnaire to answer the most common questions regarding the General Meeting.

As a result of these measures, at the General Meeting held on 12 April 2019, 82.47% of the company's share capital participated, maintaining the high attendance percentage in the General Meetings of recent years, above the average for listed companies, which is especially significant taking into account the company's high free-float.

General Shareholders' Meeting participation

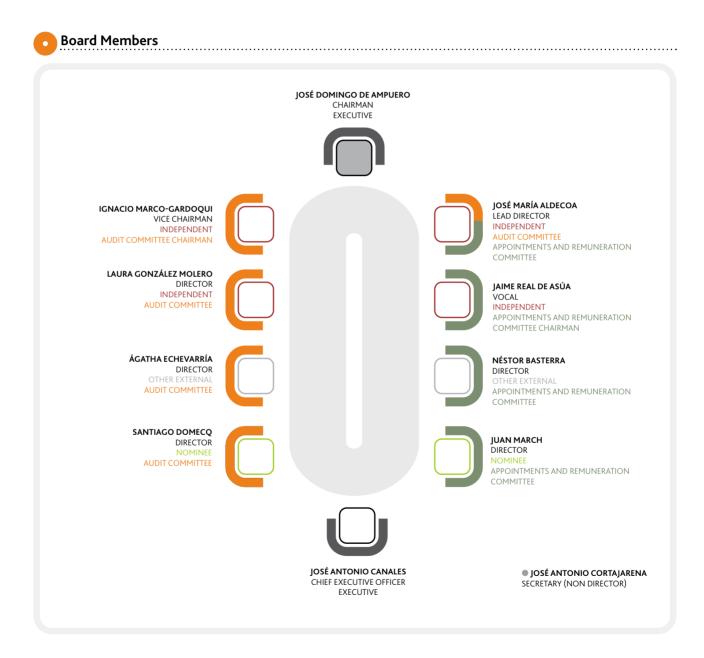
General Meeting	12/4/2019	25/5/2018	27/4/2017
% Attending in person	19.67%	18.22%	17.20%
% Proxy	38.30%	53.83%	21.53%
% Remote	24.50%	8.31%	40.39%
Total participation	82.47%	80.36%	79.12%

Significant holdings on 31.12.2019



Board of Directors

The Board of Directors is the body in charge of representing and managing the Company. Its core function is the general supervision of Viscofan S.A., and its companies comprising the Group, guided by the company interest.



The Board of Directors consists of ten directors, of which two are executive, two are nominees, representing the shareholders Corporación Financiera Alba, S.A., and Angustias y Sol S.L., two are external and the other four are independent, thus complying with the most recent recommendations for good corporate governance in that the number of nominee and independent directors should constitute an ample majority on the Board of Directors. The Secretary to the Board of Directors is not a Director.

The Appointments and Remuneration Committee, following the evaluation process of the Board and the Committees for the 2018 financial year, proposed to the Board of Directors and the Board agreed that it would be appropriate to submit to the General Meeting of Shareholders in 2020 an increase in the number of directors from 10 to 11 in order to strengthen the Board of Directors and increase the number of both independent and female directors, which is the gender least represented on the Board of Directors, so that the percentage of women would reach 27.3% in 2020 compared to the current 20.0%.

The Policy on Selection of Directors establishes the principle of equality. Based on this, all candidates shall have the right to be considered for any vacancy produced in the Board, in accordance with objective criteria avoiding any implicit bias that may imply some discrimination, due to nationality, race, sex, ideology or any other aspect beyond their competencies, knowledge and professional experience.

Last April, the Board Members Mr José Domingo de Ampuero y Osma and Mr Juan March de la Lastra were renewed in their positions as Board Members with support of 90.72% and 87.74%, respectively.

On 30 July 2019, Mr José Antonio Cortajarena (previously Deputy Secretary of the Board of Directors) was appointed Secretary of the Board of Directors, replacing Mr Juan María Zuza. The succession became effective from 1 September 2019 and he also assumed the position of secretary of the committees.

Curriculum and Profiles of members of the Board of Directors

The curriculum and profiles of the members of the Board of Directors as at 31 December 2019 are detailed in section C.1.3 of the Annual Corporate Governance Report which forms part of this Management Report. They are also available on the Company's website www.viscofan.com in the section on Corporate Governance.





In 2019 the Board of Directors drew up and implemented a programme to update the knowledge of the directors, a programme that will be continued in 2020 and the following years.

Performance of functions

In order to perform their duties with the required rigor and efficiency, the Board of Directors of the Company 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. Directors receive the information they need well in advance, including, as appropriate, the minutes or reports of the different Board Committees.

The Board of Directors delegates to its Chairman and the General Manager the powers of representation, powers relating to the purchase or sale, powers relating to personnel, to charges, payments, contracts, auctions and transactions, to checking accounts, credit or savings, to bills of exchange and promissory notes, securities, guarantees, and supplementary powers to the previous.

Actions are still being carried out to guarantee the participation of the directors, facilitating their dedication and attendance to the meetings, to provide them with tools to give more in-depth knowledge of specific aspects of the activity and specific environments of the different production centres, thus improving the monitoring of the strategy of the Group and of each of its companies.

In this regard, in 2019 the Board of Directors drew up and implemented a programme to update the knowledge of the directors, a programme that will be continued in 2020 and the following years.

In addition, the annual plan includes visits to some of the Group's production centres and the participation of executives to enable stronger monitoring of the implementation of the Group's strategy and of the management of each of its companies.

The Board met on 12 occasions in 2019, and the Board Chairman attended all the meetings. All meetings were attended by all the directors in person, or by proxy with specific instructions. The percentage of meetings attended in person of the total votes during 2019 was 98.33% (in 2018, 95.83%).

Also, during the 2019 financial year, the Lead Director held two meetings with the other directors without the attendance or representation of any executive director.



Evaluation

The Board of Directors carries out an annual evaluation of the quality and efficiency of the operation, diversity and competencies of the Board itself and of the Committees - which is promoted by the Appointments and Remuneration Committee, and coordinated by the Lead Director in the case of the Executive Chairman.

Every three years, the Board of Directors is assisted by an external facilitator in the evaluation process. This facilitator's independence is verified by the nomination committee. In 2019, the Board of Directors commissioned the external consultancy firm Korn Ferry to provide the necessary support and assistance in the performance of the evaluation process of the Board and Committees. In order to carry out the evaluation exercise, a questionnaire was defined for each of the directors on various matters of structure and operation of the Board, under the lead of the Appointments and Remuneration Committee; a personal interview has also been held with each director; and the process concluded with a phase of conclusions and identification of plans for improvement.

Remuneration

A new remuneration policy for directors was approved at the 2018 General Meeting held on 25 May, which came into force on that date for 3 years and which is available on the company's website

The remuneration of the Board of Directors in 2019 was 2,995 thousands of euros (3,349 thousand euros in 2018).

The Annual Remuneration Report for 2019 is available on the company's website in the Corporate Governance section.

The Annual Report on the Remuneration of Directors for 2018 was presented as a separate item on the agenda and for a consultative vote to the General Meeting of Shareholders held on 12 April 2019, and was approved by 98.22% of shareholders.

In addition, the Board of Directors of Viscofan, S.A., at a meeting held on 30 July 2019 at the proposal of the Appointments and Remuneration Committee, approved a Long Term Incentive Plan for the period 2019-2021 for the Company's executive directors, managers and other key personnel of the Viscofan Group. This plan establishes the delivery of a cash amount and shares in the Company based on the fulfilment of objectives of creation of value for shareholders (TSR) and sustainability which includes the improvement in the indicators of accident rate and reduction of waste in a landfill. The Plan will be submitted, with regard to the Company's executive directors, for approval by the next General Meeting of Shareholders.



Committees of the Board of Directors

The Board has created two committees in support of its functions: the Audit Committee and the Appointments and Remuneration Committee.

Audit Committee



The Audit Committee consists of five independent directors, all non-executive and a majority of independents, appointed by the Board of Directors pursuant to a report by the Appointments and Remunerations Committee, bearing in mind accounting, auditing and risk management knowledge, skills and experience. Since 21 April 2016, its Chairman has been the independent director Mr. Ignacio Marco-Gardoqui.

The composition, functions, organisational and operational rules, as well as the responsibilities conferred upon the Committee are regulated in the Bylaws, the Regulations of the Board of Directors and the Committee's own Regulations, which were updated on 19 September 2019 to confer upon the Appointments and Remuneration Committee the following functions relating to the supervision of corporate governance and corporate social responsibility, previously assigned to

the Audit Committee. Additionally, they are outlined in section C.2.1 of the Annual Corporate Governance Report of this Management Report.

Actions:

The Audit Committee met 11 times in 2019.

Throughout its relationship with its external auditor (PricewaterhouseCoopers, S.L.), it ensured that the financial statements were presented without reservations or qualifications, and with total independence. Whenever the Audit Committee considered it appropriate, it required the presence of members of the management team, the internal audit and external auditors.

As in previous years, the Audit Committee has reviewed and analysed the financial statements of Viscofan S.A. and its Group prior to their presentation to the Board and communication to the CNMV and the securities markets, contained in the annual, half-yearly and quarterly reports, to confirm that this information is reliable, understandable and relevant and that accounting criteria consistent with the previous annual closing have been followed, for which it has had the necessary support from the group's senior management, especially from the areas in charge of the Consolidation and Financial functions, as well as from the Group's external and internal auditors.

Also, the Committee has dealt with issues such as the analysis of the acquisition of Nitta Casings Inc. (now

Viscofan Collagen USA Inc.) and Nitta Casings (Canada) Inc. (now Viscofan Collagen Canada Inc.) and the monitoring of the purchase price allocation carried out in accordance with the present legislation.

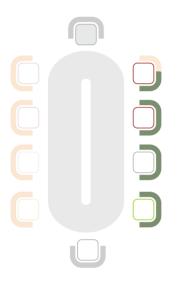
The Committee analysed and approved the work plan for 2019 drawn up by internal audit, has regularly monitored its implementation and has been directly informed of any incidents in its development.

In relation to Directive 2014/95/ EU, its implementing regulations in Spain and Law 11/2018 on nonfinancial information and diversity, the Committee has monitored the reporting process of this statement of non-financial information.

To better fulfil its functions, the Audit Committee may seek the advice of external professionals.

The Audit Committee issues its own annual report on its activities, which is available to the public on the company's website, and has reported on all its activities to the Board of Directors, while also delivering all the minutes of its meetings to the directors, in addition to information related to the risk map and tax matters.

Appointments and Remuneration Committee



The Appointments and Remuneration Committee is made up of four non-executive directors appointed by the Board of Directors: two independent, one classified as other external and one proprietary. Its chairman has been the independent director Mr Jaime Real de Asúa since 21 April 2016.

The composition, functions, rules of organization and operation, as well as the responsibilities conferred upon the Committee are regulated in the Bylaws, in the Regulations of the Board of Directors, and in the Regulations of the Committee itself. Additionally, they are outlined in section C.2.1 of the Annual Corporate Governance Report of this Management Report.

Actions:

The Appointments and Remuneration Committee met on 8 occasions in 2019 and, whenever considered appropriate, the presence of senior management members was requested.

It reviewed the qualifications of the directors, has led the evaluation of the Board and its committees with regard to their actions in the 2019 financial year, and with the coordination of the Lead Director as far as the Executive Chairman is concerned. Korn Ferry has advised the Board and its Committees on the evaluation.

It also analysed the skills, knowledge and experience required on the Board, including updating the skills matrix, and received the advice from Russel Reynolds and it submitted proposals to the Board of Directors to increase the number of Board members.

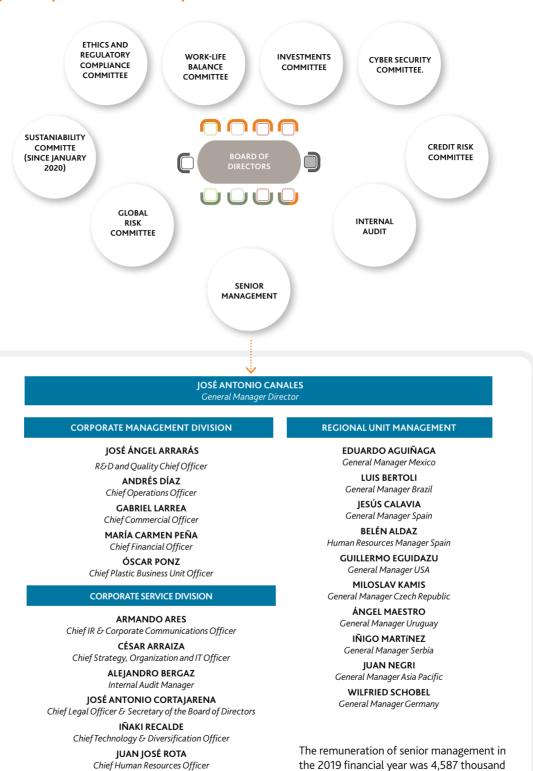
The Appointments and Remuneration Committee, in accordance with the Policy on the Selection of Directors and the diversity objectives, considered the suitability of identifying female candidates as the least represented gender and made proposals for the appointment and re-election of independent directors and issued the report on the proposal for the reelection of the nominee director at the next General Meeting of Shareholders. Lastly, it reviewed the succession plan of the Chairman, the Chief Executive and Senior Management and the talent management policy.

Likewise, the Committee fulfilled its role in relation to the preparation of the Annual Report on the remuneration of directors, as well as in setting and reviewing the objectives to which annual and multi-year variable remuneration is subject, and proposed the new long-term incentive plan that includes new requirements for three-year remuneration, both for directors and for senior management, which includes payment in cash and shares, as well as, in short, the salary policy for senior management.

The Committee assumed its new functions related to the supervision and monitoring of the sustainability of the Viscofan Group and has reviewed the Sustainability Action Plan proposed by the Management for approval by the Board of Directors.

Likewise, the Committee for work-life balance of employees of the Viscofan Group also reported to this Committee.

Top Management (31 December 2019)



euros, and 4,679 thousand in 2018.

RICARDO ROYO

Chief European Business Officer

Regulatory compliance system

Code of Conduct

The Code of Conduct contains the ethical principles and guidelines for conduct to be followed by the administrators, directors and employees of the Viscofan Group, as well as any person who works for the Viscofan Group, in the performance of their professional activity.

The general ethical principles included in such Code can be summarised in: Respect and Defence of Human Rights; Sustainability; Integrity, Responsibility and Transparency; Respect and Non-Discrimination; Efficiency; and Loyalty.

The functions of the Board of Directors are to ensure the correct application of this Code of Conduct, and to that end, it has the collaboration of the Ethics and Regulatory Compliance Committee, who supervise and monitor compliance with the Code of Conduct.

Internal Regulations in the scope of good governance policy

The internal regulations are principally made up of:

- Articles of Association: These are the basic rules governing the Company and all its bodies. The articles set out the main features and operating principles of the General Shareholders' Meeting, the Board of Directors and its committees.
- Regulations of the General Meeting of Shareholders: This text lays down the regulations governing the Shareholders General Meeting to ensure transparency and safeguard shareholders' rights, and their access to Company information. The rules stipulate the formalities of calling, attending, holding and minutes and of access to prior and General Meeting information by shareholders.
- Regulations of the Board of
 Directors: These set down the
 principles of action of the Board
 of Directors, including an appraisal
 mechanism, and its organisational
 and operating rules, the standards of
 conduct of Directors (including the
 duty to avoid conflict of interest), their
 duties and the overarching principles
 that should guide their decisions.
 They also govern Committees existing
 within the Board of Directors, their
 organisational and operational rules,
 and their remit and powers.

- Regulation of the Audit Committee and Regulation Appointments and Remuneration Committee: They establish the scope and functions of the Committee, its composition and operation, the Committee's relations with governing bodies and other entities, and the possibility of seeking advice.
- Internal Code of Conduct on Matters Relating to the Securities Market: Rules of conduct to ensure that the institutional and personal acts of the Directors and employees of the Viscofan Group strictly comply with current laws and regulations on transparency in the markets and to protect investors' interests.



The internal rules governing the aforementioned bodies, supplemented by the applicable rules to ensure good corporate governance in the Viscofan Group, are available on the Company's website (www.viscofan.com), as well as in compulsory publications and registration, on the website of the CNMV (www.cnmv.es) and the Mercantile Registry of Navarre www.rmbmnavarra.com, respectively.



Likewise, within the regulatory compliance system, the Viscofan Group has approved action policies in the following areas:



Anti-corruption policy: This policy is intended to minimise the risk of employees and third parties committing any type of corruption, and to reinforce the Group's position in the event of any breach to avoid actions involving bribery, extortion and other forms of corruption.

Control and Management of Risks Policy: The purpose of this policy is to set the basic principles and the general action framework to control and manage risks of all nature faced by the Viscofan Group in order to identify, measure, prevent and mitigate their impact in its activity, in case of any occurrence.

Corporate Social Responsibility Policy (Sustainability):

It acknowledges the commitment of the Viscofan Group to developing its activities responsibly, maximising the creation of sustainable and shared value for its stakeholders (shareholders, employees, the market and the society as a whole), identifying, preventing and correcting the possible negative impacts of its actions.

Human Rights Policy: With this policy the Group assumes the commitment to support and respect the protection of fundamental human rights, and specifically labour rights, the environment and corruption.

Communication policy with shareholders, institutional investors and its representatives or advisors: Aimed at ensuring the continuous flow of communication and providing certainty to shareholders about the transparency of information and access to it, and paying special attention to their views on corporate governance rules and practices, among others.

Board Remuneration Policy: Includes the characteristics of the remuneration system of the directors who perform executive functions, including the objectives and metrics of the variable remuneration, expost adjustments (clawback clauses), the table with all the remuneration components and the summary of the main contractual conditions of the executive directors, as well as the characteristics of the remuneration system of the directors in their condition as such. Also determines the maximum amount of the annual remuneration to be paid to all directors.

Director's selection policy: It has the objective of providing 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.

Policy to encourage shareholders to take part in the General Meeting of Shareholders: attendance fee. All shareholders may exercise their attendance and participation rights in accordance with objective non-discrimination criteria.



Commercial Practices Manual: The document specifies the guidelines and standards that have to be taken into account throughout the performance of commercial activity within the Viscofan Group. Its aim is to ensure the security of such activity and reduce its risks, by guiding and setting the conduct guidelines that are admitted by the organisation.

Policy of Business Courtesies: The purpose of the policy of business courtesies of the Viscofan Group is to establish an objective criterion that sets the difference between business courtesies and the eventual granting of advantages with another purpose.

Policy to outsource commercial services: distributors, agents and other: The policy to outsource commercial services is developed in order to incorporate new control guarantees in business management.



Policy on Internal Control of the Financial Information:

Oriented towards ensuring that the internal control systems of the Viscofan Group are able to give reasonable assurance on the financial information that is prepared, showing an accurate, true, correct, complete and homogeneous picture of the economic situation, complying with the applicable legal obligations of Viscofan S.A. and of each of the companies comprising the Group.

Tax Strategy: It embodies the principles and basic lines that will govern the tax strategy of the Viscofan Group in accordance with the applicable legislation and with best tax practices, avoiding risks and inefficiencies and ensuring adequate coordination of tax practise in each jurisdiction and its alignment with the long-term business strategy of the Group and the achievement of corporate profit.



Personal Data Protection Policy: Its purpose is to ensure personal data protection by setting the common principles and guidelines for the Viscofan Group in compliance with and adequacy of the applicable legislation.

IT Security Policy: The policy therefore establishes the basic principles of security, the organisational structure, and indicates the actions necessary to guarantee storage, management and use of information in a digital medium, the security of the systems and networks of the Viscofan Group.

Authorisation policy on computer access and profiles: It establishes measures to ensure the correct use of IT resources.

Password Policy: Specifies the basic principles to ensure security of computer systems and networks within the Viscofan Group and to regulate and limit their access.

Computer Systems and Networks Management Policy:

Aimed at management to ensure availability, and combine both the functionality and operability of systems and networks, and their security.

Policy on Audio visual Information Control:

Standardisation of the use of audio visual media in the Viscofan environment.



Policy on Staff Selection and Recruitment: Aimed at ensuring objectivity and qualification of new staff, and the selection of the people who best meet the requirements in each case.

Policy on New Recruits' Reception: The purpose is to ensure an appropriate reception, with an overall and efficient view, to all our new staff members of the Viscofan Group, so as to guarantee their knowledge of the position, duties to be performed and the internal rules and procedures that have to be complied with, and to speed up the adaptation of new employees to the Group.

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

Staff Leave Procedure: It establishes a smooth and safe process that is able to guarantee business security and continuity due to any person's leave, with the same guarantees and level of confidentiality, and avoiding the loss of other resources.

Policy on Business Expenses: It regulates the expenses incurred during the period in which personnel are deployed outside their centre of origin.

Code of conduct for trips and stays abroad: It sets out the action principles and the behavioural pattern that must be followed by directors, managers and employees of the Viscofan Group in their trips, travel or stays, both temporary and permanent, in countries other than their country of origin, as a result of their professional relationship with the Viscofan Group.





EHS (environment, health & safety) policy: This policy is a commitment to carry out the best practices of the industry in this environmental, safety and health matter.

Basic principles in safety, health and hygiene matters:

The main purpose of these principles is prevention, through the performance and implementation of effective actions prior to the materialisation of risks, in order to avoid them, or to reduce their impact if they were to take place.

Food Regulation Policy: Its purpose is to ensure compliance with and adequacy to food regulations that are applicable to the activities and products of the Viscofan Group, identifying the necessary channels for their control, analysis and monitoring.

Control procedure instructions in case of product

recall: The purpose of this procedure is to set action recommendations to ensure the quick identification and recall of products that might represent a risk for food safety, in case of crisis, in order to protect consumers, brand image in the market and the interests of the Viscofan Group and its customers.

Policy on Management of Purchases for Assets and Contracts for Services: This policy aims to increase the activity's security and control in management of the purchase of goods and the contracting of services, reduce its risks by guiding and setting the conduct guidelines that are admitted by the Group.

Transport Management Policy: The objective of this Policy is to establish the criteria and principles that favour the coordination of transport management and contracting throughout the Group, promoting procedures and practices that guarantee maximum neutrality in choices and interactions with suppliers.

Supervision and regulatory system

In order to oversee and monitor the adequate implementation and follow up of the regulations, and the management and maintenance of an internal channel for complaints, the Viscofan Group has the Ethics and Regulatory Compliance Committee:

It is responsible for the implementation and monitoring of the Group's compliance system as defined by the Board of Directors, and for periodically reporting on it to the Audit Committee, as well as for proposing its revision and/or updating.

In particular, with respect to the whistleblower channel, it is the body responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may involve a breach of the Code of Conduct and of present legislation that might give rise to a situation of risk for the Viscofan Group. In 2019 the Ethics and Regulatory Compliance Committee met on 7 occasions and completed the investigation of 3 matters raised.

In 2019, specific training was given on the regulatory system, and 1,236 employees received basic training in Ethics and Compliance.

Risk Management

In line with the corporate social responsibility policy, risk management aims to balance the will of value creation for our stakeholders and the risks associated with business, commercial, operational, labour, financial and social initiatives.

The risk management system of the Viscofan Group is regulated by the Control and Management of Risks Policy approved in 2017, whose object is to establish basic principles and the general framework for acting for the control and risk management of any nature to which the Viscofan Group faces with the purpose of identifying, measuring, preventing and mitigating their possible impact on its activity in the case of occurrence.

There are several bodies within the Viscofan Group in charge of the supervision and control of different risks that could arise in the course of Viscofan activities with different level of occurrence and materiality:

- Board of Directors
- Audit Committee
- Internal Audit
- Ethics and Regulatory Compliance Committee
- Global Risk Committee
- Credit Risk Committee
- Investments Committee
- Cybersecurity Committee.
- Senior Management
- Employees

The Global Risk Committee met four times in 2019 to update the methodology of the Risk Management process and the composition of the risk map.

Risk map

The Viscofan Group, through the different risk control and supervision bodies, entrusts the Global Risk Committee with the preparation of an inherent and residual map of risks that, due to their materiality, may compromise the creation of value for its stakeholders and therefore may hinder the attainment of its objectives, which is included in the MORE TO BE strategic plan and that materialise in the search for triple leadership in service, technology and costs.

The organisation's risk map has been defined in accordance with the code of ethics, internal regulation and the Strategic Plan MORE TO BE, which encompasses the period from 2016-2020, and is presented adopting the COSO reference framework, grouping the existing risks in four categories:

- 1. Strategy
- 2. Transactions
- 3. Information
- 4. Compliance

Knowing the location of each risk on the inherent and on the residual map requires an on-going dialogue between the interest groups through the channels established by the company. This system enables the Organisation to measure the effectiveness of the mitigating measures adopted 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

In line with the task of adapting to the environment, especially in the area of risk management, the methodology for the realisation of the risk map was revised in 2018. In this review the risk map was simplified, merging or eliminating those risks with a very high or redundant correlation, in addition, in the new model the weighting in the risk assessment of the principal responsible for it has been increased, as well as the inclusion or refinement of the KRI (Key Risk Indicators) until the inclusion of a total of 218 for periodic evaluation.



See section E.2 of the Annual Corporate Governance Report for a more detailed description of the bodies of the company responsible for the preparation and execution of the Risk Management System, including taxation.

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The inherent risks identified as being most critical (having a major expected impact and greater probability of occurrence) are:



Competitive environment of the sector. Competitors: The strategies of our competitors could affect our position and, therefore, the achievement of our objectives, especially price drops and greater commercial efforts in certain markets.



Cyber-security: 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 increase in Viscofan's visibility in recent years as sector leader and example of best industry practices, due to greater mobility of our human teams and due to the opening up of our industrial environment to the Internet (remote access to entities and persons outside Viscofan). An organisation that is aware of the risk that exists both inside and out of its perimeter can minimise the likelihood of being attacked.



Exchange rate: It is associated with fluctuations between one currency and another, whereby changes in currency value lead to changes in the valuation of total wealth. Especially due to the fluctuation of the Euro against US\$, given the long exposure of the Viscofan Group to the US currency, with a higher percentage of revenue in US\$ than that of costs.



Environmental issues: Industrial processes involve the use of natural resources and although the Group is fully aware of its responsibility with respect to the environment, our production processes could involuntarily affect or damage its immediate environment.



Budget control: The budget process requires several assumptions that are required to set budgets and objectives. Errors or simply variations beyond the expected tolerances can affect the development of the corresponding operational and financial plans.



Competitive environment of substitute products: The Group operates in a free market where other products may take the place of those offered by Viscofan. This risk is accentuated in the case of lower priced replacement products.



Workplace accidents: In the activity of Viscofan, especially in its productive activity, there is the possibility of bodily injury of varying severity and even lifethreatening for workers and third parties.



Customer dissatisfaction: Customer satisfaction is the basis for continuity, stability and loyalty of relationships. It is mainly linked to product quality and to customer-orientation and services provided. Shortcomings in any of these aspects can lead to customer loss.



Group cohesion: The

internationalisation and dispersion of the productive centres could affect the communication and interaction of the people who work there with the rest of the organisation. Likewise, the variety of cultures and countries in which the Group operates is a daily challenge when establishing operational and commercial practices consistent with such diversity.



Environment and tax compliance:

Multinational presence and the large number of commercial transactions and financial operations is subject to regulation and tax regulation in the different countries, which may take back or generate resources for the Group.



Reputation: Sustainability and creation of value is closely linked to the impact of our business activity, the results obtained and the adaptation to the expectations of our stakeholders and the environment in which they are developed.



Scarcity of raw materials: The Viscofan Group needs to acquire certain specific raw materials in multiple locations, which means that our production process may be affected in the event of shortages and/or lack of quality in such items. The strategies of our suppliers could also affect our production process.



The information in reference to risk management has been developed in section E) of the Annual Corporate Governance Report. In this section, the Viscofan Group describes the main risks and uncertainties, the bodies responsible for drawing up and enforcing the risk management system, the description of the main risks, level of tolerance and risks occurred in the year.

Prevention of corruption and fraud

As stated in Principle 10 of the United Nations Global Compact, to which Viscofan is a signatory, "Businesses should work against corruption in all its forms, including extortion and bribery". Thus, in January 2019, the Board of Directors approved the company's Anti-Corruption Policy under the principle of zero tolerance for any non-compliance in this area.

The Code of Conduct, which is provided in the protocol for welcoming new employees, also includes the prevention of corruption in all its forms, and is applicable in 100% of the company's business units. It establishes that Viscofan will fight corruption in all its forms, including extortion and bribery.

To avoid any type of corruption, this policy establishes a series of guidelines that define actions that are not allowed and that may be subject to corruption: bribery, extortion, facilitating payments and influence peddling, gifts, business courtesies, donations and sponsorships and relationships with third parties.

Further, the Global Risk Committee carries out an analysis of fraud risks, and its different forms are regulated in various policies; and sets specific controls and mechanisms to reduce their likelihood of occurrence. The identified risks are: conflict of interest and internal fraud, private corruption, and fraud and misleading advertising.

It should be noted that in 2019, there have been no acts that have been subject to significant legal actions related to unfair competition, monopolistic practices and against free competition, nor have processes or complaints been opened due to breaching laws or regulations in the social and economic field. Likewise, no case of corruption has been reported on which the Ethics and Regulatory Compliance Committee has had to take action.



The Code of Conduct, which is provided in the protocol for welcoming new employees, also includes the prevention of corruption in all its forms, and is applicable in 100% of the company's business units.



COMMERCIAL AND SUPPLY MANAGEMENT

The customer is at the centre of all the decisions we make about our products. We seek their safety, their satisfaction and their loyalty through a product of the highest quality, 100% safe and totally adapted to their needs through our Technical Assistance service. To this end, we pamper the product from raw material to final delivery to the customer, placing emphasis on continuously improving our production processes to make them ever more efficient and responsible. It is important to feed millions of households around the world but it is even more important to do so in a responsible and sustainable way.



- Customer satisfaction
- Health and safety of consumers
- Customer privacy and data protection
- Innovative and responsible products

Our commitment to Sustainable Development Goals



- Applying our knowledge to design sustainable products that help avoid food waste.
- Investing in R&D that will enable more efficient and sustainable sausage manufacturing processes, contributing in the long term to meeting the growing demand for food.



- Boosting energy efficiency throughout the value chain, developing packaging that minimizes waste generation - such as gas emissions and wastewater generation, among others - during manufacturing and subsequent processing.
- Promoting the reduction of the impact of transport on the environment and boosting a sustainable local economy.

The Viscofan Group places the customer at the centre of its operational decisions, continuously trying to provide him with the best value proposition in order to strengthen efficiency and have a greater diversification in the product and maintaining strict quality and food safety controls. We offer the highest quality in our products and services through:

- · Complete product range
- · Homologation of suppliers
- Renowned customer service
- Sound product safety and food hygiene system
- Continuous evaluation of customer satisfaction

Product range

We offer the widest range of products so that the customer can choose the casing that best suits his needs. More than 14,000 product lines were sold in 2019.

Viscofan, as the world leader in the production and distribution of casings, is the only company that manufactures

products in the five main artificial casing technologies: cellulose, collagen, fibrous, vegetal and plastic casings. To this end, we take the utmost care with the raw materials we work with, ensuring that the highest standards of health and food safety are maintained at all stages of production, and we devote special efforts

to seeking a more sustainable solution in the transformation of our products.



Cellulose casings

Our small size cellulose casing is characterised by its high elasticity, consistency of size and homogeneity. The ease with which this casing is peeled guarantees a fast and uninterrupted production process. It also stands out for the excellent smoking properties and for the perfect absorption of colour and flavour. It can be printed in a large variety of colours and stripes, and its transparency and brightness give the product a very appetising appearance.

They are used primarily in the production of industrially cooked sausages. It is especially focused for traditional applications such as frankfurters, Vienna sausages, hotdogs and raw-cured products.

Brands

Viscofan, Flexmax

Main raw material: cellulose

Cellulose is a linear polymer composed of glucose units found in the wall of cells in plants, wood and natural fibres, usually combined with other substances such as lignin, hemicelluloses, and other components. To produce casings, the cellulose chain must be broken to re-polymerise it with the appropriate structure for its extrusion in the form of a casing. This process requires cellulose with a high level of purity, also called "Premium cellulose" or "special cellulose" by our approved suppliers.

Sustainability commitment

All our suppliers are certified by the international PFEC or FSC certification program, which ensures that the cellulose they obtain comes from sustainably managed trees and forests.



Collagen casings

It is an alternative to animal gut. These are casings that improve the appearance of the product, thanks to their smoked properties and perfect development of colour and flavour, fulfilling the consumer's wish to obtain a product with a classic and appetizing appearance. It is ideal for both cooked and raw-cured sausages. Collagen has great resistance because it stands fast filling, over cooking and hanging. This is why their performance in the production process is quite efficient. Collagen products stand out for being very uniform (standard size), and small sizes have good properties for frying and for a perfect "bite".

The classic collagen sheet (Coffi), and the pleated collagen with a net (Coffinet) offer new possibilities that go beyond traditional shapes, making it possible to produce cooked hams, cylindrical sausages and marinated and smoked items.

Brands

Colfan, Viscofan Natur, Edicurve, Eficook, Efidry

Main material: collagen

Collagen is a very common long fibrous protein with remarkable chemical and mechanical properties. It has been used for many years as a basic raw material for several applications, as well as for sausage casings. Among others, it is used in the fields of biomedicine and cosmetics, as well as applications in the food industry. It is also the basic material for the large gelatine industry. The corium, or inner part of the skin of cattle is mainly used to produce collagen casings, which is very rich in collagen. For applications in very specific markets, collagen is also obtained from pig skin.

Sustainability commitment

European skin suppliers comply with animal welfare codes.





Fibrous casings

Fibrous casings give the product a high endurance and homogeneity of calibre but less elasticity than cellulose casings. Fibrous casing is mainly used for large sausages, products such as mortadella or salamis, which require excellent size consistency, high mechanical resistance during the production process and ease of peeling.

They homogeneously transfer colour and aroma. The variety of colours available add value to the final product by improving it visually and giving it a very appetising appearance.

Brands

Securex, Zip, PSX, Titanium

Main raw material: abaca paper

It is obtained from a herbaceous plant called *musa textiles*. Paper made from its fibres has a high mechanical and moisture resistance, and is used at Viscofan to produce fibrous casings. Abaca fibre is also used by other industries to produce high quality paper and non-woven textiles for various uses such as tea bags, paper money and filters.

Sustainability commitment

All our suppliers are certified by the international PFEC or FSC certification program, which ensures that the cellulose they obtain comes from sustainably managed trees and forests.



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Plastic casings and packaging solutions

There is a wide variety of types (in tube format and also in film format) that allow us to offer the most suitable product for each type of application. The tubular plastic casings are extremely resistant to the filling process and their barrier properties maintain the constancy of the aroma, colour and weight of the product during its distribution and sale. These barrier properties maximise product life and cooking performance.

The plastic casings offered by Viscofan also incorporate exceptional characteristics such as a great ease of product moulding, peeling and slicing, and they maintain the organoleptic properties of the final product during its shelf life.

Within the plastics division, there is a family of products focused on food packaging. Viscofan specialises in two of these types of products. On the one hand, the "Nanopack" plastic films, which are sheets for separation of sliced foods. These films - also called interleavers - enhance the visual characteristics of the product, its colour and brightness, and its presentation, since they avoid slices of the product sticking together. On the other hand, retractable bags and "Vector" packaging films extend the catalogue of retractable bags that the company has had for many years, adding a new technology that provides options and properties to cover with a wider range of applications in the meat and dairy sector.

Our catalogue also contains products that can transfer spices, aromas, flavours or colours, depending on the added value requirements requested by our customers.

Brands

Viscofan Smoke, Betan, Tripan, V-4000, Vector, Nanopack

Main raw material: plastic polymers

Plastic casings are obtained by treating different plastic polymers widely used in different industries. The most commonly used polymers are polyethylene, polypropylene and polyamides.

Sustainability commitment

We are working on the Eco-Casing 4R project to find the most sustainable solution for our plastics.

We have reduced the thickness of our casings.

We have also reached a collaboration agreement with raw material suppliers for the development of recycled plastic.

The development of an original bio casing has been achieved and is ready for marketing in 2020.





Functional solutions

Viscofan functional casings and packaging solutions provide high added value, incorporating new colour, flavour and spice properties into a variety of products..

Viscofan functional solutions are also applicable to a wide range of foods such as fresh products (meat, vegetables, fish), processed meats, cheeses and readyto-eat products.



Brands

Vispice

Main raw material: plastic polymers

They can be made under different technologies, such as polymers, collagen or abaca paper.

Sustainability commitment

Plastic casings allow the process to be carried out in a single step and without manual intervention, ensuring homogeneous production with significant reductions in cost and waste generation (less smoke emissions from smoking processes, significant reduction in the generation of waste water during manufacture, etc.).

Vegetable casings

A new generation of casing has been launched in 2019, based on plants and specially developed for vegetarian and vegan recipes. In addition to being 100% vegetable, it is a a gluten, GMOs (genetically modified organism) and allergen free casing. For all these reasons, its composition makes it ideal for covering certain growing market requirements, particular legal and labelling conditions, or demands of religious nature.

The Veggie casing is suitable for fresh and cooked products, with good results in frying and a particularly tender bite. As it is a completely vegetable casing, it is edible and therefore does not need to be peeled.

Brands

Viscofan Veggie

Main raw material: vegetables

Viscofan has developed a new edible casing technology based on vegetables.

Sustainability commitment

Product launched commercially in 2019, free of allergens and GMOs.



In addition, Viscofan also markets **machinery solutions** with the aim of making it easier for our customers to use our casings. These machines have been designed for casings for which the meat machinery market does not offer adequate solutions due to their special application.



The Viscofan Group is committed to its suppliers and establishes relationships with them that are based on respect and trust, on the quality of products and services, and on the reciprocal opportunity for growth and learning.

Selection of suppliers

Consumption of main (cellulose, collagen, abaca, polymers) and auxiliary raw materials (those used for chemical transformation, such as glycerine and caustic soda, among others) represents 37% of the Group's raw materials consolidated consumption expense (41% in 2018).

Aware of the strategic importance and the impact that an adequate supply of raw materials and services has on the entire organisation, as well as the optimal management of the supply chain, the Viscofan Group is committed to its suppliers and establishes relationships with them that are based on respect and trust, on the quality of products and services, and on the reciprocal opportunity for growth and learning.

This is a commitment that we understand must be mutual and that globally links to all employees of the organisation in the use of best practices in product purchase management and in any other service contracted.

Under this premise, Viscofan is analysing new actions to be carried out so that the management of the supply chain is developed in accordance with ethical standards and environmental criteria in line with the Group's Code of Conduct and the Sustainability Action Plan.

Viscofan has established a supplier approval system that ensures non-discriminatory treatment in the selection processes of suppliers and contractors, while seeking to ensure their compliance with quality, safety and cost criteria. In addition to this commitment, Viscofan expects suppliers to be innovative and efficient, to meet the legal and functional requirements, as well as the ethical practices required. In this sense

and in accordance with our Code of Conduct and with our Human Rights Policy, Viscofan rejects any type of child labour and, in accordance with this, our suppliers are asked to make a commitment similar to that included in our code of ethics.

In particular, our approval system for suppliers of raw materials and packaging includes a declaration of conformity on their performance commitments in accordance with internationally accepted ethical principles and human rights.

As of 2017, all the companies that make up the Viscofan Group began to request this commitment in the field of human rights and environmental criteria from new suppliers of raw materials, and it is expected that this commitment will be ratified by all of them in 2020.

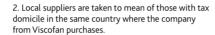
Specifically, all suppliers of raw materials, packaging and maintenance must approve an internal homologation procedure comprising an on-site auditing by the quality team of Viscofan, or the completion of a questionnaire. In both cases, among other matters, the following systems are assessed: quality management (ISO 9001, IFS), food safety management in the case of suppliers of raw materials (FSSC 22000, BRC Global Standard, BRC Packaging), occupational health and safety management (OHSAS 18001/ISO 45001), environmental management (ISO 14001) and human rights management (UN Global Compact, BSCI). In the specific instance of collagen, the acquisition of animal hide (mainly cows) is required. In Europe this must comply with the European regulations of welfare of animals at the time of slaughter.

In addition, the activity of Viscofan Group in the countries in which it operates is geared to value creation for all stakeholders, including suppliers. Thus, in 2019 the company allocated 448 million euros as a reflection of the distribution of value to suppliers of goods and services, with 56% of purchases of raw materials from local suppliers² (54% in 2018), which favours the economic development of the communities where Viscofan is present.

In addition, the payment period for the Viscofan Group during 2019 was 23 days (28 days in last exercice 2018), which is lower than the maximum established by payment arrears regulations. Note 19 of the annual consolidated financial statements shows the information on the average supplier payment period during the year.



in 2019 the company allocated 448 million euros as a reflection of the distribution of value to suppliers of goods and services, with 56% of purchases of raw materials from local suppliers.







Maintaining our leadership position in the global market in an environment as dynamic as the current one would be impossible without Viscofan's excellent level of service and diversification. As a result of our presence in 18 nations we are able to offer suitable casings solutions to more than 1,911 customers in 109 different countries.

Sales team and technical service

Viscofan has the largest commercial network in the industry and the level of service of its technicians is widely recognised throughout the market. As experts in artificial casings, we are the only company in the sector that has its own technology in the main families of casings and therefore offers a global and integrated service to our customers, providing the casing option that best suits their needs.

Viscofan offers customers a Technical Service, which is a competitive advantage and of great help to customers when deciding, from the wide range of casings, which one is adequate for their needs. This work is of increasing importance because our customers are not divided by technology, but but instead they use various technologies for different products, depending on the degree of sophistication of the meat

processor. Some 51% of the income comes from customers who have bought products in all our technologies.

In a continuous improvement model, through multidisciplinary teams representing sales, production, and research & development areas, the Viscofan Group identifies those issues that cause most concern to the meat industry and analyses, develops and implements the corresponding improvements.

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Product safety and food hygiene

In order to guarantee at all times the excellence of products and services for both customers and for the final consumer, Viscofan has a product safety and food hygiene system that covers all these aspects. Manufacturing facilities are built to food safety specifications, employees are trained in food hygiene and product safety, raw materials are tested for compliance with specifications previously agreed with certified suppliers, systems are in place to detect defective materials in the production system, pest control is implemented and policies are in place to monitor hazardous substances, personal hygiene and visitors.

These protocols configuring our product safety and quality system are based on the following core principles:



Viscofan has a hazard analysis and critical control point (HACCP) system in place. Hence, an inter-disciplinary team assesses every step of the production process to detect possible hazards (physical, chemical and microbiological pollution, including allergens), identify critical control points, establish relevant controls and take any required corrective action. The system is annually updated in line with any changes in the production process.



Casings manufacturing is becoming more tightly regulated, in the area of food safety, by countries and supranational institutions, making up a growing and constantly changing battery of rules. This regulatory framework directly affects the activity of different production plants due to laws in the country of origin and requirements in the receiving countries, and internationally recognised standards. For this work it has a specific department of Patents and Regulatory Affairs.



Viscofan operates a product traceability system that enables us to identify, at any time and in full detail, the history of every unit and even sub-unit sold, from receipt of raw materials to product used by our customers. In Europe, Viscofan fully implements a food traceability system under Regulation (CE) 178/2002.



To ensure that our product safety and food hygiene systems comply with requirements, our production processes are audited internally on a regular basis. Our production facilities are also continuously audited by health authorities, numerous customers and certification authorities.



Viscofan has internationally developed certifications for meat processors to homologate new suppliers and commercialise their products in the main distribution chains around the world.

What's more, Viscofan has internationally developed certifications for meat processors to homologate new suppliers and commercialise their products in the main distribution chains around the world.

Certificates that prove the organisation's commitment to product safety, health and quality at its work centres as well as in all the activities carried out around the world are shown below:



Country	Plant	Certifications		
Country	Plant	Food safety	ISO 9001	
Spain	Cáseda	BRC Pack BRC Food (Fibrous due for April 2020)	V	
	Urdiain	BRC Pack	~	
Czech Republic	Ceske Budejovice	BRC Pack BRC Food	•	
Germany	Weinheim Alfhausen	BRC Food BRC Pack	•	
Serbia	Novi Sad	BRC Pack BRC Food	•	
Belgium	Hasselt	BRC Pack	~	
China	Suzhou	BRC Pack BRC Food	•	
Canada	Montreal Moncton Toronto	BRC Pack BRC Food FSSC 22000		
USA	Danville Montgomery Kentland New Jersey	BRC Pack BRC Pack SQF Level 2 FSSC 22000	V	
Mexico	San Luis Zacapu	BRC Pack BRC Pack	~	
Uruguay	Pando	BRC Food	V	
Brazil	Itu Ermelino	BRC Pack BRC Food	~	
Australia/New Zealand	Sydney (Bankstown)	due for 2021	v	

The Viscofan Group also has Halal and Kosher certifications. These certifications, referring to food products, are based on regulations that are key to provide service to different markets and exploring new growth opportunities. The Halal certification is specifically designed for products sold in Muslim countries and Islamic communities, while Kosher certification is a requirement for food consumption by the Jewish community.

Customer satisfaction

Customer satisfaction is, along with service quality and product safety, a fundamental objective for Viscofan. A commitment strongly supported by the 34% of estimated market that has relied on our products in 2019.

In this sense, the sales team has a satisfaction evaluation system that allows them to directly obtain the opinion of the customers by measuring mainly four parameters (Product Quality, Delivery Service, Economic Competitiveness and Technical Assistance). In the last wave of the survey, a total of 197 questionnaires were sent out and a result reflecting an 86% satisfaction rate was obtained.

Likewise, Viscofan has a very comprehensive integrated complaints and claims system that facilitates dialogue and communication to record, identify, follow up and analyse any communication of dissatisfaction with the product or service provided by the Viscofan Group to its customers. It is a system of cross-sectional, continuous improvement in which the departments involved must analyse the cause of the dissatisfaction and provide the corrective actions that will be established in the organisation to avoid its repetition. Any dissatisfaction is analysed, making it possible to control both the material that is returned as a result of the complaints and compensations paid to customers. In 2019, a total of 3,373 complaints* were registered in our systems, including both service and administrative or product complaints, compared to 3,036 complaints in the previous year, and none were registered regarding customer data protection. A large part of the increase in complaints compared to 2018 is due to the increase in the volume and range of products, and

on the other hand, to greater discipline and efficiency in the registration of complaints - especially administrative, transport and commercial ones - which have been added to the technical ones, and for which the computer tool being used has been improved.

In addition, the Code of Conduct of the Viscofan Group establishes that "relationships with customers will be based on respect and transparency". Therefore, commercial messages fall within principles of transparency and veracity where no subjective comparisons are made nor is information given when it conflicts with third party rights. These action policies extend to all geographical areas where the Viscofan Group has a commercial presence. There were no sanctions or reports of breaches related to marketing communications or labelling of products and services in 2019, neither of violations of customer privacy or data loss.





Customer satisfaction is, along with service quality and product safety, a fundamental objective for Viscofan. A commitment strongly supported by the 34% of estimated market that has relied on our products in 2019.

WORK MANAGEMENT

People are the differential value on which the future of Viscofan is built. Nearly 5,000 employees of 18 different nationalities constitute an extraordinary human wealth. People management is key to achieving our goals and that is why we want to attract and develop the best team in the industry.

MATERIAL ASPECTS

- Respect for workers' rights according to the ILO
- Occupational training and development
- · Health and safety of internal staff
- · Health and safety of outsourced staff
- Diversity, equal opportunities and non-discrimination
- Employment stability
- Salary gap

Our commitment to Sustainable Development Goals



- Ensure decent working conditions for all employees of the company, with non-discrimination in hiring.
- Ensure opportunities for promotion and professional development for employees, especially young people.
- Guaranteeing freedom of association and collective bargaining.
- Creating a stable working environment, supporting full-time and permanent contracts, in a climate of respect and non-discrimination.
- Encouraging youth employment through recruitment and internship programs.
- Having health and safety systems in all the company's facilities.
- Creating public-private partnerships with universities to carry out projects that contribute to sustainable economic growth.



Multicultural team

Viscofan is made up of a large group of people who are spread across eighteen countries in which the company has a presence and that reflect its marked international character. A multicultural, competitive, qualified team in constant training, which shares solid values and common ethical principles, despite having different cultures. In short, a rich and complex multicultural environment, which is both a challenge and an opportunity for the international development for all employees.

The average workforce as of December 2019 stood at 4,628 people (nearly 4,900 people if the staff of the companies acquired from Nitta Gelatin Inc. in December 2019 is included), a decrease of 0.3% compared to the average workforce reported the previous year. This decrease is more significant if we take into account that this year's comparison includes the 96 people in Australia and New Zealand from the acquisition of Globus in November 2018 who were not included in the 2018 reporting scope.

The workforce at the end of 2019 was made up of 4,713 people, (2.3% higher than the workforce at the end of 2018) of which 3,332 are men (3,274 in 2018) and 1,381 women (1,335 in 2018). In 2019, we do not include the 204 employees of Viscofan Collagen USA Inc. and Viscofan Collagen Canada Inc. that were acquired in December 31, 2019 (156 men and 48 women). In 2018, the reported figure did not include the 98 people from Globus in Australia and New Zealand acquired in that year (76 men and 22 women).

Breakdown of the average workforce by country and their coverage by collective agreements

		20	19			20	18	
Average workforce by country	Men	Women	TOTAL	% covered by collective agreement	Men	Women	TOTAL	% covered by collective agreement
Spain	586	185	771	66%	605	189	794	66%
Czech Republic	363	273	636	100%	374	301	675	100%
Germany	487	74	561	84%	494	74	568	77%
Serbia	317	178	495	100%	321	174	495	0%
Belgium	64	10	74	100%	60	12	72	0%
United Kingdom	10	3	13	0%	10	3	13	0%
France	6	3	9	100%	8	2	10	0%
Russia	4	2	6	0%	5	2	7	0%
China	206	136	342	0%	213	133	346	0%
Thailand	4	8	12	0%	4	8	12	0%
Australia	63	15	78	40%	na	na	na	na
New Zealand	12	6	18	0%	na	na	na	na
Europe and Asia	2,122	893	3,015	74%	2,094	898	2,992	55%
Canada	34	9	43	0%	34	8	42	0%
United States	311	178	489	46%	333	181	514	46%
Mexico	420	84	504	72%	436	112	548	100%
North America	765	271	1,036	57%	803	301	1,104	71%
Brazil	340	143	483	100%	324	130	454	100%
Uruguay	67	13	80	95%	66	12	78	0%
Costa Rica	7	7	14	0%	6	7	13	0%
Latin America	414	163	577	97%	396	149	545	83%
TOTAL	3,301	1,327	4,628	73%	3,293	1,348	4,641	62%

It should be noted that 83% of the members of the senior management team are recruited from the local community, i.e., they were born in the country where they hold their position.

International mobility is constant in Viscofan. An example of this is that in 2019 an average of 39 employees participated in international projects, sent abroad for long periods of time (41 employees in 2018). The vast variety of nationalities both at origin and destination is the result of an internationalisation strategy and initiatives to reinforce international mobility and transfer best practices

through benchmarking from the Group to all its subsidiaries. In fact, there are numerous projects to transfer knowledge between the different production plants, and to develop specific global training seminars for Group workers.

One of the Viscofan's objectives is to foster the highest degree of safety in these deployments. To achieve this, there are "Risk Reports" from those countries where we are present, at the production or commercial subsidiary level, which include recommendations, emergency telephones, directory of medical facilities, etc.

We also continue to invest in new digital tools in the Group's communication that reduce travel time, risk and the economic and environmental costs associated with it



Age

We are committed to young talent: the average age in the company is 42 (41 in 2018). Of the total average workforce, 32% are people under 35 years old, 41% are between 36 and 50 years old, and 26% are over 50 years old.

Also, in line with the ILO Conventions on Child Labour 138 and 182, there are no employees under the age of 14 at Viscofan.

Average workforce by age

		2019	
	Men	Women	TOTAL
Between 17 and 35 years	1,026	469	1,495
Between 36 and 50 years	1,341	569	1,910
More than 50 years	934	289	1,223
TOTAL	3,301	1,327	4,628

	2018	
Men	Women	TOTAL
1,046	514	1,560
1,335	551	1,886
912	283	1,195
3,293	1,348	4,641

Average workforce by age and contract type

	2019		
	Permanent contract	Temporary contract	TOTAL
Between 17 and 35 years	1,278	217	1,495
Between 36 and 50 years	1,817	93	1,910
More than 50 years	1,202	21	1,223
TOTAL	4,297	331	4,628



Quality in employment

Our business model has a marked industrial character: about 50% of the people working in Viscofan are operators and 18% are specialised personnel. Within this industrial context, Viscofan

is committed to stable and quality employment, with nearly 93% of the workforce working on a permanent contract and over 98% on a full-time basis.

🔼 Average workforce. Workday type

	2019		
	Men	Women	TOTAL
Permanent contract	3,083	1,214	4,297
Temporary contract	218	113	331
TOTAL	3,301	1,327	4,628

	2018	
Men	Women	TOTAL
3,049	1,224	4,273
244	124	368
3.293	1.348	4.641

Average workforce. Workday type

	2019		
	Men	Women	TOTAL
Full-time contract	3,255	1,300	4,555
Temporary contract	46	27	73
TOTAL	3,301	1,327	4,628

	2018	
Men	Women	TOTAL
3,242	1,313	4,555
51	35	86
3.293	1.348	4.641

Average workforce by category

		2019		
	Men	Women	TOTAL	
Directors	99	18	117	
Technicians and supervisors	824	299	1,123	
Administratives	53	178	231	
Specialists	637	209	846	
Labourers	1,688	623	2,311	
TOTAL	3,301	1,327	4,628	

	2018	
Men	Women	TOTAL
92	17	109
832	263	1,095
55	176	231
611	212	823
1,703	680	2,383
3,293	1,348	4,641

Average workforce by category and contract type

	2019		
	Permanent contract	Temporary contract	TOTAL
Directors	113	4	117
Technicians and supervisors	1,080	43	1,123
Administratives	217	14	231
Specialists	785	61	846
Labourers	2,102	209	2,311
TOTAL	4,297	331	4,628

🔁 Average workforce by category and temporary workday

		2019			
	Men	Women	TOTAL		
Directors	1	0	1		
Technicians and supervisors	7	5	12		
Administratives	1	5	6		
Specialists	8	7	15		
Labourers	29	10	39		
TOTAL	46	27	73		

Average workforce by age and temporary workday

	2019			
	Men	Women	TOTAL	
Between 17 and 35 years	9	4	13	
Between 36 and 50 years	11	12	23	
More than 50 years	26	11	37	
TOTAL	46	27	73	



Viscofan has 959
employees with
university degrees (957
in 2018), of which 40
hold a doctorate (37
employees in 2018). A
very high level of training
that shows Viscofan
demanding professional
standards and its
willingness to achieve
excellence in production
and maintain the levels
of innovation necessary
for our activity.

In a growing team, the policy on staff selection and recruitment is key to ensure continuity in leadership. In this sense, development and recognition of Viscofan Group's staff is being stepped up by listing the company's job vacancies in internal information channels and the intranet. In addition, the attraction talent strategy is pursued through international management tools for selection, hiring, internal mobility and expatriation processes.

Viscofan aspires to be a company where the talent of its employees can develop and reach the highest level. In this sense, several of its corporate directors have been recognised with awards for the best professional career, as is the case of the Group's Financial Director and R&D Director.

Also, Viscofan has 959 employees with university degrees (957 in 2018), of which 40 hold a doctorate (37 employees in 2018). A very high level of training that shows Viscofan demanding professional standards and its willingness to achieve excellence in production and maintain the levels of innovation necessary for our activity.

Equality and work-life balance

We are committed to creating work environments for our employees that allow them to develop and give the best of themselves. A space where they feel integrated and participate in the future of the company, regardless of their race, ethnicity, gender, sexual orientation, age, religion or nationality, among others.

The high percentage of men (71%) compared to women (29%) continues to be significant. A similar percentage to that of companies in the sector, where the incorporation of new companies to the Viscofan perimeter throughout the strategic period MORE TO BE continues to present a similar percentage, thus diluting the results of greater employability of women carried out by Viscofan.

Increasing the weight of the less represented sex is one of the challenges we face, especially in the retention, development and promotion of female talent: currently only 15.4% of the management level is made up of women.

The Viscofan Group has created a Corporate Conciliation Committee, reporting to the Appointments and Remuneration Committee, which analyses opportunities and monitoring initiatives to facilitate balance between the professional activity and the family. This Committee met twice in 2019 (as in 2018), where it analysed the evolution of the workforce by gender, monitoring of the universal licenses approved last year for the birth of children and death by spouses and children, even in countries whose legislation does not provide these licenses.. No policies for work disconnection were approved last year.

Within this subject, the 2016-2019 II Equality Plan was completed in Viscofan S.A. The objective, as with preceding plan, was to propose improvements and establish equality and work-life balance objectives within the company. Through the GEW (Gender Equality in the Workplace) process, the plan has focused on four main areas: Leadership; Policy and Strategy; People; Process

Management and Relationship with the Environment, so that all of them have had specific action plans.

In this regard, it should be noted that Naturin Viscofan GmbH, the German subsidiary of the Viscofan Group, holds the "Berufundfamilie" certificate, which recognises the best family work-life balance policies in companies in that country.

In addition, in order to promote and improve the management of this matter, the Viscofan Group participates as a collaborating entity and member of the Management Committee of the Observatory of Conciliation and Joint Responsibility of the Pontifical University of Comillas.

8 Average workforce by gender and category

	2019		
	Men	Women	
Directors	84.6%	15.4%	
Technicians and supervisors	73.4%	26.6%	
Administratives	22.9%	77.1%	
Specialists	75.3%	24.7%	
Labourers	73.0%	27.0%	
TOTAL	71.3%	28.7%	

2018			
Men	Women		
84.4%	15.6%		
76.0%	24.0%		
23.8%	76.2%		
74.2%	25.8%		
71.5%	28.5%		
71.0%	29.0%		

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Employment and remuneration

Workers are a key part of the MORE TO BE strategic plan. Their commitment, constantly evolving work and improvement are a clear competitive advantage for the Group.

During the early years of MORE TO BE, the workforce was increased, a fact associated with the implementation of the new capacity and technology in different plants, particularly plant 4 in Cáseda, Spain. In addition, improvements in efficiency and productivity have reduced the need for personnel at other Group plants.

The increase in revenues due to billing growth and the incorporation of the Globus business in Australia and New Zealand has been carried out with an average workforce 0.3% lower than the previous year, which explains the 8.7% improvement in revenue per employee achieved this year.



Workers are a key part of the MORE TO BE strategic plan. Their commitment, constantly evolving work and improvement are a clear competitive advantage for the Group.



Average workforce and productivity evolution

	2019	2018*	2017
Average workforce	4,628	4,641	4,554
Revenue in million €	850	784	778
Revenue per employee (thousand €)	183.6	169.0	170.9

* It excludes Globus

The quest for efficiency and productivity is reflected in the net variation in employment which has meant a decrease of 13 people compared to the previous year. The breakdown by category, sex and age is as follows:

Average workforce net change

	2019			2018
Breakdown by age	Men	Women	TOTAL	TOTAL
Between 17 and 35 years	-20	-45	-65	9
Between 36 and 50 years	6	18	24	62
More than 50 years	22	6	28	17
TOTAL	8	-21	-13	88

	2019			2018
Breakdown by category	Men	Women	TOTAL	TOTAL
Directors	7	1	8	10
Technicians and supervisors	-8	36	28	67
Administratives	-2	2	0	40
Specialists	26	-3	23	-56
Labourers	-15	-57	-72	27
TOTAL	8	-21	-13	88

³The net change in employment is calculated as the difference between the 2019 average workforce and the 2018 average workforce.



The Group's business activity requires adapting to various market needs in the different locations, under criteria of competitiveness and efficiency, which in some cases requires cuts in the workforce.

The importance of these stakeholders - the employees - can be seen in the generated and distributed resources table. Employees within the Viscofan Group have received in 2019 €180 million of distributed expenses (€161 million in 2018).

The necessary training in the production process, the strategies for creating long-term value, and the high level of commitment of the people who make up our team are reflected in the

voluntary redundancy rate of the average workforce for 2019, which stands at 3.0% (4.2% in 2018).

The Group's business activity requires adapting to various market needs in the different locations, under criteria of competitiveness and efficiency, which in some cases requires cuts in the workforce. The breakdown of average dismissals by category, age and gender is as follows:

Dismissals

Breakdown by category	2019	2018
Directors	1	1
Technicians and supervisors	7	15
Administratives	5	3
Specialists	10	10
Labourers	33	69
TOTAL	56	98

Breakdown by age	2019	2018
Between 17 and 35 years	29	47
Between 36 and 50 years	18	38
More than 50 years	9	13
TOTAL	56	98

Breakdown by gender	2019	2018
Men	46	70
Women	10	28
TOTAL	56	98

Competitive remuneration

The activity and the development of the company are largely determined by the talent of the people that make it up.

In this regard, the contracting policy of the Viscofan Group is based on objectivity, equal opportunities and training, and one of its aims is to favour gender diversity, among other aspects.

This implies a competitive remuneration, adapted to the capacities and competences of the different profiles required according to the industrial or commercial process, and also according to the realities of the multitude of countries in which Viscofan is present.

The average remuneration expressed in Euros by category and age is:



The contracting policy of the Viscofan Group is based on objectivity, equal opportunities and training.

Average compensation (€)

Breakdown by category	2019	2018
Directors	134,636	115,182
Technicians and supervisors	42,414	39,827
Administratives	30,933	29,721
Specialists	23,358	23,062
Labourers	22,418	20,322
TOTAL	30,712	28,106
·		

Breakdown by age	2019	2018
Between 17 and 35 years	19,571	19,033
Between 36 and 50 years	30,328	27,951
More than 50 years	43,929	40,195
TOTAL	30,712	28,106



Average remuneration increased by 8.3% over the previous year. This increase must take account of the wage updates resulting from the collective agreements in different countries and the strengthening of some currencies against the euro. At the same time, in 2019, the three-year long term compensation plan for executives and key personnel of Viscofan was paid out, which was reflected in the increase in the average compensation of executives (16.9% vs. 2018) and technicians and managers (6.5% vs. 2018).

Within the area of remuneration, about 73% of the company's employees are covered by general collective bargaining agreements, therefore improving the minimum conditions set by different labour legislations. Collective Bargaining Agreements regulate the remuneration received by the workers who sign them, and in particular establish criteria of equity between similar jobs, thus avoiding gender discrimination and the wage gap between equivalent jobs. However, the mathematical calculation of the wage gap, understood as the difference between the average hourly remuneration for men and women and the average hourly remuneration for men stands at 27.4% (26.5% in 2018), with the average remuneration for the Group being €30,712 (€28,106 in 2018): €33,531 for men (€30,404 in 2018) and €23,688 for women (€22,487 in 2018).

Country minimum wage vs. minimum paid in country (% difference over minimum salary)

Spain	28%
Czech Republic	23%
Germany	39%
Serbia	14%
Belgium	35%
United Kingdom	35%
France	15%
Russia	92%
China	1%
Thailand	54%
Australia	24%
New Zealand	9%
Canada	8%
United States	53%
Mexico	62%
Brazil	38%
Uruguay	4%
Costa Rica	6%

This wage gap is similar to that of other industrial companies. The analysis of the reported wage gap identified a multitude of factors, from the gender composition of the Group, to its geographical presence, the different distribution among jobs, their level of specialisation, the night shifts for a continuous production process of 24 hours, danger bonuses, seniority, etc. which are in line with the industrial context, the composition of the workforce and the historical trajectory of the Viscofan Group.



The individual remuneration of all the members of the Board of Directors is detailed in note 24 of the company's consolidated annual accounts in accordance with the remuneration policy of the Board as shown in the Remuneration Report available on the company's website, www.viscofan.com.

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The Group makes contributions to various different defined benefit plans. The relevant information is in note 18 of the consolidated annual accounts.



Professional development

We promote people's personal and professional development through different initiatives that allow us to manage knowledge and take advantage of employees' abilities to achieve the group's objectives. Continuous training is one of Viscofan's primordial goals for its personnel, thereby boosting personal and professional development. With this aim, the Human Resources team managed more than 130,000 training hours in 2019 (115,000 hours in 2018),

an average of 28.2 hours per employee (24.8 hours in 2018).

For this commitment to human capital training, the group has invested €2.6 million (€2.2 million in 2018), of which €0.8 million (€0.7 million in 2018) correspond to training and explicit awareness in health and safety (more information in the workplace safety section).

The industrial nature of Viscofan needs to combine a great number of labourers with specialised staff. This is an increasingly demanding and global industry in terms of requirements, which requires greater knowledge and expertise of the workforce. To take on this challenge, the Group constantly invests in staff capabilities, added to the continuous training effort carried out in the organisation.

Training

		2019		2019			2018	
	Men	Women	TOTAL	Men	Women	TOTAL		
Number of hours	90,170	40,498	130,668	81,776	33,386	115,162		
Average number of hours per employee	27.3	30.5	28.2	24.8	24.8	24.8		
% of employees who have received training	92.4%	92.9%	92.5%	85.8%	83.4%	85.1%		

Within the training plan, subjects related to aspects of human rights have been addressed, such as the use of non-sexist language, corporate social responsibility, gender equality and sexual harassment, for a total of 2,163 hours, compared to 2,247 hours invested in 2018.

Training is carried out according to the skills and abilities of the people who make up the Viscofan Group and the needs of the job, and there is no record of the professional category in all the Group's companies that carry out training. By way of example, and in

order to assist in the comparability of the information below, the number of hours of training by category that have been carried out in Spain, the headquarters of the corporate group, is broken down as follows:

Training. Number of hours by category

		2019	
	Men	Women	TOTAL
Directors	760	154	914
Technicians and supervisors	6,136	2,876	9,012
Administratives	13	1,283	1,296
Specialists	1,112	345	1,457
Labourers	2,504	638	3,142
TOTAL	10,525	5,296	15,821

	2018	
Men	Women	TOTAL
623	201	824
4,685	1,956	6,641
100	991	1,091
1,031	424	1,455
2,449	629	3,078
8,888	4,201	13,089



In 2019, 43% of the Group's staff was subject to a performance assessment process, compared to 31% the previous year. Facilitating training is one of the most effective measures to encourage the employability of our people, both for the development of their career and for opportunities for professional development that may arise. Looking towards promoting employment, the Group also fosters participation in the main universities of the countries where it develops its activity. Within the objective of attracting and developing talent, there were an average of 55 internships in 2019 (the same as in 2018).

In line with the results from the Work Environment surveys, the purpose of the Viscofan Group is to forward development of a personal highperforming culture and evaluate the established objectives through a performance assessment process. In particular, performance assessment is a process of planning, monitoring and evaluating the objectives that are defined by each person responsible with each member of their team. This methodology improves the professional capacity of each person and aligns individual expectations with the strategy and objectives as a company.

In 2019, 43% of the Group's staff was subject to a performance assessment process, compared to 31% the previous year. The breakdown by gender and professional category is as follows:

Performance assesment

	2019					2018		
	Men	Women	TOTAL	% average workforce	Men	Women	TOTAL	% average workforce
Directors	95	15	110	94%	71	13	84	77%
Technicians and supervisors	479	168	647	58%	466	144	610	56%
Administratives	27	76	103	45%	26	85	112	48%
Specialists	209	92	301	36%	154	92	246	30%
Labourers	527	283	810	35%	239	168	407	17%
TOTAL	1,337	634	1,971	43%	956	502	1,458	31%

The Group promotes bilaterality in evaluation through multiannual global opinion surveys (Viscofan Opinion Survey). In 2018, the third opinion poll of the Viscofan Group was held, with 70% of employees from around the world taking part, to learn more about our strengths and our areas of improvement.

As strong points, workers pointed out quality and customer service and sustainable commitment. Certain aspects in need of improvement were also detected, such as remuneration, internal communication and the development of careers and training, on which the Group is developing initiatives as mentioned above.

Workplace safety

Corporate workplace safety policies are the responsibility of the Environment Health and Safety (EHS) department, working in close partnership with the corporate and local Human Resources department. In this regard, measures and investments continue to be implemented to improve working conditions. In addition, the Viscofan Group works to obtain reliable and consistent indicators to measure and compare performance in the various countries in which the Group operates, in this way extending best health and safety practices to its production centres.

Viscofan considers that accidents may be prevented, and that is why not only does the Group work to have safer facilities but to make all staff aware of the importance of attitude in relation to safety. For Viscofan, the material aspects that affect safety are essentially based on the characteristics of the position and the activities that are required.

Viscofan still makes huge efforts to standardize its procedures while also communicating its policies throughout the companies using specific courses and informational materials, available to employees at their areas of work.

In order to carry out these initiatives, the Group has the EHS policy, approved by the Board of Directors, pointing out the following relevant guidelines with regard to workplace safety:

 Provide employees with a safe and healthy workplace.

- Identify and comply with applicable legislation and regulation in terms of Environment, Health and Safety (EHS) in each of the locations where the Group does business, and any other voluntarily-acquired commitments of Viscofan to improve these areas.
- Ensure that management, employees and all staff working for the organisation (or on its behalf) are aware of this policy and are trained, according to their responsibilities, to comply with it

Alongside this, certain specifications are determined within the collective bargaining agreements of the different locations in which the Viscofan Group is present in matters related to health and safety.

In 2019, a worker died in an occupational accident at the Cáseda facility in Spain. This is the first fatal accident in the history of the plant. An investigation into the causes of the accident has been carried out and a report has been generated with proposals for improvements and recommendations on which work is ongoing. As a result of this accident, the safety protocols have been reviewed and the facilities have been checked.





The indicator of hours lost due to accident or illness of own staff has been re-linked to management's variable remuneration, and a reduction in the severity of accidents at work has also been set as an objective within the long-term variable remuneration plan for Viscofan's senior management and key personnel, reflecting the number of hours lost due to accidents among the total number of hours worked.



The performance of the health and safety indicators of the Viscofan Group is as follows:

Viscofan Group. Health and Safety indicators evolution

	2019	2018	2017
Hour lost per accident	20,682	32,864	31,228

		2019	
	Men	Women	TOTAL
Number of accidents	129	23	152
Number of professional diseases	2	2	4

	2018	
Men	Women	TOTAL
121	40	161

	2019		
	Men	Women	TOTAL
Number of accidents	129	23	152
Work-related accidents. Frequency *	19.7	9.5	16.9

	2018	
Men	Women	TOTAL
121	40	161
		18.4

^{*}Number of accidents occurred per million hours worked

	2019		
	Men	Women	TOTAL
lex*	3.3%	5.2%	3.8%

	2018		
Men	Women	TOTAL	
3.9%	3.9%	3.9%	

^{*}Number of hours lost due to sick leave divided by the total number of hours worked

	2019		
	Men	Women	TOTAL
Accident rate*	0.23%	0.23%	0.23%

	2018	
Men	Women	TOTAL
0.37%	0.40%	0.38%

^{*}Number of hours lost divided by the total number of hours of work

	2019		
	Men	Women	TOTAL
Severity index*	0.29	0.29	0.29

	2018	
Men	Women	TOTAL
0.46	0.50	0.47

In 2018, overtime by gender was not registered in the corporate systems, having being weighted in line with those made in 2019 to facilitate the comparison of the data.

^{*}Number of equivalent day lost per accident per thousand hours worked

Training in accident prevention and about the importance of safe behaviour patterns is one of the cornerstones of health protection of our employees. This training includes basic prevention measures that have to be adopted in

the workplace, or the importance of day-to-day heart-healthy habits, the role of middle-level management and the improvement of its leadership in safety.

Health and Safety Training

		2019	
	Men	Women	TOTAL
Number of hours	19,871	4,939	24,810
Average hours per employee	6.0	3.7	5.4
% of employees who have received training	75%	67%	73%

2018				
Men	Women	TOTAL		
23,261	5,104	28,366		
7.1	3.8	6.1		
87%	87%	87%		

Notable improvements in the area of occupational health and safety include: improvement of the machines in Montgomery (US), fire-fighting facilities in Weinheim (Germany), Zacapu and San Luis Potosi (Mexico), and ergonomic adaptations in the new plant 4 in Caseda (Spain).

At the same time, inclusion of the OHSAS 18001 certification in all the production plants is one of the objectives to be achieved in the "MORE TO BE 2016-2020" period. It is an internationally accepted specification that defines the requirements for the establishment, implementation and operation of an effective Occupational Health and Safety Management System.

ISO 45001 is the new safety standard that replaces OHSAS and in Viscofan we already have some plants certified according to this new regulation: Cáseda and Urdiain (Spain), Hasselt (Belgium) and Kentland (USA). Currently, the rest of the plants are in the process of migrating to the new certification, a process that will culminate in the first months of 2021.

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Certifications of the Viscofan Group

Country	Plant	Certification	
C .	Cáseda	ISO 45001	✓
Spain	Urdiain	ISO 45001	✓
Czech Republic	Ceske Budejovice	OHSAS 18001	V
Germany	Weinheim	OHSAS 18001	V
Serbia	Novi Sad	OHSAS 18001	✓
Belgium	Hasselt	ISO 45001	v
China	Suzhou	OHSAS 18001	V
	Danville	OHSAS 18001	*
USA	Montgomery	OHSAS 18001	*
	Kentland	ISO 45001	V
	San Luis	OHSAS 18001	V
Mexico	Zacapu	OHSAS 18001	v
Uruguay	Pando	OHSAS 18001	V
D 11	ltu	OHSAS 18001	V
Brazil	Ermelino	OHSAS 18001	V



ENVIRONMENTAL MANAGEMENT

As the world leader in customized casings, we have a responsibility to combine economic growth with environmental and social needs for a sustainable future. This objective ranges from the optimization and purification of water used in the production process, better use and reuse of raw materials, to the efficient use of energy.



- Environmental management systems and sustainable management certificates
- Circular economy: Efficient use of raw materials and minimisation of waste
- Responsible management of water
- · Energy efficiency
- Greenhouse gas emissions

Our commitment to Sustainable Development Goals



 Sustainable management of water in the company's operations and factories, with a strict policy of water consumption and reuse, improving the quality of wastewater discharges and investing in the best available technologies for water management.



 Integrate criteria of circular economy in the organization through policies of prevention, reduction, reuse, recycling and valuation of waste.



 Invest in more sustainable and less carbon-intensive technologies and introduce circular economy criteria in the company's activities.



Management approach

Policy

The Corporate Environmental, Health and Safety (EHS) Policy, which defines the values of the organization and sets priorities in environmental matters, was approved by the Board of Directors in 2015, and applies to all personnel working for or on behalf of the organization.

To ensure the application of the principles contained in the policy, 15 EHS Management guidelines have been developed by the Viscofan Group, setting the common implementation bases for safety, occupational health and environment management systems.

Viscofan participates in the United Nations Global Compact from 2015 and shares the commitments of the Sustainable Development Goals (SDGs) concerning the environment (climate change, conservation of marine resources, protection of ecosystems, sustainable water management).

In addition, the Group has a Sustainability Action Plan for the period 2019-2020 approved by the Board of Directors, which seeks to promote the development of a culture of best practices in social responsibility, also within the area of environment, with commitments in the reduction of waste and CO_2 per meter produced.

Likewise, since January 2020 the Group has a Sustainability Committee whose task is to periodically monitor the progress of the Sustainability Action Plan and to drive its implementation throughout the organisation.

Resources allocated

The growing commitment to sustainability is also revealed in its human and financial dimensions.

Management of environmental matters at Group level is the responsibility of the Corporate Environment, Health and Safety (EHS) Department, which reports to the Operations Department and is responsible for coordinating and supervising EHS matters at all the Group's production plants.

Being more sustainable and reducing our impact on the environment is a commitment for all of us. In addition to allocating financial resources, measures are also promoted to further the Group's values and commitments with regard to environmental management among employees, with training courses standing as an essential element of the management approach.

Environment projects accounted for an investment of €6.5 million in 2019, 10% of the Group's total investments. The following are noteworthy because of the impact they have on total investment: expansion of the wastewater treatment plant in Cáseda and Uruguay; and more efficient evaporation systems.

There is more information about the economic resources allocated to the protection of the environment in note 26 of the consolidated annual accounts.



Environment projects accounted for an investment of €6.5 million in 2019.

Environmental management systems and sustainable management certificates

The importance given to EHS is reflected in the advances in environmental management systems and the attainment of sustainable management certificates. We are working to attain the ISO 14001 certification in all the production plants in the "2016-2020 MORE TO BE" period.

Currently, more than 60% of the plants have this certificate (excluding the acquisitions made in the strategic period, 86% of the Group's plants have this certificate).

In 2019 the Kentland plant (Vector USA) has certified its environmental management systems to this standard and the objective for 2020 will be to continue with the certification process at the Danville and Montgomery plants in the United States and the Alfhausen plant in Germany, meeting the objective of 100% of the plants in the Viscofan perimeter at the beginning of the strategic plan.

The breakdown of the Group's plants with ISO 14001 certificate is the following:



Currently, more than 60% of the plants have the ISO 14001 certification

Certifications of the Viscofan Group

Country	Plant	ISO 14,001
	Cáseda	V
Spain	Urdiain	V
Germany	Weinhem	v
Serbia	Novi Sad	V
Czech Republic	Ceske Budejovice	v
Belgium	Hasselt	v
USA	Kentland	v
	Zacapu	V
Mexico	San Luis Potosi	V
5 "	ltu	V
Brazil	Matarazzo	V
Uruguay	Pando	✓
China	Suzhou (2 plantas)	✓
Australia	Sydney	✓
New Zealand	Wellington	V

At the same time, the energy management model of the Weinheim (Germany) and Cáseda (Spain) plants is certified by the ISO 50001 energy efficiency standard.

Circular economy: Efficient use of raw materials and minimisation of waste

Developing more sustainable activity requires incorporating environmental criteria throughout the value chain that minimises the impact of our business activity caused by the transformation of raw materials by mechanical and chemical means that leads to the generation of waste.

Starting with the selection of raw materials, both the main ones (cellulose, collagen skins, abaca paper, polyamides and natural gas) and the auxiliary ones, and continuing with reduction of waste generation, optimising waste management and prioritising recovery or recycling above other systems such as destruction or disposal.

In the selection of raw materials we seek to reduce their environmental impact as much as possible. To avoid deforestation and its impact on climate change, all our suppliers of cellulose and abaca paper have certificates (PFEC or FSC) that ensure the sustainable management of trees and forests. In addition, our cellulose and fibrous casings are compostable, and economically viable alternatives are being sought to take advantage of their properties, both in obtaining glucose and their use as biogas.

More than 80% of our volume of casings is of natural origin (vegetable or animal), although within our portfolio there are also plastic casings of synthetic origin which represent an important technological challenge in the search for sustainable solutions. In this line, we are working according to the 4R model (reduce, reuse, recycle, and repair) in plastics technology with different initiatives where the following achievements have been made:



 In the Czech Republic, we have reduced the thickness of approximately 70% of our plastic multilayer production between 2% and 9% in 2019.



 In Brazil, we have reduced the thickness of some multilayer plastic casings products by 23%, thus lowering the need for raw materials.



 We have developed a plastic casing of natural origin and we are working to incorporate a higher percentage of natural origin plastics in our casings.



 We have signed agreements with our raw material suppliers to develop new recycling solutions for our plastic casings with the aim of changing the production model in the future from an extractive economy in plastic to a circular economy in plastic.



Waste Management

For the management of the waste generated in our production process, we use disposal methods that have been determined locally based on local regulations and good practices within the Group, taking into consideration the characteristics of the production process and the raw materials used.

In 2019, the tons of waste decreased by 8.1% compared to 2018. The production efficiencies achieved at Group level

make it possible to compensate for the increased waste from the plant with new production technology in Cáseda, Spain, where new production modules were installed in 2019.

It should be noted that this new plant incorporates the latest technological developments in sustainability. These improvements not only translate into a reduction in residues owing to the lower amount of waste in the production process, but also into a reduction in CO₂ per metre produced, and a reduction in discharges and gas emissions.

Tons of waste

	2019	2018	2017
TOTAL waste in tonnes (tn.)	49,307	53,423	46,498
Waste in tn./ Metres produced. Base 100 2016	110	119	104

🔁 Breakdown of waste and by-product

		2019		
	Non- hazardous	Hazardous	TOTAL	
Reused	5.9%	0.0%	5.9%	
Recycled	7.8%	2.5%	10.3%	
Composted	27.8%	0.0% 27.8%		
Recovered	1.8%	0.2%	2.0%	
Incinerated	7.7%	0.2%	7.9%	
Landfill	36.6%	1.3%	37.9%	
Other	1.6%	6.5%	8.2%	
TOTAL	89.2%	10.8%	100.0%	

	2018	
Non- hazardous	Hazardous	TOTAL
0.1%	6.3%	6.4%
7.6%	5.6%	13.2%
26.3%	0.0%	26.3%
2.2%	0.2%	2.3%
7.0%	0.5%	7.5%
37.6%	1.2%	38.8%
1.2%	4.3%	5.5%
81.9%	18.1%	100.0%

2017			
Non- hazardous	Hazardous	TOTAL	
0.1%	16.0%	16.1%	
11.7%	0.1%	11.7%	
27.0%	0.1%	27.1%	
0.5%	0.2%	0.6%	
7.2%	0.2%	7.4%	
33.2%	2.1%	35.3%	
0.1%	1.6%	1.7%	
79.7%	20.3%	100.0%	

^{*} Does not include Transform Pack or Globus

Responsible management. Prevention of spills

The Viscofan Group has implemented an environmental management system with a view to preventing spills and leaks, in which it has established management mechanisms and technical control elements. Should they occur, this system has detection, reporting and anomaly correction methods, including ones for predictive purposes.

There were no spills or leaks at Viscofan Group facilities in 2019 that had to be reported to the competent authorities, understood as those that cause damage to the external environment of the facility and must be reported to the corresponding administration.







In order to contribute to the SDG 12. Responsible production and consumption, the Viscofan Group's Sustainability Action Plan aims to reduce the ratio of tonnes of waste managed in landfill to the millions of metres of extruded casings, which has been linked to the long term incentive plan for executive directors, managers and key personnel.

Based on the figure of 1.27, the proposal is to apply 30% to the weighting ratio if a minimum reduction of the indicator by 4 percentage points is achieved and increase the weighting ratio up to 100% if the indicator is reduced to 10 percentage points in the Measurement Period.



Responsible management of water



As we are working in an environment where there is a growing demand for industrial water, responsible water management is one of the cornerstones sustaining our environmental policy. Viscofan's production process requires the use of water, mainly in phases of the process that involve washing the casings. In general terms, water is obtained from different sources surface or underground water, municipal supply - depending on the location of the production plant: Once the water has been used, the production plants have water treatment plants to treat it before being poured into freshwater or municipal treatment plants.

When managing the impacts related to water use, the Viscofan Group has identified key management indicators with a double purpose: optimise water consumption at the company subsidiaries whenever possible and improve the water purification process with a view to reducing the pollution load thereof.

Consumption and Capture

A baseline of 100 was set for the 2016 water usage intensity ratio (m³/millions of metres produced) to track the intensity of our water consumption in the following years.

In 2018, the intensity ratio increased due mainly to the start-up of plant 4 in Cáseda, Spain, which has continued in 2019 with new production modules under the new production technology and the increased production capacity in Koteks, Serbia. In order to increase the optimisation of water, in 2018 a project was carried out for greater water reuse in China, bringing the total water used to 26,635 m³, although the results were not as expected and it was decided to seek out other optimisation options, bringing the cubic metres reused in 2019 to 1,069.

The number of cubic metres of water reused will also be reduced in 2019 compared to 2018 due to the decision to improve the quality of the discharge at the Suzhou (China) plant.

There was no record in 2019 of the organisation's water capture significantly affecting any water sources. All captures are strictly regulated by the public sector, which assign permits and determine the maximum permitted capture volumes to preclude significant effects.

However, according to the World Resources Institute list, plants in Mexico, Brazil and China are located in areas of high or extremely high water stress, a risk that the Group has identified. The evolution of the ratio of intensity of water consumption and reuse is as follows:

Water consumption

	2019	2018	2017
Water consumption in m³ /Metres produced Base 100. Year 2015	107	106	97
	2019	2018	2017
Water reused in m ³	1,069	26,635	9,510

^{*} Does not include Transform Pack or Globus

Water consumption by source in m³

	2019	2018	2017		
Surface water	3,849,469	3,755,026	3,301,733		
Ground water	2,643,301	2,636,088	2,443,000		
Local water supply	2,947,574	3,021,961	2,809,491		
Rainwater	0	0	0		
Waste water	0	0	0		
TOTAL	9,440,345	9,413,076	8,554,224		

^{*} Does not include Transform Pack or Globus

Water consumption by source in %

	2019	2018	2017
Surface water	41%	40%	39%
Ground water	28%	28%	28%
Local water supply	31%	32%	33%
Rainwater	0%	0%	0%
Waste water	0%	0%	0%
TOTAL	100%	100%	100%

^{*} Does not include Transform Pack or Globus

Discharge

Additionally, Viscofan is aware that proper water management also includes correctly purifying its wastewater and minimising the impact of its activities on the environment. Hence, it promotes investment in water treatment plants in its manufacturing facilities, where treatment of water makes it possible to improve the quality of discharges. Factories that treat 100% of the water are: Cáseda (Spain), Zacapu (Mexico), Koteks (Serbia), Itu (Brazil), Pando (Uruguay) and Suzhou (China).

To improve waste management, several projects are being carried out in different Group plants. In Cáseda (Spain) the project to expand the wastewater treatment plant has been completed with an investment of 1.6 million euros, and in Koteks (Serbia) the expansion of this facility is underway. With these investments, the Group is improving the quality of the waste and gaining in reliability and assurance in the management of the same:

Wastewater broken down by destination is as follows:

Water discharge, m³

	2019	2018	2017
Surface freshwater	4,354,863	4,279,567	3,930,315
Local treatment plant	3,405,950	3,387,789	3,300,921
TOTAL	7,760,813	7,667,357	7,231,236

Water discharge by source in %

	2019	2018	2017
Surface freshwater	56%	56%	54%
Local treatment plant	44%	44%	46%
TOTAL	100%	100%	100%

^{*} Does not include Transform Pack or Globus

Energy efficiency and greenhouse gas emissions

Energy model

LThe production process of casings is a continuous process throughout the year that requires substantial energy, especially in the drying processes of casings. As far as possible we incorporate high efficiency technology and cogeneration to obtain this energy.

In our fight against climate change, we are continuously investing in improvements to reduce energy consumption and to make the most of the different ways in which this energy is present in our processes. Viscofan's strategy for reducing overall CO₂ emissions includes using heat, even in the effluents from our production processes, and replacing systems requiring elevated amounts of energy with more efficient systems.

Specifically, the Viscofan Group has cogeneration plants that allow greater efficiency from an environmental point of view with savings in CO₂ emissions, cost savings, and ensuring the continuity of the energy supply. These facilities

are located in Cáseda (Spain), with an installed capacity of 48MW; in Zacapu (Mexico), with 0.6MW; and in Weinheim (Germany), with 8.7MW.

Energy consumption

The Viscofan Group has established the energy intensity indicator for analysing the efficiency of harnessing the different forms of energy throughout the organisation. The calculation was made on baseline of 100 for 2016, dividing consumed energy in absolute terms by metres of production.

In 2019, the intensity ratio increases mainly due to the start of new modules with new technology for the production of casings at the Cáseda (Spain) facilities.

The internal energy consumption expressed in Giga Wh and the energy intensity, with a 100 baseline year of 2016, is the following:



Energy consumption within the organization

	2019	2018	2017
Internal consumption in KWh /Metres produced	2,294	2,276	2,158
	,		,

Energy intensity. Base 100 year 2016	2019	2018	2017
Internal consumption in KWh /Metres produced	100	98	94

^{*} Does not include Transform Pack or Globus

Emissions

The breakdown of direct and indirect CO₂ emissions and their intensity is as follows:



CO₂ Emissions Tn

	2019	2018	2017
Direct	386,221	378,128	375,561
Indirect	154,580	164,138	154,144
TOTAL	540,801	542,266	529,705

Base 100 year 2015	2019	2018	2017
CO ₂ Emissions intensity /Metres produced	98	97	95

^{*} Does not include Transform Pack or Globus

Thanks to cogeneration installed in Spain, Germany and Mexico, it is worth noting that over the last 10 years the Viscofan Group has managed to avoid the emission of nearly one million tonnes of CO₂ into the atmosphere.

Moreover, with the intention of improving management and analysing polluting gases, information started to be collected in 2018 from the EHS corporate department regarding other

emissions, at a consolidated level. This is the case of nitrogen oxide (NOX) emissions; the number for 2018 and 2019 is as follows:



Other emissions Tn

	2019	2018	2017
NOX	657	643	n,d,



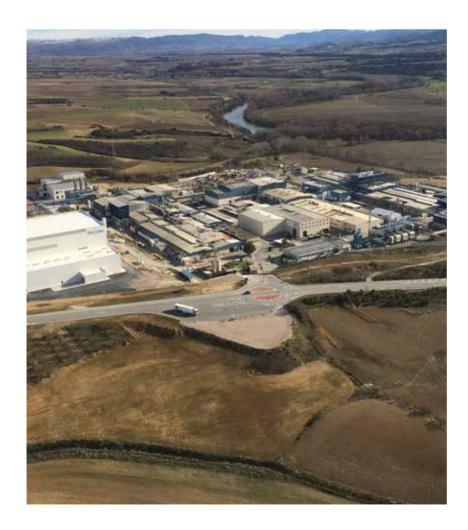
Initiatives aimed at reducing emissions:

Below is the figure of equivalent tons of CO2 avoided by using cogeneration compared to that theoretically emitted to obtain the steam obtained in cogeneration using conventional boilers in the plants at Cáseda (Spain), Zacapu (Mexico) and Weinheim (Germany):

In particular, the use of cogeneration as energy and heat generation sources entails a reduction in emissions compared with other conventional steam generation systems. The avoided CO₂ emissions in Cáseda, for instance, were 29%.

CO₂ avoided by energy optimization Tn

	2019	2018	2017
CO ₂ avoided by energy optimization	90,531	91,715	96,938





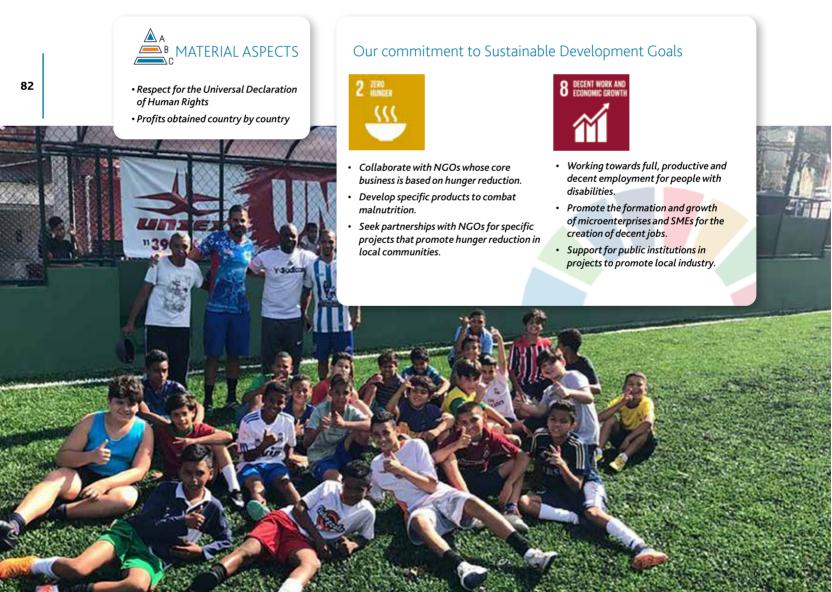


In 2019, a heat recovery system for the boiler was installed at the Zacapu plant (Mexico), enabling savings to be made in both CO₂ emissions and gas consumption. It is also planned in 2020 to renew Cáseda's cogeneration engines adapted to use biogas or hydrogen as soon as this supply is available.

Since October 2019, the electrical energy of the centres located in Tajonar, Cáseda and Urdiain has been classified as green energy, which means that 100% of this energy is of renewable origin and high efficiency cogeneration. Our commitment is to ensure that by 2020 the electricity for these centres is also green energy.

As a result of all these initiatives, the Viscofan Group is committed to reducing CO₂ emissions per million meters produced. In this sense, a reduction of 3% in CO₂ intensity per million meters produced compared to the previous year is expected within the 2020 objectives.

In its Corporate Social Responsibility (CSR) policy, the Viscofan Group undertakes a firm commitment to human rights, to carry out its activity in a responsible manner and to generate positive impacts on the communities in which it operates. In the same line, the United Nations Agenda 2030 constitutes the international roadmap for achieving a more sustainable world in social and environmental terms, and Viscofan adheres to it because it wishes to contribute to these objectives achieving all their transformative power and leaving a better world for future generations.



Our main lines of action in human rights

The Viscofan Group sets common basic guidelines on human rights as the guiding principles in various areas of the organisation. from employee management to supplier relationship management. These guidelines can be grouped around 3 lines of action: rights in work - promotion of nondiscrimination, free association of workers, integration of the disabled, rejection of child exploitation, rejection of forced labour and compliance with the minimum wage in each country, among others - fight against corruption and responsible management of the supply chain.

Some noteworthy measures in the field of labour law:

- With respect to labour law, the Code of Conduct states that "employees of the Viscofan Group, within their geographical compass and cultural diversity, will especially abstain from using any behaviour involving discrimination on grounds of race, sex, nationality, language, religion, ideology or any other individual, social or personal circumstance (disability, economic position, trade union membership, etc.), and promote work with dignity, preventing any type of exploitation, with special care taken to avoid child labour".
- Viscofan rejects any form of child labour. As stated in the section on labour management in this report, there are no staff under the age of 14 hired at Viscofan. Likewise, the Viscofan Group requires suppliers to have a similar commitment in accordance with our Code of Ethics.

- Further, Viscofan promotes work in decent conditions, as well as the prevention of forced labour and consequently, as a control and monitoring measure, this risk has been specifically included in the risk matrix of the Global Risk Committee in order to detect any violation.
- Likewise, with regard to promoting employability among diverse people, Viscofan has 78 differently-abled people among its workers - 70 men and 8 women - and has signed contracts with special employment centres - in Spain and other countries - to carry out certain tasks that contribute to our production activity.
- Regarding the accessibility of sites for people with disabilities, Viscofan does not have a global standard that regulates the accessibility of people with disabilities in its offices and other locations. However, the company complies with all local regulations and building codes applicable in the countries in which it operates.



The Viscofan Group sets common basic guidelines on human rights as the guiding principles in various areas of the organisation, from employee management to supplier relationship management.



In line with the objective of extending responsible management to the supply chain, the Group's benchmark plant located in Cáseda (Spain) has SMETA certification. which offers a globally recognised method for evaluating supply chain activities such as labour rights, health and safety, the environment and business ethics

- The Viscofan Group protects free association of employees. Within equality and protection of employee's interests, about 73% of the company's employees are covered by general collective conditions governing their work activity, therefore improving the minimum conditions set by different labour legislations. The employees of the plants of Spain, Czech Republic, United States, Mexico, Brazil, Germany, Serbia, Belgium, France, Australia and Uruguay are protected by collective agreements. Within the collective of the different locations in which the Viscofan Group is present, certain specifications are determined in terms of the notice periods for operational changes.
- The minimum remuneration of employees is considered in accordance with the salary level and legal rules of each country where Viscofan carries out its activities. Given the training needs, the characteristics of the production process, and the internal policies of the Viscofan Group that respect the current legislation in each country, the minimum remuneration of the workforce is above the minimum wage established in the country.
- In our procurement process we ask raw materials suppliers commitments related to the defense of human rights and conformity with United Nations guidelines.

The Anti-Corruption Policy also seeks to minimise the risk of acts of corruption, bribery, extortion and other acts of this nature that may undermine human rights and be an obstacle to sustainable development affecting the most unprotected societies. In addition, this fight against corruption contemplated by our policy sets specific criteria regarding donations and sponsorships, establishing the prohibition of using them "to cover up improper payments" or "making donations to political parties or entities linked to them".

In addition, in line with the objective of extending responsible management to the supply chain, the Group's benchmark plant located in Cáseda (Spain) has SMETA certification, which offers a globally recognised method for evaluating supply chain activities such as labour rights, health and safety, the environment and business ethics. Viscofan SA has also joined Sedex, the largest collaborative platform for responsibly sharing supply chain data.

Supervising compliance

The Viscofan Group demonstrates its support and contribution to the dissemination and respect of human rights through three channels:

Since 2015 Viscofan has been a member of the **United Nations Global Compact**, an initiative of the UN. Viscofan was the first of the companies in its sector to sign it, motivated by its desire to contribute to the well-being of people and promote the economic, environmental and social development of the communities in which it is present.

The company's **Human Rights Policy** is based on the principles of: universality, progressivity, integrity and complementarity, inalienability, transnationality and international protection. Through this policy, the Viscofan Group undertakes to respect human rights in all its activities, anywhere in the world.

In its **Code of Conduct**, Viscofan establishes that all Group employees, within their scope of action, must contribute to respecting and protecting human rights, especially child exploitation, and must avoid any conduct detected on the job which is contrary to their tenets.

To achieve these human rights objectives, Viscofan has an specific Ethics and Regulatory Compliance Committee that 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 risk for the Group, as a result of a breach of the internal regulations or any other circumstance. To this end, Viscofan also has a Whistleblower Channel accessible to all employees where they can report any sign of conduct they consider to be a possible risk. This channel is available at Vinsite (internal communication platform for Viscofan Group employees), although complaints can also be sent to the Ethics and Regulatory Compliance Committee by e-mail or by post to the Group's headquarters in Navarra. No cases of human rights violations were reported in 2019 and, specifically, nor has any case of forced labour or child exploitation been registered through the whistleblowing channel.

Further, with a view to strengthening this defence and protection of human rights, this risk has been specifically included by the Global Risk Committee in its risk matrix so as to detect any breach thereof.

Also, Viscofan understands that training in human rights is a fundamental tool for raising employees' awareness in this area. In 2019, 2,506 hours were devoted to human rights training (compared to 2,247 hours the previous year).

Training in Human Rights

		2019	
	Men	Women	TOTAL
Training hours	1,588	575	2,163
% over total hours of training	1.8%	1.4%	1.7%

	2018	
Men	Women	TOTAL
1,577	670	2,247
1.9%	2.0%	2.0%

Partnerships

We have a long history in collaboration with institutions or research centers in different countries, which reaffirms the importance that has historically been in the company SDG 17 (Partnerships to achieve the Objectives). In particular, Viscofan plays an active role in the customized casings industry and is, therefore, involved in several industry associations and groups that seek to cooperate towards enhancing the industry's contribution to the community. These institutions include:

- Comité International de la Peliculle Cellulosique (CIPCEL). Based in Brussels, comprises the leading producers of regenerated cellulose film products.
- Collagen Casing Trade Association (CCTA). Also based in Brussels, comprises the leading producers of collagen casings worldwide.
- Centro Español de Plásticos (CEP).
 This is the Spanish association of entities relating to the manufacture and processing of plastics.
- Gelatin Manufacturers of Germany (GMG). An organisation of German gelatin producers.
- AINIA. Food Technological Centre based in Spain that supports R&D of

its partners, especially in the areas of quality, food safety, sustainability, environment, design and industrial production.

- ANICE. The Spanish National
 Association of the Meat Sector is the biggest meat association in Spain to give advice, represent and defend the sector's interests.
- National Centre for Technology and Food Safety (CNTA), the purpose of which is to provide advanced technological services to improve competitiveness in the food sector through quality and innovation and under the principle of food safety.
- AIMPLAS. The Plastics Technology Centre offers integral solutions to companies within the plastic sector through the technical implementation of R+D+i projects.
- NAITEC. Multidisciplinary Technology Centre for the Industry.

Viscofan also collaborates with different universities and research centres:

- University of Navarre (Spain)
- Public University of Navarre (Spain)
- South Carolina University (USA)

- MORE Institute Research (Germany)
- Hochschule Manheim Fraunhofer Institute (Germany)
- Tübingen University (Germany)
- · Sao Paulo University (Brazil)
- Suzhou University (China)

The principal issues on which these collaborations are based are: food safety, analysis and development of new materials, process and food industry engineering, advanced physical and chemical analysis, basic research on materials and alternative uses and other packaging systems.

Moreover, Viscofan is importantly supported by the different administrations of the countries where it develops R&D activities, for example: the Center for Industrial Technical Development (CDTI) and the Ministry of Economy and Competitiveness (MINECO) in Spain, the Federal Ministry of Education Research in Germany, the National Council of Science and Technology (CONACYT) in Mexico and the Institute of Technological Research (IPT) in Brazil.

Commitment to our communities

The human rights principles and standards set out in the Agenda 2030 for Sustainable Development encompass a wide range of social, economic and environmental objectives. Out of all of these, Viscofan has identified the Sustainable Development Goals (SDGs) where the company can generate the greatest positive impact, and to do so it has taken into account both the nature of its business activity and the corporate mission and vision.

Throughout 2019, the company supported dozens of projects in several countries where it operates, contributing to the achievement of these five SDGs and other closely related ones. In the set of detailed initiatives the amount allocated is less than 111,000 euros.



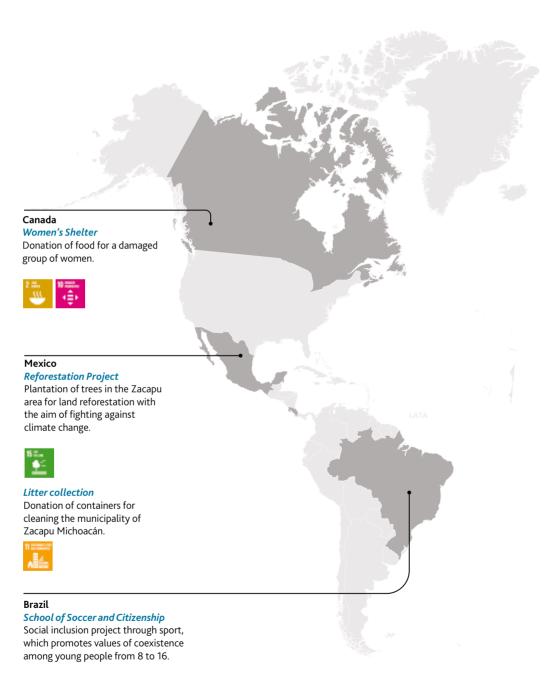
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The following goals have been identified by the company as a priority:

- · SDG 2. Zero hunger
- SDG 6. Clean water and sanitation
- SDG 8. Decent work and economic growth
- SDG 12. Responsible production and consumption
- SDG 13. Climate action



Social projects around the world









Germany

Lern-Praxis-Werkstatt

Internship program for young people at risk of social exclusion.



United Kingdom Christmas Lunch for Vulnerables

Donation of food for vulnerable people.





Serbia Irig My City

Project for the protection and promotion of indigenous nature and culture, in order to increase employability among the local community.





Green Novi Sad

Waste collection by cleaning of green surfaces of Novi Sad municipality.





Spain

"Impulso Emprendedor" (Entrepeneurial Impulse) "Proyecto Orizont" (Orizont Project) "SciencEkaitza"

Providing support to different startups through mentoring, promotion and sponsoring of scientific projects in order to boost innovative companies within the region.

Promotion, conservation and dissemination of culture

Providing support to seminars for disseminating the culture and artistic heritage of Navarre, including the sponsorship of recovery of artistic works.

Support to foundations for the promotion of local development and international relations

Support to foundations working on local and regional development, the promotion of knowledge and the support of international relations for the creation of employment and dissemination of knowledge among countries.













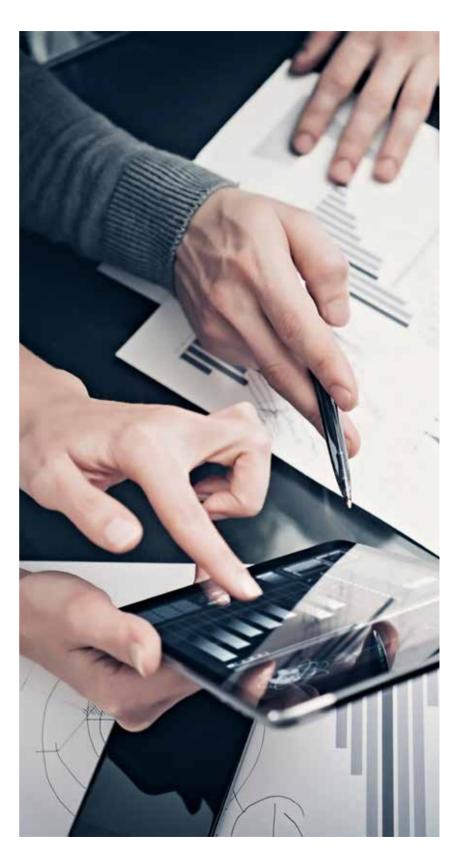




Responsible taxation

As a result of some of these relationships, common projects are arising with which it collaborates and for which financial support has been received through grants and loans from official bodies. Viscofan is aware of the social impact its activity generates: from direct or indirect employment generated by its implementations, to the financial benefit it obtains from its activity in each of the different companies in which it operates (note 7,1 of the Viscofan S.A. financial statements) for which it contributes through taxes. In 2019, income tax payments amounted to 26,7 million euros as a result of its business activity in different countries. There is more information about taxes in note 21 of the consolidated report. There is information about capital grants in note 22 of the consolidated annual accounts.

In this regard, as of December 31, the financial statements include the loan from CDTI and the Ministry of Economy and Competitiveness in Spain in the amount of 12.0 million and a loan from COFIDES (Compañía Española de Financiación del Desarrollo), for 1.7 million (note 20 of the consolidated accounts).



VISCOFAN IN THE STOCK MARKET



During the year, overall over 25.8 million shares in Viscofan were traded, with a trading volume of €1,230 billion, which is equivalent to a daily average of €4.8 million.

Stock markets

In 2019 the world economy moderated its growth for another year. According to International Monetary Fund (IMF) estimates, global GDP will grow by +2.9% in 2019 and +3.3% in 2020, below 3.6% in 2018. This slowdown has taken place in the core economies (United States, Eurozone, China), amidst the uncertainty caused by trade tensions, particularly between the USA and China, the instability seen in several emerging countries and weather disasters.

Against this backdrop, the main Central Banks have pursued accommodative monetary policies, and together with the progress of trade negotiations between the United States and China at the end of the year have led to the main world equity indices ending 2019 with significant rises. Of note in Europe is the Euro Stoxx 600, which closed 2019 up by +23.2%, in Spain the Ibex 35 up by +11.8%, the German DAX +25.5% and the French CAC +26.4%. In the United States, the S&P 500 index gained 28.9%.

Viscofan shares

Viscofan shares are listed on the Spanish stock markets of Madrid, Barcelona and Bilbao. In addition, the shares have traded on the continuous market since its flotation in December 1986, belong to the Ibex 35 index, the Madrid Stock Exchange General Index (IGBM) and form part of the Consumer Goods segment of the food subsector, as well as the Euro Stoxx Food & Beverage index and the Eurostoxx 600 index.

In the first half of the year the share price trended upwards. However, the announcement in the 2Q19 results publication of the non-achievement of the initial growth targets expected for the year caused the share to fall to an annual low of €40.12 per share.

Subsequently, the improvement in the 3Q19 results, in line with the new growth objectives announced, drove the share price up to close 2019 at €47.1, a decrease of -2.1% but an increase of +1.5% if the dividends paid during the year are included.

During the year, overall over 25.8 million shares in Viscofan were traded, with a trading volume of €1,230 billion, which is equivalent to a daily average of €4.8 million.

Creating shareholder value

Throughout the different strategic plans, the Viscofan Group has built a sound business model. This characteristic entails the creation of cash flows that allow investment projects to be carried out in order to improve value creation, which is shared with shareholders in cash and at the same time maintaining a sound balance sheet structure.

In this respect, the stock market continues to recognise the Viscofan Group's value creation, and is combined with the Group's commitment to shareholder remuneration. Thus, in the last ten years the average annual return has been 10% and 13%, taking into account shareholder remuneration. Analysing the creation of value over time, this is greater for shareholders who have held shares in Viscofan for a longer period of time. For example:

The investment of a shareholder who invested 1,000 euros in Viscofan shares at the end of December 2009, and held them at 31 December 2019, was worth 2,638 euros, and in these 10 years this individual also received 688 euros in dividends, a combined return of 333%.

The Viscofan Group is immersed in the strategic plan known as MORE TO BE, which covers the period between 2016 and 2020, looking ahead in its value creation proposal that entails the objective of leading the main casings markets in service, technology and cost. An ambitious and investment-intensive target, with €327 million earmarked for investments between 2016 and 2019 but without requiring additional efforts from shareholders while maintaining a sound balance sheet.

Alongside this, the financial and operational strength of the company allows for a further increase in shareholder remuneration. Thus, the remuneration proposed by the Board of Directors for 2019 amounts to €1.62 per share, 1.3% higher than the ordinary remuneration of 2018 and represents a total distribution of €75.1 million, equivalent to 71.1% of the total net profit attributed to the Viscofan Group.

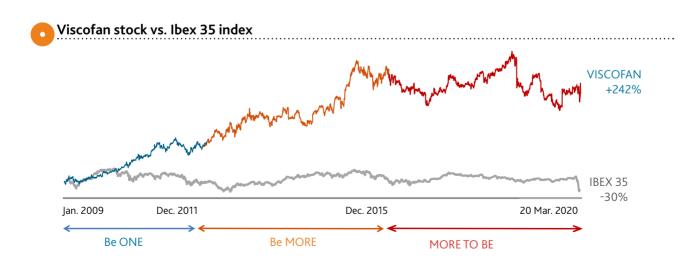
In terms of profitability, the total dividend proposed for 2019 is 3.4% of the average share price during the year.



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The detail of Viscofan's share performance compared to that of Ibex in the last 10 years is as follows:

Buy (31/	12)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TAE
2009	Viscofan	59.7%	61.4%	141.0%	132.8%	148.1%	213.3%	163.8%	209.7%	170.9%	165.2%	10.2%
2009	Ibex 35	-17.4%	-28.3%	-31.6%	-16.9%	-13.9%	-20.1%	-21.7%	-15.9%	-28.5%	-20.0%	-2.2%
2010	Viscofan		1.1%	51.0%	45.8%	55.4%	96.2%	65.2%	94.0%	69.7%	66.1%	5.8%
2010	Ibex 35		-13.1%	-17.2%	0.6%	4.3%	-3.2%	-5.1%	1.9%	-13.4%	-3.1%	-0.4%
2011	Viscofan			49.4%	44.3%	53.8%	94.1%	63.5%	91.9%	67.9%	64.3%	6.4%
2011	Ibex 35			-4.7%	15.8%	20.0%	11.4%	9.2%	17.2%	-0.3%	11.5%	1.4%
2012	Viscofan				-3.4%	2.9%	30.0%	9.4%	28.5%	12.4%	10.0%	1.4%
2012	Ibex 35				21.4%	25.9%	16.9%	14.5%	23.0%	4.6%	16.9%	2.3%
2013	Viscofan					6.6%	34.6%	13.3%	33.0%	16.4%	13.9%	2.2%
2013	Ibex 35					3.7%	-3.8%	-5.7%	1.3%	-13.9%	-3.7%	-0.6%
2014	Viscofan						26.3%	6.3%	24.8%	9.2%	6.9%	1.3%
2014	Ibex 35						-7.2%	-9.0%	-2.3%	-16.9%	-7.1%	-1.5%
2015	Viscofan							-15.8%	-1.1%	-13.5%	-15.3%	-4.1%
2015	Ibex 35							-2.0%	5.2%	-10.5%	0.1%	0.0%
2016	Viscofan								17.4%	2.7%	0.5%	0.2%
2016	Ibex 35								7.4%	-8.7%	2.1%	0.7%
2017	Viscofan									-12.5%	-14.4%	-7.5%
2017	Ibex 35									-15.0%	-4.9%	-2.5%
2018	Viscofan										-2.1%	-2.1%
2018	Ibex 35										11.8%	11.8%



Viscofan, its shareholders and investors

One of Viscofan's objectives, through its Department of Investor and Shareholder Relations, is to create value for the investor community by improving accessibility, the transparency of information and providing shareholders with relevant information in order to gain a better understanding of the company itself and its results, strategy and operations.

Communication channels

Viscofan provides the investment community with a multitude of communication channels: presentations at seminars and events organised by the financial community, road shows with institutional investors, whether they be promoted by the company or by brokers, earnings presentations, the Shareholders' General Meeting, organised visits to Viscofan's head office, telephone calls to a dedicated investor and shareholder helpline, a special e-mail address, the notifications and regular public information submitted to the CNMV (Spanish National Securities Market Commission), as well as the information published on the website www.viscofan.com, especially in the Investor Relations section in which Viscofan makes the latest news, relevant facts, reports and quarterly presentations of results, annual report, share price performance, etc. available to the public.

The communication effort carried out throughout all these years has been recognised by the investment community. Institutional Investor in its "All European Executive Team" awarded Viscofan in 2019 the 1st prize as Best Investor Relations Program for Sell-Side of the Paper & Packaging sector. Also in previous years, in 2016 the 1st CEO for Sell-Side and 2nd Best CEO combined, and 3rd IR for Sell-Side in the Paper & Packaging sector, in 2015 the 2nd Best IR for Sell-Side, and in 2012 as 1st Best IR professional for the Sell-Side in the packaging and food sector.

Ridirectional communication is important, since the questions and concerns of the Financial Community are taken into account and transmitted within the company, making it possible to have a better overall view of it. In 2019 the most frequently asked questions related to the progress of the MORE TO BE strategic plan, the impact of the African swine fever on volumes, the increase in sales prices, the inflation of energy prices and CO2 emission allowances, shareholder remuneration, sales of new products, the influence of the vegan, vegetarian and flexitarian trend on the business, the impact of exchange rate variations, the acquisitions of Globus and Nitta Casings, among others.

Viscofan maintains fluid communication with the financial markets, so that in 2019 a total of 14 analysis companies, Spanish and international alike covered Viscofan on a recurring basis.

At the same time, in 2019 Viscofan held 223 face-to-face meetings with investors, both shareholders and nonshareholders interested in the company, in 2018 there were 210.



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WEBSITE, INVESTOR RELATIONS **SECTION**

www.viscofan.com/investor-relations

Stock Exchange Highlights

	2020		Stra	tegy Be One	Period						
Share price €	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Year-end price	47.10	48.12	55.01	46.85	55.64	44.07	41.35	42.81	28.66	28.36	17.76
Year high	56.55	66.20	56.33	56.06	60.93	48.36	43.70	42.81	30.59	29.65	18.20
Year low	40.12	46.20	46.75	41.84	43.04	36.24	35.65	28.45	22.51	17.64	12.81
Viscofan in the stock market evolution	Year end 2019	Year end 2018	Year end 2017	Year end 2016	Year end 2015		Year end 2013	Year end 2012	Year end 2011	Year end 2010	Year end 2009
% annual change Viscofan	-2.1%	-12.5%	17.4%	-15.8%	26.3%	6.6%	-3.4%	49.4%	1.1%	59.7%	26.3%
% annual change IGBM	10.2%	-15.0%	7.6%	-2.2%	-7.4%	3.0%	22.7%	-3.8%	-14.6%	-19.2%	27.2%
% annual change IBEX 35	11.8%	-15.0%	7.4%	-2.0%	-7.2%	3.7%	21.4%	-4.7%	-13.1%	-17.4%	29.8%
% annual change Euro STOXX 600	23.2%	-13.2%	7.7%	-1.2%	6.8%	4.4%	17.4%	14.4%	-11.3%	8.6%	28.0%
% annual change Ibex Medium Cap	8.4%	-13.7%	4.0%	-6.6%	13.7%	-1.8%	52.0%	13.8%	-20.7%	-5.6%	13.8%
% annual change Sub sector Food and beverages IGBM	1.8%	-8.4%	5.2%	-5.4%	26.4%	-5.2%	4.7%	25.0%	-6.3%	25.3%	7.0%
Stock market trading data	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Market capitalization at year-end (millions of €)		2,242.6	2,563.7	2,183.4	2,593.0	2,053.6	1,927.1	1,995.1	1,335.7	1,321.7	827.7
Traded volume (million of €)	1,230.5	1,669.1	1,995.2	2,707.1	3,179.9	3,233.0	2,506.4	1,426.9	1,274.1	925.4	663.1
Daily average trading volume (million of €)	4.8	6.5	7.8	10.5	12.3	12.6	9.8	5.6	5.0	3.6	2.6
Traded shares	25,815,115	29,807,220	38,658,041	54,701,597	58,329,352	78,062,343	63,212,344	41,360,939	47,049,517	41,668,063	42,112,723
Daily average of traded shares	101,236	116,891	151,600	212,022	225,210	304,931	247,892	161,566	183,787	162,766	165,798
Share ratios	Year end 2019	Year end 2018	Year end 2017	Year end 2016	Year end 2015	Year end 2014	Year end 2013	Year end 2012	Year end 2011	Year end 2010	Year end 2009
Listed shares	46,500,000	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682	46,603,682
Earnings per share (1)	2.273	2.658	2.620	2.684	2.575	2.284	2.178	2.254	2.172	1.745	1.379

⁽¹⁾ Net earnings per share is calculated by dividing net profit by the average weighted number of ordinary shares in circulation during the year, excluding treasury stock (2) Includes: dividends, capital reimbursement, refund of issue premium and bonus for attending the General Meeting

1.350

1.180

1.120

1.100

1.000

0.800

0.623

1.450

1.550

1.600

Remuneration per

share (2)

1.620





SELECTED FINANCIAL DATA

____ 2019. Selected figures. Viscofan Group income statement ('000 €)

		Recurring		121 6 121	Reported		
	Jan-Dec' 19	Jan-Dec' 18	Change	Like- for -like Jan-Dec' 19		Jan-Dec' 18	Change
Revenue	849,697	786,049	8.1%	5.9%	849,697	786,049	8.1%
EBITDA	198,046	189,708	4.4%	0.5%	200,957	208,759	-3.7%
EBITDA Margin	23.3%	24.1%	-0.8 р,р,	-1.2 p,p,	23.7%	26.6%	-2.9 p,p,
Operating profit	127,372	127,270	0.1%		130,283	146,321	-11.0%
Net profit	101,502	108,458	-6.4%		105,577	123,711	-14.7%

BUSINESS EVOLUTION



Casings volume remained flat in the first half of the year due to slower than expected replacement of animal gut in Europe and Asia, in contrast to the strong behaviour experienced in North America and Latin America.

Viscofan's performance in the 2019 financial year has been in two clearly different phases. Firstly, casings volume remained flat in the first half of the year due to slower than expected replacement of animal gut in Europe and Asia, in contrast to the strong behaviour experienced in North America and Latin America. However, in the second half of the year there was an acceleration in the growth of the volume of casings as a result of the replacement of animal gut casings in Asia whilst there was still positive growth in the other regions.

Viscofan has faced and adverse environment of energy costs inflation in 2019, which together with a less favourable geographical and product mix in the first half of the financial year had an impact on the margins.

In this context, the Viscofan Group continued to make progress in the MORE TO BE (2016-2020) strategy, with the aim of achieving triple leadership in Service, Technology and Costs in the main families of casings



In 2019 the offer to customers was broadened with the launch of new products as a result of the research, development and innovation undertaken in recent years. The products launched include the Natur collagen casing for fresh sausages; the Marathon cellulose line with extra-long sticks to improve our customers' profitability: Veggie, a vegetable-based edible casing specially designed for vegans, vegetarians and flexitarians; Vispice Products, that provide spices and aromas to meat products; and added value casings such as the families of functional solutions that include plastic casings with the transfer of colours and aromas, among others.



The construction and start-up project of the plant with the latest technology in the market for the production of viscose-based casings (cellulose and fibrous) in Cáseda (Spain) has been completed, that involved a total investment of €86.5 million (€15.3 million in 2019). This plant enables the manufacture of a high-quality product, and also provides significantly improved productive efficiency, as well as the best available environmental and ergonomic solutions. We can also include in this axis the 4.0 industry projects undertaken in the Czech Republic and Spain, and the development of new technology for large-calibre collagen casings in Serbia.



2019 saw the ongoing promotion of projects focusing on increased efficiency and automation in the production plants that have seen increased productivity per employee within our Group. Special mention should go to the expected savings from our new plant in Cáseda (Spain) where the investment plan has been finalised, an increase in production speed in the collagen extrusion plant in Pando (Uruguay) and the stability of the fibrous plant in Danville (U.S.).



After the expansion plan with new implementations and the acquisition of companies, in 2019 the Group promoted measures focussing on the optimisation of working capital that has led to new savings in cash flows. At the same time, Viscofan has continued to strengthen its geographical positioning with the purchase of the collagen casing companies in the U.S. and Canada from Nitta Gelatin Inc in 2019 for an enterprise value of €12.8 million. With this acquisition, Viscofan is now a leader in this region, it has improved customer proximity and added to its productive portfolio with collagen technology in North America.



Viscofan continues to look for growth opportunities beyond the casings market. There has been significant progress in business diversification. In the biomedical field with the Cardiomesh project, a device based on a collagen membrane enriched with stem cells, which in July was successfully implanted in a patient with heart failure due to a myocardial infarction. Furthermore, in the nutrition market the Group has made progress with the commercial expansion of COLLinstant®, a high quality collagen hydrolysate that has been very well received in the market.

MAIN FINANCIAL RESULTS



All this whilst the Group's remuneration to shareholders continue to grow with a total dividend proposal on account of the results of 2019 of €1.62 per share, 1.3% higher than the total ordinary remuneration for the 2018 financial year.

Viscofan closed 2019 with all-time high in revenue at €849.7 million, 8.1% above 2018 level, which gives a recurring⁴ EBITDA⁵ of €198.0 million, an increase of 4.4% over 2018, while recurring Net Profit fell by -6.4% due to the increased cost of amortisation and depreciation resulting from the MORE TO BE investment plan, lower contribution of positive exchange differences and increased tax expenses.

In 2019 the Group invested €62.1 million, 13.3% lower than the €71.6 invested in 2018. After making such important investments in the first phase (2016-2018) of the MORE TO BE strategic plan, there is much less need for investment in absolute terms in the final phase (2019-2020).

Less investment together with the strength of cash generation and a reduction in inventories during the year helped Viscofan to strengthen the balance sheet at the close of December 2019 with a net bank debt of €42.5 million, a decrease of 46.6% compared with the €79.6 million as of December 2018.

All this whilst the Group's remuneration to shareholders continue to grow with a total dividend proposal on account of the results of 2019 of €1.62 per share, 1.3% higher than the total ordinary remuneration for the 2018 financial year. To this we should add €5.3 million as a result of the amortisation of treasury stock performed in January 2019.

4. Recurring results: They exclude non-recurring impacts for the business on operating results of +€2.9 million euros for the 2019 financial year coming from the net amount for the combination of businesses from the acquisition of Nitta Casings Inc. (USA) and Nitta Casings (Canada) Inc., the impairment of goodwill for Nanopack Technology & Packaging S.L. and the impact of the strike in the U.S. In 2018, +€19.1 million from the combination of businesses from the acquisition of the Globus companies in Australia and New Zealand, and the lawsuit with Mivisa.

5. EBITDA = Resultado de Explotación (EBIT) + Amortización de inmovilizado





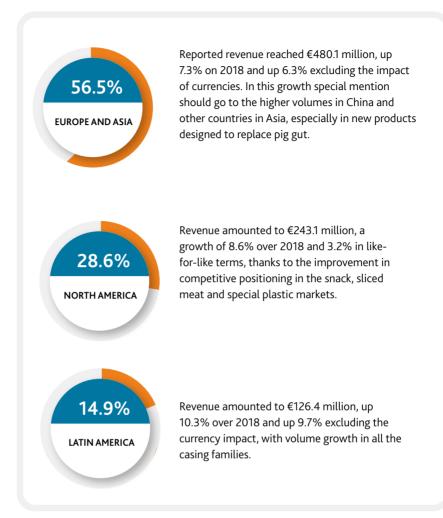
Revenue

Accumulated revenue reached a record high of €849.7 million, an increase of 8.1% over 2018 as a result of higher casings volume, improvement in the price mix, the incorporation of Globus and the strength of the main trading currencies.

Of this amount, €804.5 million relate to casing sales (+8.5% vs. 2018) and €45.2 million to revenue from co-generation power sales (+1.1% vs. 2018).

Stripping out the impact of variations in foreign exchange that contributed +2.2 p.p. of growth, like-for-like⁶ revenue in 2019 was up 5.9% vs. 2018.

The strength of the growth in revenue can be seen in the geographical breakdown⁷ with all areas showing growth both in reported and like-for-like terms. The accumulated breakdown as of December 2019 is as follows:



- 6. Like-for-like: Like-for-like growth excludes the impact of the variation in exchange rates and the non-recurring results of the business.
- 7. Revenue by origin of sale.



Other operating income

Other operating income in 2019 came to €5.4 million, significantly lower than the €21.0 million for 2018 that included €8.5 million arising from a decision of the Supreme Court for patent infringement against Mivisa Envases S.A.U. and a further €6.9 million in June 2018 resulting from the agreement reached with Crown Food España S.A.U. to end the legal action between the two companies.

Consumption costs

Cumulative consumption⁸ costs were up 19.4% in 2019 vs. 2018 reaching €271.7 million driven by the increased volume of casings, a change in consumption costs mix, higher co-generation energy and CO2 emission allowance costs in Europe, and the incorporation in the consolidation perimeter of the Globus distribution company in Australia and New Zealand.

Negotiations towards the signature of a new collective agreement at the Danville plant (US) have been done in the first months of the year. The new collective agreement signed, in force until 2022, includes broader work flexibility and economic terms that help the US plant recover competitiveness in line with the demands of the North American market. In the course of the negotiations of the current collective agreement, the workers at the Danville plant went on strike in the month of June, with a non-recurring impact of €2.3 million.

Altogether, the gross margin for the year reached 68.0% (-3.1 p.p. vs. 2018).

Personnel expenses

In the year to date, personnel costs have amounted to €201.3 million, a growth of 6.4% vs. 2018 due to increased wage costs, the incorporation of Globus personnel in Australia and New Zealand and the appreciation of currencies against the €.

The average workforce headcount as of December 2019 was 4,628 employees, down -0.3% over the previous year, and -2.3% in terms of constant scope, i.e. not taking into account the Globus employees in Australia and New Zealand who joined the workforce in December 2018.

Other operating expenses

In cumulative terms, other operating expenses grew by 0.4% over 2018, reaching €190.0 million. Cost-saving measures offset higher energy supply costs (+3.0% vs. 2018).

Operating profit

Weak growth in the first half of the year was countered in the second half of the year with a recovery in volumes and activity bringing the recurring EBITDA to €198.0 million, +4.4% higher than 2018 with a growth of 0.5% if the impact from the variation in interest rates is excluded. Higher volumes of casings and the cost savings measures introduced were able to offset the decrease in gross margin.

In reporting terms, EBITDA is €201.0 million, 3.7% less than in 2018.

In 2019 depreciation costs were up by 13.2% vs. 2018 reaching €70.7 million as a result of the start-up of the new production modules in Cáseda and the investments made under the current MORE TO BE strategic plan, especially in the first phase (2016-2018). Likewise, the adoption of IFRS 16 has led to €4.5 million expense for the amortization of right-of-use assets.

Operating Profit for the fourth quarter was €40.5 million, up 4.5% over 4Q18. Although this shows robust performance, it is still insufficient to offset the results obtained in the early months of the year. Thus, in 2019 the Operating Profit was €130.3 million (-11.0% vs. 2018).

Financial result

In 2019, net financial result was negative with -€0.2 million compared with a net financial gain of +€1.0 million in 2018. This decrease is essentially due to lower positive differences in exchange, +€1.1 million in 2019 against +2.8 million in 2018.

Net proft

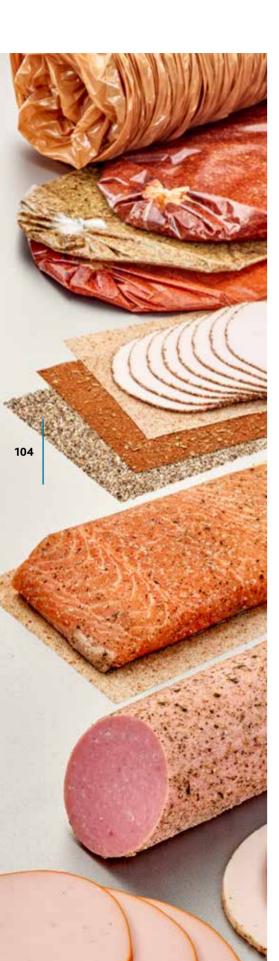
Profit before tax amounted to €130.1 million as of December 2019 while income corporate tax totalled €24.5 million (an increase of 3.8% vs. 2018) placing the cumulative effective tax rate at 18.8% (compared with 16.0% in the same period of last year).

The difference between the theoretical tax rate for 2019 (28%) and the effective tax rate (18.8%) is basically due to the different taxes paid by non-resident subsidiaries in Navarre (Viscofan S.A. tax domicile) which pay tax in all countries in which they operate, applying the corporate (or similar) tax rate in force on profits for the period and tax allowances for investments by various Group subsidiaries.

This gives a reported cumulative Net Profit of €105.6 million, down 14.7% over the same period in the last financial year, which is equivalent to a decrease of 6.4% in recurring terms.



Weak growth in the first half of the year was countered in the second half of the year with a recovery in volumes and activity bringing the recurring EBITDA to €198.0 million, +4.4% higher than 2018



Non-recurring results

For a better comparison of the information, details are given below of non-recurring business impacts recorded in the 2019 and 2018 financial years.

Recorded in 2019:

- Combination of businesses: In 2019 a gain in operating profit of €10.9 million was recorded corresponding to the negative goodwill from the lower cost of business combination over the corresponding value of the identifiable assets less that for the liabilities assumed from the acquisition of the Nitta Casings Inc. (USA) and Nitta Casings (Canada) Inc. Also, the purchase of these companies involved non-recurring expenses for integration, advisors and lawyers amounting to €2.2 million.
- In 2019 an impairment of €3.5 million was recorded in Nanopack Technology & Packaging S.L. goodwill due to a delay in the growth plans expected in this Cash Generating Unit.
- An impact of €2.3 million in nonrecurring costs related to the strike at the Danville plant (US) in June.
- The net impact of non-recurring results once the tax effect is included is a positive net result of €4.1 million.

Recorded in 2018:

- Combination of businesses: In 2018 a gain of €5.5 million was recorded corresponding to the negative goodwill resulting from the lower cost of business combination over the corresponding value of the identifiable assets acquired less that of the liabilities assumed from the acquisition of the Globus companies in Australia and New Zealand.
- Mivisa Envases S.A. law suit: In 2018, €15.4 million were recorded in Other Operating Income corresponding to the conclusion of the law suit against Mivisa Envases S.A., and non-recurring costs that include advisors and lawyers corresponding to the law suit against Mivisa Envases S.A. and the purchase of companies, amounting to €1.8 million.
- The net impact of non-recurring results once the tax effect is included is a positive net result of €15.3 million.

Investment

€62.1 million was invested over the year, 13.3% less than the €71.6 million invested in 2018. Special mention should be made of the start-up of new modules using new cellulose technology in the Cáseda plant (Spain) to finalise the project for this family. The new modules are producing and giving very positive results, enabling the first savings to be made in the second half of this year.

In 2019 investments also highlight the installation and start-up of new edible collagen capacity in Cáseda and improved production speed in the collagen extrusion plant in Pando (Uruguay), among others.

Also, within the environment, health and safety (EHS) axis, there are the wastewater treatment plants in Cáseda and Uruguay; the implementation of fire protection systems in Germany, Brazil and Mexico; improvements in machine safety; and more efficient evaporation systems.

The breakdown by type of the €62.1 million invested in 2019 is as follows:

- Around 41% of investment (€25.3 million) was in process improvements and new technology.
- Around 23% of investment (€14.3 million) was in capacity and machinery.
- Around 17% of investment (€10.6 million) was in sustainability improvements, including energy equipment, and plant safety, hygiene and environmental improvements.
- Ordinary investments (€11.9 million) accounted for the remaining 19%.

At the close of 2019, investment commitments amounted to €1.6 million (€4.9 million at the close of 2018).





Total shareholder remuneration for the 2019 financial year will stand at €1.62 per share, equivalent to a distribution of 71.1% of net profit.

Dividend and shareholders' remuneration

The Board of Directors of the Viscofan Group has agreed to propose to the General Shareholders' Meeting the distribution of a final dividend of €0.96 per share, with an amount of €44.5 million to be paid out on 4 June 2020.

This will mean total shareholder remuneration for the 2019 financial year will stand at €1.62 per share, equivalent to a distribution of 71.1% of net profit. This can be broken down as follows:

- An interim dividend of €0.65 per share (paid on 19 December, 2019).
- A proposed final dividend of €0.96 per share (to be paid on 4 June, 2020).
- A bonus for attending the General Meeting of €0.01 per share.

This proposed remuneration is 1.3% higher than the ordinary remuneration of €1.60 per share approved in the previous financial year, implying a total distribution of €75.1 million.

Also, in January 2019 the redemption of shares in treasury stock that had been purchased for €5.3 million was approved.

Equity

The Group's Equity at the close of the 2019 financial year stood at €784.4 million, up 3.5% year-on-year due to the booking of a Net profit of €105.6 million from which €30.1 million is deducted as an interim dividend for the 2019 financial year.

Treasury shares

At a meeting on 24 January 2019, the Board of Directors of Viscofan S.A. approved the execution of a capital reduction for a nominal amount of €72,577.40, through the amortisation of the 103,682 existing treasury shares.

In 2019, within the framework of the Incentives Plan, the Company proceeded to acquire 150,000 treasury shares under the protection of the authorisation granted by the General Shareholders' Meeting of 25 May 2018.

Movement in treasury shares was as follows:

0

Movement in treasury shares

	Number of shares	% on the Share Capital	Nominal value in €	Cost of acquisition in '000 €
On 31 December 2018	103,682	0.22%	0.70	5,289
Redemption *	-103,682	-0.22%	0.70	-5,289
Acquisition	150,000	0.32%	0.70	6,487
On 31 December 2019	150,000	0.32%	0.70	6,487

^{*} Capital Reduction executed on January 24, 2019

Financial liabilities

At the close of December 2019 net bank debt¹0 amounted to €42.5 million, 46.6% less than the December 2018 figure of €79.6 million. The strength of the results, improved working capital management and reduced investment needs this year have led to a solid generation of cash flows.

IFRS 16 came into force on 1 January of 2019, and stated that the majority of non-cancellable minimum operating leases should be recorded in the balance sheet as a right-of-use asset and a liability for future payments to be made.

The Net Financial Debt is 11.4% of the Equity, this indebtedness is sufficient to meet Viscofan's liquidity requirements.

Outlook for 2020

The Viscofan Group closes 2019 with a better value proposition in service, technology and costs than when the MORE TO BE strategy began in 2016. From a position of reinforced leadership, it has a better industrial base, a better geographical presence and a broader, more diversified range of products on offer as a result of an ambitious investment plan both in organic and inorganic terms, for a market in which there are still opportunities for growth.

The Viscofan Group faces the last year of the MORE TO BE strategic plan expecting growth in the main financial figures in 2020 driven by higher volumes, commercial discipline, production savings, efficiency improvements the integration of Nitta Casings companies, and with lower capex requirements. As such, the Viscofan Group expects to increase revenue by between 6% and 8%, EBITDA by between 7% and 9%, and Net Profit by between 6% and 9%, based on an investment of €54 million and considering an average exchange rate of US\$/€1.13.

Net Bank Debt (`000 €)

	Dic 2019	Dic 2018	Variación
Net Bank Debt *	42,546	79,615	-46.6%
Debts related to right-of-use assets	19,295	63	30527.0%
Other net financial liabilities**	27,606	15,762	75.1%
Net Financial Debt	89,447	95,440	-6.3%

- * Net bank debt = Non-current bank borrowings + Current bank borrowings Cash and equivalent forms of liquidity.
- ** Other net financial liabilities consisting mainly of loans with an interest rate subsidised by entities like the CDTI and the Ministry of Economy, as well as fixed asset suppliers netted for other financial assets.

10. Net bank debt = Debts with non-current credit institutions + Debts with current credit institutions - Cash and other equivalent liquid means



The events after the balance sheet date are described in note 27 of the Viscofan, S.A. and subsidiaries financial statements.



The Viscofan Group has included in this report various Alternative Performance Measures (hereinafter APMs), as established in APM Guidelines published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es) and adopted by the National Securities Market Commission (the CNMV).

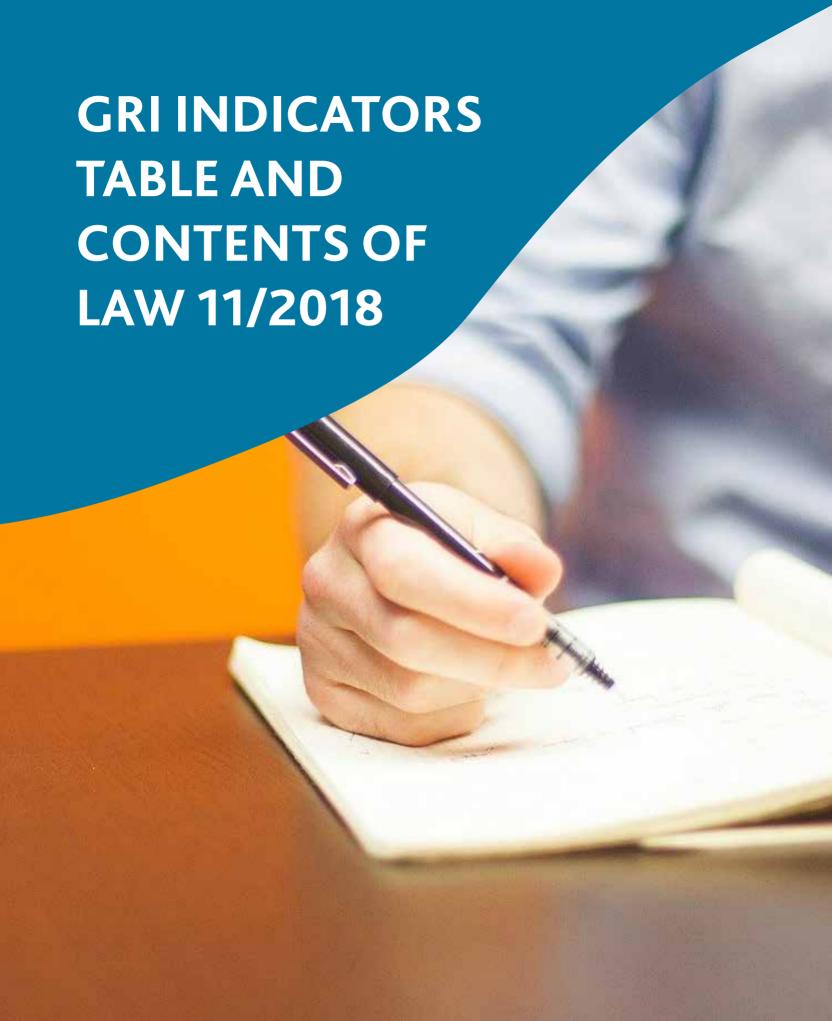
This involves a series of measures designed using the financial information of Viscofan, S.A. and its subsidiary companies, and they are complementary to the financial information drawn up in agreement with International Financial Reporting Standards (IFRS). Under no circumstance should they be assessed separately or considered a substitute.

They are measures used internally in decision making processes and which the Board of Directors decides to report externally if it believes they provide additional information that is useful in the analysis and assessment of the Viscofan Group's results and its financial situation.

The APMs included in this report are as follows:

• The EBITDA, or operating income before depreciation and amortisation, is calculated excluding depreciation and amortisation costs from the operating profit. The EBITDA is a measure that is commonly reported and widespread among analysts, investors and other stakeholders in the casings industry. The Viscofan Group uses this measure to monitor the business' development and to establish operational and strategic objectives in Group companies. However, it is not a defined indicator in IFRS and, therefore, it may not be compared with other similar indicators employed by other companies in their reports.

- Consumption costs: This is calculated as the net amount of supplies plus the change in finished and unfinished products. Management monitors consumption costs as one of the main cost components for Viscofan. The weight of net income for this cost component on income or gross margin is also analysed to study the operating margin's development. However, it is not a defined indicator in IFRS and consumption costs must not be considered a substitute for the different items in the profit and loss account that comprise them. Furthermore, it may not be compared with other similar indicators employed by other companies in their reports.
- Net bank debt: This is calculated as non-current borrowings plus current borrowings netted from cash and cash equivalents. Management considers net bank debt to be relevant to shareholders and other stakeholders as it provides an analysis of the Group's solvency. However, net bank debt should not be considered a substitute for gross bank debt in the consolidated balance sheet, nor other liability or asset items that may affect the Group's solvency.
- Like-for-like income and EBITDA: This measure excludes the impact of exchange rate variations on the comparable previous period and the non-recurring gains of the business in order to present a homogeneous comparison of the Viscofan Group's development. However, like-for-like income and EBITDA are not defined indicators in IFRS and, therefore, they may not be compared with other similar indicators employed by other companies in their reports, nor may they be considered a substitute for the business development indicators defined in IFRS.



GRI INDICATORS

\sim D	I 107.	General	C	
T R		Canera		

GRI Standard	Content	Section-Comments	Page.	Omission
Profile of	f the organisation			
102-1	Name of the organisation	Viscofan Group		
		Our business model: Competitive advantages	15-18.	
102-2	Activities, brands, products and services	Commercial and supply management: Product range	43-47.	
102-3	Location of the headquarters	Polígono Industrial Berroa C/Berroa, 15 – 4ª planta 31192 Tajonar (Navarre) - Spain		
102-4	Location of the operations	Our business model: Competitive advantages	15-18.	
102-5	Property and legal status	Corporate Governance: Governing bodies	25-32.	
102-6	Markets served	Our business model	13-23.	
102-7	Size of the organisation	2019 results	96-107.	
102-8	Information about employees and other workers	Work management	54-69.	
102-9	Supply chain	Commercial and supply management	42-53.	
102-10	Significant changes in the organisation and its supply chain	Letter from the Chairman	2-5.	
		Fundamentals	8-12.	
		2019 results	96-107.	
102-11	Precautionary principle or approach	Commercial and supply management: Product safety and food hygiene	51, 52.	
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102-12		Fundamentals	8-12.	
		Affiliation to associations	24.	
102-13	Affiliation to associations	Human rights and impact in society: Partnerships	86.	
Strategy				
102-14	Statement of senior management responsible for decision-making	Letter from the Chairman	2-5.	
102-15	Main impacts, risks and opportunities	Risk management	38-40.	
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102-16	Values, principles, standards and rules of conduct	Corporate Governance: Good governance practices, Regulatory compliance system, Prevention of corruption and fraud.	24; 33- 37; 41.	
		Human rights and impact in society: Our main lines of action in human rights, Supervising compliance.	83-85.	
		Corporate Governance: Regulatory compliance system	33-37.	
102-17	Mechanisms of advice and ethical concerns	Human rights and impact in society: Supervising compliance	85.	

GRI Standard	Content	Section-Comments	Page.	Omission
4. Governan	ce			
102-18	Governance structure	Corporate Governance: Governing Bodies, Risk management.	25-32; 38-40.	
102-19	Delegation of authority	Governance: Governing Bodies	25-32.	
		Our business model: More To Be strategy	20-23.	
102-20	Executive responsibility regarding financial, environmental and social issues	Corporate Governance: Governing Bodies; Prevention of corruption and fraud; Risk management.	25-32; 38-40; 41.	
		Environmental management: Management approach	71.	
		Human rights and impact in society: Supervising compliance	85.	
102-21	Consultation with stakeholders regarding financial, environmental and social issues	Fundamentals: Materiality	9- 11.	
102-22	Composition of the senior governance body and its committees	Corporate Governance: Governing Bodies	25-32.	
120-23	Chairman of the senior governance body and its committees	Corporate Governance: Governing Bodies	26	
120-24	Appointment and selection of the senior governance body	Corporate Governance: Governing Bodies	25-32.	
102-25	Conflicts of interest	Corporate Governance: Governing Bodies		
102.26	Function of the senior governance body in the selec-	Our business model: More To Be strategy	20-23.	
102-26	tion of objectives, values and strategy	Corporate Governance	24-41.	
102-27	Collective knowledge of the senior governance body	Corporate Governance: Governing Bodies	25-32.	
102-28	Performance assessment of the senior governance body	Corporate Governance: Governing Bodies	25-32.	
		Fundamentals: Materiality	10, 11.	
102-29	Identification and management of financial, environ-	Corporate Governance: Good governance practices, Governing Bodies, Regulatory compliance system, Prevention of corruption and fraud and Risk management.	24-41.	
	mental and social impacts	Environmental management: Management approach	71.	
		Human rights and impact in society: Supervising compliance	85.	
102-30	Efficacy of the risk management processes	Corporate Governance: Risk management	38-40.	
102-31	Assessment of financial, environmental and social issues	Corporate Governance: Governing Bodies	25-32.	
102-32	Function of the senior governance body in the preparation of sustainability reports	Corporate Governance: Good governance practices, Governing Bodies.	24; 25-32.	
		Fundamentals: Relations with our stakeholders	9.	
		Corporate Governance: Regulatory compliance system	33-37.	
102-33	Communication of critical concerns	Human rights and impact in society: Supervising compliance	85.	
		Viscofan in the Stock Market: Communication channels	94.	
102-34	Nature and total number of critical concerns	Corporate Governance: Regulatory compliance system	33-37.	

GRI Standard	Content	Section-Comments	Page.	Omission
102-35	Remuneration policies	The Board of Directors annual remuneration report is available at www.viscofan.com		
102-36	Process for determining the remuneration	Corporate Governance: Governing Bodies	25-32.	
102-37	Involvement of stakeholders in the remuneration	The Board of Directors annual remuneration report is available at www.viscofan.com		
5. Participat	tion of stakeholders			
102-40	List of stakeholders	Fundamentals: Relations with our stakeholders	9.	
		Work management: Employment and remuneration	61-64.	
102-41	Collective bargaining agreements	Human rights and impact in society: Our main lines of action in human rights	83, 84.	
102-42	Identification and selection of stakeholders	Fundamentals: Relations with our stakeholders	9.	
102-43	Approach for the participation of stakeholders	Fundamentals: Relations with our stakeholders	9.	
102-44	Key issues and concerns mentioned	Fundamentals	8-12.	
5. Practices	for preparing reports			
102-45	Entities included in the consolidated financial statement	Consolidated financial statement of the Viscofan group. Note 2		
102-46	Definition of the contents of the reports and the coverage of the issue	Fundamentals	8-12.	
102-47	List of material issues	Fundamentals: Materiality	10, 11.	
102-48	Re-expression of the information	Re-expression of the information No significant re-expressions in the period		
102-49	Changes in the preparation of reports	Fundamentals	8-12.	
102-50	Period covered by the report	The integrated annual report reflects the financial, social and environmental activity carried out by the Viscofan Group in 2019.		
102-51	Date of last report	2018 Annual Integrated Report, Financial Statement and Annual Accounts		
102-52	Cycle of the preparation of reports	Annual		
102-53	Point of contact for report-related queries	Events after the balance sheet date	126.	
102-54	Declaration of preparation of the report in accordance with GRI standards	Fundamentals	8-12.	
102-55	Table of GRI contents	Table of GRI indicators	110.	
102-56	External verification	External verification		

GRI Standard	Content	Section-Comments	Page	Omision				
GRI 103	3: Management approach							
GRI. 103:	GRI. 103: Management approach							
103-1	Explanation of the material issue and its coverage	Fundamentals: Materiality	10, 11.					
		Fundamentals	8-12.					
103-2	The management approach and its components	See sections: Corporate Governance; Commercial and supply management; Work management; Environmental management; Human rights and impact in society; Viscofan in the stock market						
		The policies of the different areas are detailed in the Good Governance Practices, within the Corporate Governance section.	33-37.					
103-3	Assessment of the management approach	Fundamentals	8-12.					

GRI Standard	Content	Section-Comments	Page	Omision
GRI 200	: Financial			
GRI 201: F	inancial performance			
		Fundamentals. Generated and distributed value matrix	12.	
		Commercial and supply management	42-53.	
201.1	5	Work management	54-69.	
201-1	Direct generated and distributed financial value	Environmental management	70-81.	
		Human rights and impact in society	82-90.	
		Viscofan in the stock market	91-95.	
201-3	Obligations of the benefits plan and other retirement plans	Work management: Employment and remuneration	61-64.	
201-4	Financial aid received from the government	Human rights and impact in society: Responsible taxation	90.	
GRI 202: F	Presence in the market			
202-1	Ratio of standard initial category salary by gender compared to the local minimum wage	Human rights and impact in society: Our main lines of action in human rights	83, 84.	
		Work management	61-64.	
202-2	Proportion of senior management hired from the local community	Work management: Multicultural team	55-59.	
GRI 203: I	ndirect financial impacts			
	Investments in infrastructure and supported services	Letter from the Chairman	2-5.	
203-1		Work management: Workplace safety	67-69.	
		Environmental management	70-81.	
203-2	Significant indirect financial impacts	2019 results	96-107.	
GRI 204: F	Purchase practices			
204-1	Proportion of expense with local suppliers.	Commercial and supply management: Selection of suppliers	49.	
GRI 205: A	Anti-corruption			
205-1	Transactions assessed for corruption-related risks	Corporate Governance: Prevention of corruption and fraud	41.	
		Corporate Governance: Regulatory Compliance System, Prevention of corruption and fraud.	33-37; 41.	
205-2	Communication and training about anti-corruption policies and procedures	Work management: Professional Development	65, 66.	
	· ·	Human rights and impact in society: Supervising compliance	85.	
205-3	Confirmed cases of corruption and measures taken	Corporate Governance: Prevention of corruption and fraud	41.	
GRI 206: l	Infair competition			
206-1	Legal actions related to unfair competition, monopolistic practices and against free competition	Corporate Governance: Prevention of corruption and fraud	41.	

GRI Standard	Content	Section-Comments	Page	Omision
GRI 300): ENVIRONMENTAL ISSUES			
GRI 302: E	Energy			
302-1	Energy consumption within the organisation	Environmental management: Energy efficiency and greenhouse gas emissions	79-81.	
302-3	Energy intensity	Environmental management: Energy efficiency and greenhouse gas emissions	79-81.	
302-4	Reduction of energy consumption	Environmental management: Energy efficiency and greenhouse gas emissions	79-81.	
GRI 303: \	Water			
303-1	Water extraction by source	Environmental management: Responsible management of water	76-78.	
303-2	Water sources significantly affected by water extraction	Environmental management: Responsible management of water	76-78.	
303-3	Recycled and reused water	Environmental management: Responsible management of water	76-78.	
GRI 305: E	Emissions			
305-1	Direct emissions of GHG (scope 1)	Environmental management: Energy efficiency and greenhouse gas emissions	79-81.	
305-2	Indirect emissions of GHG from generating energy (scope 2)	Environmental management: Energy efficiency and greenhouse gas emissions	79-81.	
305-4	Intensity of GHG emissions	Environmental management: Energy efficiency and greenhouse gas emissions	79-81.	
305-5	Reduction of GHG emissions	Environmental management: Energy efficiency and greenhouse gas emissions	79-81.	
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions	Environmental management: Energy efficiency and greenhouse gas emissions. In 2018, information was collected from the EHS corporate department of regarding other issues, at a consolidated level.	79-81.	
GRI 306: I	Effluents and waste			
306-1	Wastewater according to its quality and destination	Environmental management: Responsible management of water	76-78.	
306-2	Waste by type and disposal method	Environmental management: Circular economy Efficient use of raw materials and minimisation of waste	73-75.	
306-3	Significant spills/leaks	Environmental management: Circular economy Efficient use of raw materials and minimisation of waste	73-75.	
GRI 307: E	Environmental compliance			
307-1	Non-compliance with environmental legislation and regulations	Environmental management In Brazil there is an administrative environmental record opened in 2010 for which a resolution has not been received yet although a favourable resolution is considered possible.	70-81.	
GRI 308: I	Environmental evaluation of suppliers			
308-1	New suppliers that have passed screening filters according	Commercial and supply management: Product range, Selection of suppliers.	43-47; 48, 49.	
	to environmental criteria	Environmental management: Circular economy Efficient use of raw materials and minimisation of waste	73-75.	

GRI Standard	Content	Section-Comments	Page	Omision
GRI 400	D: SOCIAL			
GRI 401: I	Employment			
401-1	New employee hiring and staff rotation	Work management: Employment and remuneration	61-64.	
GRI 402: \	Worker-company relations			
402-1	Minimum warning periods for operational changes	Human rights and impact in society: Our main lines of action in human rights	83, 84.	
GRI 403: \	Workplace health and safety			
403-2	Types of accidents and frequency of accidents, occupational illnesses, days lost, absenteeism and number of deaths due to work-related accidents or occupational illnesses	Work management: Workplace safety	67-69.	
403-5	Worker training on occupational health and safety	Work management: Workplace safety	67-69.	
GRI 404:	Training and teaching			
404-1	Average number of training hours per employee	Work management: Professional development	65, 66.	
404-2	Programmes to improve employee skills and transition assistance programmes	Work management: Professional development	65, 66.	
404-3	Percentage of employees who receive periodic performance and professional development assessments	Work management: Professional development	65, 66.	
GRI 405:	Diversity and equal opportunities			
405-1	Diversity in governing bodies and employees	Corporate Governance: Governing Bodies	25-32.	
103 1	Diversity in governing bodies and employees	Work management: Equality and work-life balance	60.	
405-2	Ratio of base salary and remuneration of women to men	Work management: Employment and remuneration	61-64.	
GRI 406:	Non-Discrimination			
406-1	Cases of discrimination and corrective actions undertaken	Human rights and impact in society: Supervising compliance	85.	
GRI 407: I	Right to freedom of association and collective bargaining			
407.1	Operations and suppliers whose right to freedom of	Human rights and impact in society: Our main lines of action in human rights	83, 84.	
407-1	association and collective bargaining could be at risk	Commercial and supply management: Selection of suppliers	48, 49.	
GRI 408:	Child labour			
400.5	Operations and suppliers with significant risk of cases of	Human rights and impact in society: Our main lines of action in human rights	83, 84.	
408-1	child labour	Commercial and supply management: Selection of suppliers	48, 49.	

GRI Standard	Content	Section-Comments	Page	Omision
GRI 409:	Forced or compulsory labour			
	Operations and suppliers with significant risk of cases of forced or compulsory labour	Human rights and impact in society: Our main lines of action in human rights	83, 84.	
409-1	Torced of compulsory tabout	Commercial and supply management: Selection of suppliers	48, 49.	
GRI 412: A	Assessment of human rights			
	Training of employees in human rights policies or procedures	Work management: Professional development	65, 66.	
412-2		Human rights and impact in society: Supervising compliance	85.	
GRI 413: I	ocal communities			
413-1	Operations with local community participation, impact	Human rights and impact in society: Commitment to our communities	87-89.	
	assessments and development programmes	Environmental management	70-81.	
GRI 414: S	Social assessment of suppliers			
414-1	New suppliers that have passed screening filters according to social criteria	Commercial and supply management: Selection of suppliers	48, 49.	
414-1		Human rights and impact in society: Our main lines of action in human rights	83, 84.	
GRI 416: I	Health and safety of customers			
416-1	Assessment of the health and safety impacts of the categories of products or services	Commercial and supply management: Product safety and food hygiene	51, 52.	
GRI 417: N	Marketing and labelling			
417-1	Requirements for information and labelling of products and services	Commercial and supply management: Customer satisfaction	53.	
GRI 418: 0	Customer privacy			
418-1	Complaints based on violations of the customer's privacy and loss of the customer's data	Commercial and supply management: Customer satisfaction	53.	



LAW 11/2018 NON-FINANCIAL INFORMATION AND DIVERSITY

Contents of Law 1	11/2018 Non-Financia	al Information and Diversity	Standard used
		Brief description of the group's business model, which	GRI 102-2 Activities, brands, products and services
	Description of the	will include its business environment, its organization and structure, the markets in which it operates, its objectives	GRI 102-4 Localisation of the activities
Business Model	group's business	and strategies, and the main factors and trends that may	GRI 102-6 Markets served
	model	affect its future evolution.	GRI 102-15 Key impacts, risks and opportunities
			GRI 102-7 Size of the organisation
		Policies applied by the group, including the due diligence procedures applied for identification, evaluation, prevention	GRI103-2 The management approach and its components
	Policies	and mitigation of significant risks and impacts, and for verification and control, as well as the measures that have been adopted.	GRI 103-3 Assessment of the management approach
		The main risks in connection with these issues related	GRI 102-15 Key impacts, risks and opportunities
		to the group's activities, including, where relevant and proportionate, its business relationships, products or	
		services that may have negative effects in those areas,	GRI 102-11 Precautionary principle or approach
		and how the group manages those risks, detailing the	GRI 102-30 Efficacy of the risk management
	Main risks	procedures used to detect and evaluate them in accordance with national, European or international reference frameworks for each issue. Information on the impacts that have been detected should be included, offering a breakdown of them, in particular on the main short, medium and long term risks.	processes
	General	Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety	GRI 102-15 Main impacts, risks and opportunities
			GRI 102-29 Identification and management of financial, environmental and social impacts
			GRI 102-31 Assessment of financial, environmental and social issues
		·Environmental assessment or certification procedures	GRI 102-11 Precautionary principle or approach
Information on environmental issues			GRI 102-29 Identification and management of financial, environmental and social impacts
issues			GRI 102-30 Efficacy of the risk management processess
		· Resources dedicated to the prevention of environmental risks	GRI 102-29 Identification and management of financial, environmental and social impacts
		· Application of the precautionary principle	GRI 102-11 Precautionary principle or approach
		· Provisions and guarantees for environmental risks	GRI 307-1 Non-compliance with environmental legislation and regulations (Autonomous Community)
		Measures to prevent, reduce or repair carbon emissions that seriously affect the environment, taking into account any	GRI 103-2 Management Approach (with a view to GRI 302 and 305)
	Contamination	form of air pollution specific to an activity, including noise	GRI 302-4 Reduction of energy consumption
	Contamination	and light pollution	GRI 305-5 Reduction of GHG emissions
			GRI 305-7 NOx, SOx and other significant atmospheric emissions
	Circular Economy	Measures for prevention, recycling, reuse, other forms of recovery and waste disposal. Actions to combat food waste	GRI 103-2 Management Approach (Effluents and waste)
	and prevention		GRI 303-3 Recycled and reused water
	and waste management		GRI 306-1 Wastewater according to its quality and destination
			GRI 306-2 Waste by type and method of disposal

Contents of Law 1	11/2018 Non-Financ	ial Information and Diversity	Standard used
		Water consumption and water supply according to local	GRI 303-1 Water extraction by source
	Sustainable use	limitations	GRI 303-2 Water sources significantly affected by water extraction
	of resources		GRI 303-3 Recycled and reused water
		Consumption of raw materials and the measures taken to improve the efficiency of their use	Confidential
		Energy: Consumption, direct and indirect; Measures taken to	GRI 103-2 Management approach (Energy)
	Sustainable use	improve energy efficiency, Use of renewable energy	GRI 302-1 Energy consumption within the organisation
	of resources		GRI 302-3 Energy intensity
			GRI 302-4 Reduction of energy consumption
nformation on		Emissions of greenhouse gases	GRI 305-1 Direct emissions of GHG (scope 1)
environmental ssues			GRI 305-2 Indirect emissions of GHG from generating energy (scope 2)
			GRI 305-4 Intensity of GHG emissions
		Measures taken to adapt to the consequences of Climate	GRI 102-15 Main impacts, risks and opportunities
	Climate Change	Change	GRI103-2 The management approach and its components
			GRI 305-5 Reduction of GHG emissions
		Reduction goals established voluntarily in the medium and long term to reduce GHG emissions and means implemented for this purpose.	GRI 103-2 Management Approach (Reduction of GHG emissions)
	Protection of biodiversity	Measures taken to preserve or restore biodiversity	Non material
		Impacts caused by activities or operations in protected areas	Non material
	Policies	Policies applied by the group, including the due diligence procedures applied for identification, evaluation, prevention	GRI103-2 The management approach and its components
		and mitigation of significant risks and impacts, and for	GRI 103-3 Assessment of the management approach
		verification and control, as well as the measures that have been adopted.	GRI 102-35 Remuneration policies
		Main risks related to these issues related to the activities	GRI 102-15 Key impacts, risks and opportunities
	Main risks	of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to detect and evaluate them in accordance with national, European or international reference frameworks for each subject. Information on the impacts that have been detected should be included, offering a breakdown of them, in particular on the main short, medium and long term risks.	GRI 102-30 Efficacy of the risk management processes
nformation on social and staff-		Total number and distribution of employees by sex, age,	GRI 102-7 Size of the organisation
elated issues		country and professional classification	GRI 102-8 Information about employees and other workers
			GRI 405-1. b) The percentage of employees by employment category for each of the following diversity categories: gender and age group
	Employment	Total number and distribution of employment contract type	GRI 102-8 Information about employees and other workers
		Annual average of indefinite, temporary and part-time contracts by sex, age and professional classification	GRI 102-8 Information about employees and other workers
		Number of layoffs by sex, age and professional classification	GRI 401-1.b) Total number and turnover rate of personnel during the reporting period, by age group, gender and region (in relation to dismissals)
		Average remuneration and its evolution disaggregated by sex, age and professional classification or equal value	GRI 405-2: Ratio of base salary and remuneration o women to men for each job category

Contents of Law 1	11/2018 Non-Financia	al Information and Diversity	Standard used
		Wage gap	GRI 405-2: Ratio of base salary and remuneration of women to men for each job category
		Compensation for equal or average jobs in society	GRI 405-2 Ratio of standard initial category salary by gender compared to the local minimum wage
		The average remuneration of directors and managers,	GRI 102-35 Remuneration policies
	Employment	including variable remuneration, allowances, compensation, payment to long-term savings forecasting systems and any other perception disaggregated by sex	GRI 102-36 Process for determining remuneration (for the management approach)
	2proje	Unier perception disaggregated by sex	GRI 201-3 Obligations derived from social benefit plans and other retirement plans
		Implementation of work disconnection measures	GRI 103-2 Management Approach (work disconnection)
		Employees with disabilities	GRI 405-1. b) Percentage of employees by employment category for each of the following diversity categories (iii. Vulnerable groups).
		Organization of working time	GRI 102-8. c) The total number of employees by type of employment contract (full-time or part-time) and by gender.
			GRI 103-2 Management Approach (Organisation of work)
	Work organisation	Number of absenteeism hours	GRI 403-2 Types of accidents and ratios of occupational accidents, occupational diseases, lost days, and absenteeism, and number of related deaths (section a)
		Measures aimed at facilitating the enjoyment of conciliation and encouraging the co-responsible exercise of these by both parents.	GRI 103-2 Management approach
Information on	Health and safety	Health and safety conditions at work	GRI 103-2 Management Approach (Health and Safety)
social and staff- related issues		Work accidents (frequency and severity) disaggregated by sex	GRI 403-2 Types of accidents and ratios of occupational accidents, occupational diseases, lost days, and absenteeism, and number of related deaths
		Occupational diseases (frequency and severity) disaggregated by sex	GRI 403-2 Types of accidents and ratios of occupational accidents, occupational diseases, lost days, and absenteeism, and number of related deaths
		Organization of social dialogue, including procedures for informing and consulting staff and negotiating with them	GRI 102-43 Approach for the participation of stakeholders (regarding unions and collective bargaining)
	Social Relations		GRI 402-1 Minimum warning periods for operational changes
		Percentage of employees covered by collective agreement by country	GRI 102-41 Collective bargaining agreements
		Balance of collective agreements, particularly in the field of health and safety at work	GRI 403-1 Representation of workers in joint health and safety committees
	Training	Policies implemented in the field of training	GRI 103-2 Management Approach (Training and Teaching)
		Total number of hours of training by professional categories	GRI 404-1 Average training hours per employee per year
	Accessibility	Universal accessibility of people with disabilities	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
		Measures taken to promote equal treatment and opportunities between men and women	GRI 103-2 Management Approach (Diversity and equal opportunities)
	Equality	Equality plans	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
		Measures to promote employment	GRI 103-2 Management approach (Employment)

Contents of Law 11	/2018 Non-Financ	cial Information and Diversity	Standard used
		Protocols against sexual and sexual harassment	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
Information on social and staff-	Equality	The integration and universal accessibility of people with disabilities	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
related issues	Equality	Policy against all types of discrimination and, where appropriate, diversity management	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
			GRI 406-1 Cases of discrimination and corrective actions undertaken
		Policies applied by the group, including the due diligence procedures applied for identification, evaluation, prevention	GRI103-2 The management approach and its components
	Policies	and mitigation of significant risks and impacts, and for	GRI 103-3 Assessment of the management approach
		verification and control, as well as the measures that have been adopted.	GRI 412-2 Training of employees in human rights policies or procedures
		Main risks related to these issues related to the activities	GRI 102-15 Key impacts, risks and opportunities
		of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in those areas, and how the group	GRI 102-30 Efficacy of the risk management processes
	Main risks	manages those risks, explaining the procedures used to detect and evaluate them in accordance with national, European or international reference frameworks for each	
		subject. Information on the impacts that have been detected should be included, offering a breakdown of them, in particular on the main short, medium and long term risks.	
Information on		Application of due diligence procedures in human rights	GRI 103-2 Management Approach (Assessment of Human Rights)
respect for human rights		Prevention of risks of violation of human rights and, where appropriate, measures to mitigate, manage and repair possible abuses committed	GRI 103-2 Management Approach (Assessment of Human Rights)
			GRI 412-1 Operations subject to revisions or evaluations of impact on human rights
		Complaints for cases of human rights violations	GRI 102-17 Mechanisms of advice and ethical concerns
	Human Rights		GRI 103-2 Management Approach (Assessment of Human Rights)
			GRI 102-17 Mechanisms of advice and ethical concerns (complaints received and resolution
			GRI 419-1 Non-compliance with laws and regulations in the social and economic fields
		Promotion and compliance with the provisions of the ILO fundamental conventions related to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labor and the effective abolition of child labor	GRI 103-2 Management Approach (Non- discrimination, Freedom of association and collective bargaining, Child Labour, Forced or compulsory labour and Human Rights)
Information		Policies applied by the group, including the due diligence procedures applied for identification, evaluation, prevention	GRI103-2 The management approach and its components
related to the fight	Policies	and mitigation of significant risks and impacts, and for	GRI 103-3 Assessment of the management approach
against corruption and bribery		verification and control, as well as the measures that have been adopted.	GRI 205-2 Communication and training about anti- corruption policies and procedures

Contents of Law 11	/2018 Non-Financ	ial Information and Diversity	Standard used
	Main risks	Main risks related to these issues related to the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may	GRI 102-15 Key impacts, risks and opportunities GRI 102-30 Efficacy of the risk management processes
Information related to the fight		have negative effects in those areas, and how the group manages those risks, explaining the procedures used to detect and evaluate them in accordance with national, European or international reference frameworks for each subject. Information on the impacts that have been detected should be included, offering a breakdown of them, in particular on the main short, medium and long term risks.	GRI 205-1 Transactions assessed in relation to corruption-related risks
against corruption and bribery		Measures taken to prevent corruption and bribery	GRI 103-2 Management Approach (with a view to GRI 205 Anti-corruption) - Presenting indicator 205-2 also covers this requirement of law
	Corruption and	Measures to fight money laundering	GRI 103-2 Management Approach (Anti-corruption)
	bribery	Contributions to foundations and non-profit organizations	GRI 103-2 Management Approach (Anti-corruption)
			GRI 201-1 Direct economic value generated and distributed (Investments in the Community)
			GRI 203-2 Significant indirect financial impacts
		Policies applied by the group, including the due diligence procedures applied for identification, evaluation, prevention and mitigation of significant risks and impacts, and for verification and control, as well as the measures that have been adopted.	GRI103-2 The management approach and its components
	Policies		GRI 103-3 Assessment of the management approach
		Main risks related to these issues related to the activities	GRI 102-15 Key impacts, risks and opportunities
	Main risks	of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to detect and evaluate them in accordance with national, European or international reference frameworks for each subject. Information on the impacts that have been detected should be included, offering a breakdown of them, in particular on the main short, medium and long term risks.	GRI 102-30 Efficacy of the risk management processes
		Impact of society's activity on employment and local	GRI 203-2 Significant indirect financial impacts
Company information		development	GRI 204-1 Proportion of expense with local suppliers.
			GRI 413-1 Operations with local community participation, impact assessments and development programmes
	_	Impact of the activity of society on local populations and in	GRI 203-2 Significant indirect financial impacts
	Company commitment with the sustainable development	the territory	GRI 413-1 Operations with local community participation, impact assessments and development programmes
		Relationships maintained with local community actors and the modalities of dialogue	GRI 102-43 Approach for the participation of stakeholders (regarding the community)
			GRI 413-1 Operations with local community participation, impact assessments and development programmes
		Partnership or sponsorship actions	GRI 102-13 Affiliation to associations
			GRI 201-1 Direct economic value generated and distributed (Investments in the Community)

Contents of Law	11/2018 Non-Financia	al Information and Diversity	Standard used	
		Inclusion in the purchasing policy of social, gender equality and environmental issues	GRI 103-3 Management Approach (Environmental and social assessment of suppliers)	
		Consideration in the relations with suppliers and	GRI 102-9 Supply chain	
		subcontractors of their social and environmental responsibility	GRI 103-3 Management Approach (Environmental and social assessment of suppliers)	
	Outsourcing and		GRI 308-1 New suppliers that have passed assessment and screening filters according to environmental criteria	
	suppliers		GRI 407-1 Operations and suppliers whose right to freedom of association and collective bargaining could be at risk	
			GRI 409-1 Operations and suppliers with significant risk of cases of forced or compulsory labour	
			GRI 414-1 New suppliers that have passed screening filters according to social criteria	
		Supervision systems and audits and their results	GRI308-1 New suppliers that have been assessed according to environmental criteria	
Company information		Measures for the health and safety of consumers	GRI 103-2 Management Approach (Health and Safety of Customers)	
			GRI 416-1 Assessment of the health and safety impacts of the categories of products or services	
	Touteformation		GRI 417-1 Requirements for information and labelling of products and services	
	Tax information	Complaint systems, complaints received and resolution thereof	GRI 102-17 Mechanisms of advice and ethical concerns (complaints received and resolution)	
			GRI 103-2 Management Approach (Health and Safety of Customers)	
			GRI 418-1 Substantial complaints related to gaps in customer privacy and loss of customer data.	
		Benefits obtained by country	GRI 201-1 insofar as it affects payments to public administrations	
	Información fiscal	Taxes on benefits paid	GRI 201-1 insofar as it affects payments to public administrations	
		Public grants received	GRI 201-4 Financial aid received from the government	



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

ISSUER IDENTIFICATION		
Financial year end:	31/12/2019	
TAX ID NO.	A-31065501	
Registered Name:		
VISCOFAN, S.A.		
Registered address:		
CALLE BERROA NÚMERO 15, 4ª PLANTA. POLÍG	ONO INDUSTRIAL BERROA. 31192 (TAJONAR) NAVARRE	



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 total voting rights
25/01/2019	32,550,000.00	46,500,000	46,500,000

Indicate if there are dif	fferent classes of share	s with different rights	s associated with them:

[]	Yes
[\[]	No

In accordance with the Relevant Event reported to the CNMV with registration number 274147 and dated 25 January 2019, the Company's Board of Directors resolved to execute a capital reduction for a nominal amount of 72,577.40 euros, through the amortisation of the 103,682 own shares then in the portfolio acquired under the authorisation granted by the General Shareholders' Meeting held on 25 May 2018 under item five of the agenda.

The share capital remaining after the reduction was set at 32,550,000 euros represented by 46,500,000 shares with a par value of 0.70 euros per share.

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

Name or company name of the shareholder	% voting rights attributed to the shares		% of voting rights from financial instruments		% total voting rights
of the shareholder	Direct	Indirect	Direct	Indirect	
CORPORACIÓN FINANCIERA ALBA S.A.	13.03	0.00	0.00	0.00	13.03
APG ASSET MANAGEMENT N.V.	10.09	0.00	0.00	0.00	10.09
NORGES BANK	4.40	0.00	0.58	0.00	4.98
MARATHON ASSET MANAGEMENT, LLP	0.00	4.94	0.00	0.00	4.94
SETANTA ASSET MANAGEMENT LIMITED	0.00	4.02	0.00	0.00	4.02
WELLINGTON MANAGEMENT GROUP LLP	0.00	3.22	0.00	0.00	3.22



Details of the indirect investment:

Name or company name of the indirect shareholder	Name or company name of the direct shareholder	% voting rights attributed to the shares	% of voting rights from financial instruments	% total voting rights
MARATHON ASSET MANAGEMENT, LLP	OTHER COMPANY SHAREHOLDERS	4.94	0.00	4.94
SETANTA ASSET MANAGEMENT LIMITED	OTHER COMPANY SHAREHOLDERS	4.02	0.00	4.02
WELLINGTON MANAGEMENT GROUP LLP	OTHER COMPANY SHAREHOLDERS	3.22	0.00	3.22

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

Most significant movements

- $Wellington\,Management\,Group\,LLP\,increased\,its\,share holding\,to\,more\,than\,3\%\,of\,the\,share\,capital\,on\,17\,May\,2019.$
- Setanta Asset Management Limited increased its shareholding to more than 3% of the share capital on 17 July 2019.
- Setanta Asset Management Limited increased its shareholding to more than 4% of the share capital on 1 August 2019.
- Norges Bank decreased its shareholding to less than 5% of the share capital on 6 November 2019.

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

Name of director (person or company)	% voting rights attributed to the shares		% of voting rights from financial instruments		% total voting rights	% of voting rights that <u>can be</u> <u>transferred</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JOSE DOMINGO DE AMPUERO Y OSMA	0.13	0.00	0.00	0.00	0.13	0.00	0.00
MR JOSÉ ANTONIO CANALES GARCÍA	0.04	0.02	0.00	0.00	0.06	0.00	0.00
MR IGNACIO MARCO- GARDOQUI IBAÑEZ	0.07	0.01	0.00	0.00	0.08	0.00	0.00
MR JOSE MARÍA ALDECOA SAGASTASOLOA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. NESTOR BASTERRA LARROUDÉ	0.46	0.00	0.00	0.00	0.46	0.00	0.00



Name of director (person or company)	% voting right: the sl	s attributed to hares	% of voting rights from financial instruments			% of voting rights that <u>can be</u> <u>transferred</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MS AGATHA ECHEVARRÍA CANALES	0.09	0.00	0.00	0.00	0.09	0.00	0.00
JAIME REAL DE ASUA Y ARTECHE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR SANTIAGO DOMECQ BOHORQUEZ	0.00	5.26	0.00	0.00	5.26	0.00	0.00
MR JUAN MARCH DE LA LASTRA	0.00	0.04	0.00	0.00	0.04	0.00	0.00
MS LAURA GONZÁLEZ MOLERO	0,00	0.00	0.00	0.00	0.00	0.00	0.00

Total % of voting rights of the Board of Directors:	6.12

Details of the indirect investment:

Name of director (person or company)	Name or company name of the direct shareholder	% voting rights attributed to the shares	% of voting rights from financial instruments	% total voting rights	% of voting rights that can be transferred through financial instruments
MR JOSÉ ANTONIO CANALES GARCÍA	OTHER COMPANY SHAREHOLDERS	0.02	0.00	0.02	0.00
MR IGNACIO MARCO - GARDOQUI IBAÑEZ	PROMOCIONES GARDAL XXI, S.L.	0.01	0.00	0.01	0.00
MR JUAN MARCH DE LA LASTRA	ATACAMPA S.A.	0.04	0.00	0.04	0.00
MR SANTIAGO DOMECQ BOHORQUEZ	ANGUSTIAS Y SOL S.L.	5.26	0.00	5.26	0.00



A.4. Describe, if applicable, the family, commercial, contractual or corporate relationships between significant shareholders, to the extent known to the Company, unless they are immaterial or result from the ordinary course of business, except those shown in the section A.6:

Related name (person or company)	Type of relationship	Short description
N/D		

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	Short description
N/D		

A.6. Describe the relationships, unless they are scarcely relevant to the two parties, between the significant shareholders or those represented on the board, and the directors, or their representatives, in the case of legal entity administrators.

Explain, if applicable, how significant shareholders are represented. Specifically, indicate the directors who have been appointed on behalf of significant shareholders, those whose appointment would have been encouraged by significant shareholders, or those who are linked to significant shareholders and/or entities of their group, with a specification of the nature of such associating relationships. In particular, mention, where appropriate, the existence, identity and position of board members, or representatives of directors of the listed company who are, in turn, members of the administrative body, or their representatives, in companies that hold significant shareholdings of the listed company or in entities of the group of said significant shareholders.

Name or company name of the associated director or representative	Name or company name of the related significant shareholder	Company name of the significant shareholder's group company	Relationship/position description
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACIÓN FINANCIERA ALBA S.A.	CORPORACIÓN FINANCIERA ALBA S.A.	Corporate. José Domingo de Ampuero y Osma is a Member of the Board of Directors of Corporación Financiera Alba S.A.
MR JUAN MARCH DE LA LASTRA	CORPORACIÓN FINANCIERA ALBA S.A.	CORPORACIÓN FINANCIERA ALBA S.A.	Corporate. Juan March de Lastra is Vice Chairman of the Board of Directors of Corporación Financiera Alba S.A. and therefore holds the position of nominee director.



Name or company name of the associated director or representative	Name or company name of the related significant shareholder	Company name of the significant shareholder's group company	Relationship/position description
MR SANTIAGO DOMECQ BOHORQUEZ	ANGUSTIAS Y SOL S.L.	ANGUSTIAS Y SOL S.L.	Corporate. Santiago Domecq holds 100% of the Share Capital of Angustias y Sol S.L. and therefore holds the position of nominee director.

	NTIAGO DOI	MECQ	ANGUSTIAS Y SOL S.L.	ANGUSTIAS Y SOL S.L.	of Angustias y Sol S.L. and therefore holds the position of nominee director.
A.7.			-	areholder agreements that may affected are agreements that may affected are and list the shareholds.	et it as set out under articles 530 and olders bound by such agreement:
	[] [√]	Yes No			
	Indicate wh briefly:	ether the comp	any is aware of the existence of	concerted actions amongst its shareh	olders. If so, describe them
	[] [√]	Yes No			
	Expressly in year:	dicate whether	any of such agreements, arrange	ements or concerted actions have bee	en modified or terminated during the fiscal
A.8.			on or organisation exercises or ma t. If so, identify names:	ay exercise control over the company	pursuant to article 5 of
	[] [√]	Yes No			



A.9. 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
150,000		0.32

(*) Through:

name or company name of the direct shareholder	Number of direct shares	
N/D		

Explain the significant changes that occurred during the year:

Explain the significant changes

- 1) In January 2019, the Company redeemed 103,682 treasury shares.
- 2) Subsequently, during 2019, within the framework of the Long Term Incentive Plan for the period 2019-2021 (notified to the CNMV on 30 July 2019 under registration number 280891) the Company acquired 150,000 treasury shares under the current authorisation granted by the General Meeting of Shareholders of 25 May 2018.
- A.10. Describe the conditions and term of the current mandate from the general shareholders' meeting to the Board of Directors to issue, buy back and transfer treasury shares.

Extract of the Minutes of the General Shareholders Meeting held on 25 May 2018 on second call, the following resolution was adopted by majority:

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 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 has a maximum as established by law, from the date of the resolution and is granted to the Board subject to existing legal restrictions on the purchase of treasury shares and, more specifically, those restrictions contained in articles 146 and 509 of the Corporate Enterprises Act.

In the event of the Board needing to avail itself of the authorisation granted to it by the General Shareholders' Meeting, the shares in the Company's portfolio would be subject to the regime laid down by article 148 of the aforementioned law.

It is also proposed that the Board of Directors be delegated to carry out the redemption of the shares acquired by virtue of this authorisation, by means of a reduction in the Company's capital, determining their amount and their destination, all in accordance with the provisions established in current legislation.

It is expressly noted that this acquisition of own shares also entails the possibility that the acquisition shall have as its object and purpose, in addition to what is indicated above, their delivery directly to the workers and/or directors of the company, or as a result of option rights held by them. Therefore this resolution of the General Meeting states that the authorization is also granted with for this purpose, in accordance with the provisions of Article 146.1.a) third paragraph of the aforementioned law.



A.11. Estimated floating capital:

	%
Estimated floating capital	53.28

A.12.	Indicate whet	her there is any restriction (statutory, legislative or of any other nature) on the transferability of securities and/or any				
	restriction on	voting rights. In particular, report the existence of any type of restrictions that may make it difficult to take control of				
	the company through the acquisition of its shares in the market, as well as authorisation or prior notice systems that are applicable to					
	the acquisitions or transfers of the company's financial instruments by sectoral regulations.					
	[]	Yes				
	[√]	No				

A.13.	Indicate whether the Genera	al Meeting has agreed to ad	opt measures to neutralise a	a public takeover bid, pursi	iant to Act 6/2007.

[] Yes [√] No

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

A.14. Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

[] Yes [√] No

Where applicable, indicate the different types 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 guorum needed to hold a valid General Shareholders' Meeting.

[] Yes [√] No



	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:									
[] [√]	Yes No									
B.3. Indicate the rules applicable to amendments to the company by-laws. In particular, report the majorities established for amending the Bylaws, and, if applicable, the rules established to safeguard member rights when amending the Bylaws.										
	for amending the bylaws other than reinforced quorum and by the rema				art. 194 of the					
The requirements for passing above.	resolutions set forth in article 20 of	the Bylaws and articles 18 and 2	22 of the Regulations of the 0	General Shareholders' Meeti	ng match those stated					
B.4. Indicate the data years:	on attendance at the gener	al shareholders' meeting	s held the year to which	ch this report refers ar	nd the previous two					
		Atter	ndance information							
General Shareholders	% of	% in	% voting r	remotely	Total					
Meeting Date	attendance in person	proxy	Electronic vote	Other						
27/04/2017	17.20	21.53	0.00	40.39	79.12					
Of floating capital	0.26	21.53	0.00	24.82	46.61					
25/05/2018	18.22	53.83	0.00	8.31	80.36					
Of floating capital	0.54	44.62	0.00	5.10	50.26					
12/04/2019	19.67	38.30	0.00	24.50	82.47					
Of floating capital	0.60	38.30	0.00	8.88	47.78					
 B.5. Indicate whether there have been any items on the agenda at the general meetings held during the year that, for any reason, have not been approved by the shareholders. [] Yes [√] No 										
	Indicate if there is a statutory restriction that establishes a minimum number of shares necessary to attend the general shareholders' meeting, or to vote remotely.									
[√]	Yes									
[]	No									
Number of s	hares necessary to attend th	e General Shareholders'	meeting:	100						
	Number of shares necessa	1	1							
					J					



B.7.	Indicate whether it has been established that certain decisions, other than those established by law, involving an acquisition, transfer contribution of essential assets to another company or other similar corporate operations must be submitted for the approval of the general shareholders' meeting.					
	[]	Yes				
	[√]	No				

B.8. 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.

The information is published on Viscofan's website whose address is: 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 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 where the notice of meeting is found. In accordance with the shareholders' right to information, there is also access to legally-required documentation and other documentation for information purposes.

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C. CORPORATE GOVERNANCE STRUCTURE

C.1. Board of directors

C.1.1 Maximum and minimum number of directors established in the bylaws and the number set by the general meeting:

Maximum number of Directors	12
Minimum number of Directors	5
Total number of Directors set by the board	10

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 elected	Date of last election	Election procedure
MS LAURA GONZÁLEZ MOLERO		Independent	DIRECTOR	25/05/2018	25/05/2018	VOTE AT THE GENERAL SHAREHOLDERS' MEETING
MR JUAN MARCH DE LA LASTRA		Nominee	DIRECTOR	07/05/2015	12/04/2019	VOTE AT THE GENERAL SHAREHOLDERS' MEETING
MR IGNACIO MARCO - GARDOQUI IBAÑEZ		Independent	VICE CHAIRMAN	01/01/2010	21/04/2016	VOTE AT THE GENERAL SHAREHOLDERS' MEETING
MR JOSE DOMINGO DE AMPUERO Y OSMA		Executive	CHAIRMAN	27/02/2009	12/04/2019	VOTE AT THE GENERAL SHAREHOLDERS' MEETING
JAIME REAL DE ASUA Y ARTECHE		Independent	DIRECTOR	11/04/2014	25/05/2018	VOTE AT THE GENERAL SHAREHOLDERS' MEETING
MR JOSE MARÍA ALDECOA SAGASTASOLOA		Independent	INDEPENDENT LEAD DIRECTOR	23/05/2012	25/05/2018	VOTE AT THE GENERAL SHAREHOLDERS' MEETING





Name of director (person or company)	Representative	Type of directorship	Position on the board	Date first elected	Date of last election	Election procedure
MS AGATHA ECHEVARRÍA CANALES		Other External	DIRECTOR	24/06/1998	25/05/2018	VOTE AT THE GENERAL SHAREHOLDERS' MEETING
MR. NESTOR BASTERRA LARROUDÉ		Other External	DIRECTOR	29/07/1997	25/05/2018	VOTE AT THE GENERAL SHAREHOLDERS' MEETING
MR JOSÉ ANTONIO CANALES GARCÍA		Executive	DIRECTOR	11/04/2014	25/05/2018	VOTE AT THE GENERAL SHAREHOLDERS' MEETING
MR SANTIAGO DOMECQ BOHORQUEZ		Nominee	DIRECTOR	21/04/2016	21/04/2016	VOTE AT THE GENERAL SHAREHOLDERS' MEETING

Total number of Directors	10
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Indicate the severances that have occurred as a result of resignation, dismissal or any other cause on the Board of Directors during the reporting period.

Name of director (person or company)	Condition of director at time of severance	Date of last election	Date of leaving	Specialised committee's he/she belonged to	Indicate whether they left before the end of their term
N/D					

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

		EXECUTIVE BOARD MEMBERS
Name of director (person or company)	Position within company organisation	Profile
MR JOSE DOMINGO DE AMPUERO Y OSMA	EXECUTIVE CHAIRMAN	Industrial Engineer from Bilbao's Higher School of Industrial Engineers and Master of Business Administration from the University of Southern California in Los Angeles, the United States. His extensive professional career has led him to hold various important positions, such as Vice-Chairman of Naviera Vizcaína, Chairman of S.A. de Alimentación, Vice-Chairman of BBVA Bancomer (México), Chairman of Bodegas y Bebidas, Vice-Chairman of Banco Bilbao Vizcaya Argentaria S.A., Vice-Chairman of Iberdrola, Chairman of Cementos Lemona S.A.,



		EXECUTIVE BOARD MEMBERS
Name of director (person or company)	Position within company organisation	Profile
		Director of Tubacex and member of the Board of Directors of the Asociación para el Progreso de la Dirección. He is currently Chairman of Autopista Vasco-Aragonesa S.A. and director of Corporación Financiera Alba. Amongst other business activities, he is member of the Basque Business Circle, and its former chairman, member of the Board of Caridad de la Santa y Real Casa de Misericordia of Bilbao, and its former chairman. He is the Executive Chairman of Viscofan S.A.
MR JOSÉ ANTONIO CANALES GARCÍA	CEO	Degree in Economics and Business from Deusto Business School, Advanced course of studies in International Transport & Distribution at the London School of Foreign Trade. He has in-depth knowledge of the casings business, thanks to his experience within the Viscofan Group, which he joined in 1996 as Managing Director of Viscofan do Brasil, where he led the expansion of the Viscofan Group in South America until his appointment in 2006 as Managing Director of Viscofan, S.A. and the Group of companies of which it is the parent company, a position he currently holds, and from which he has significantly contributed to strengthening Viscofan's leadership and its international expansion. He was a member of the Board of Directors of Maxam Corporation Holding, S.L until June 2019 and board member representing Viscofan Group in Fundación Cetena (CEMITEC). He is also a member of the Board of Directors of Asociación Centro Rafaela María de Acción Social, for the integration of people with disabilities in Vizcaya. In 2014 he joined the Board of Directors of Viscofan S.A. as Executive Director.
Total number o	f Executive Directors	2
% of to	otal directors	20.00

	EXTERNAL PROPRIETARY DIRECTORS				
Name of director (person or company)	Name or business name of the significant shareholder represented or proposing nomination	Profile			
MR JUAN MARCH DE LA LASTRA	CORPORACIÓN FINANCIERA ALBA S.A.	Degree in Administration and Business Management from Universidad Carlos III of Madrid. He has completed the Global Markets Training Program of J. P. Morgan and the Owner/President Management Program of Harvard Business School. He has developed his professional career at J.P. Morgan, London/Madrid. He was General Manager and Chairman of March Asset Management SGIIC, Madrid. He is currently Executive Chairman of Banca March S.A., Vice-Chairman of Corporación Financiera Alba S.A. and Board Member of the Juan March Foundation. Likewise, he was member of the Board of Directors and the Executive Committee of ACS, of the Board of Directors of Acerinox, S.A and of the Strategic Committee of Indra Sistemas, S.A. Proprietary Director of Viscofan, S.A, representing Corporación Financiera Alba S.A. and member of its Appointments and Remuneration Committee.			

	E>	CTERNAL NOMINEE DIRECTORS
Name of director (person or company)	Name or business name of the significant shareholder represented or proposing nomination	Profile
MR SANTIAGO DOMECQ BOHORQUEZ	ANGUSTIAS Y SOL S.L.	He has studies at the School of Economic and Business Sciences of Universidad Pontificia Comillas-ICADE (Madrid) and at the School of Economic and Business Sciences of the University of Cádiz (UCA). Specialisation course in Managing Agrifood Companies (DEA) at the International Institute San Telmo (Seville). Throughout his broad professional experience as a businessman he was, among others, Director of Coca-Cola Iberian Partners, S.L. until 2015, and prior to that, from 1997 Director of Refrescos Envasados del Sur, S.A. (RENDELSUR), a company that joined Coca-Cola Iberian Partners S.L. in 2013. Currently he is Director of Algar Aguas de Cádiz, S.A., Member of the Provincial Board of Cádiz, Member of the Natural Park of Los Alcornocales and Member of the Provincial Environment Council. He is the Sole Director of Angustias y Sol, S.L and of its group of subsidiary companies operating in the financial, agriculture and livestock sectors, among others. Nominee Director of Viscofan, representing Angustias y Sol S.L., and member of its Audit Committee.
Total number of	f nominee directors	2

Total number of nominee directors	2
% of total directors	20.00

EXTERNAL INDEPENDENT DIRECTORS				
Name of director (person or company)	Profile			
MS LAURA GONZÁLEZ MOLERO	Holds a Degree in Pharmacy, industrial specialisation, from the Universidad Complutense de Madrid and an Executive MBA from IE Business School awarded in 1999. She has held senior executive positions in major international corporations in the Healthcare and Chemical sectors in Europe. She was Chairwoman for Latin America at Merck Serono Biopharmaceuticals and Bayer Healthcare, having resided in Brazil and the United States, where she was responsible for more than two thousand five hundred employees and managed business figures in excess of one billion dollars, which has made her an international benchmark in these sectors. Her work as an executive has been rewarded on numerous occasions. She was an independent director of Viscofan between 2010 and 2016. She is currently an independent director of Acerinox SA, Bankia SA and Ezentis SA, member of the Advisory Council of ISS in Spain, President of APD, member of Women Corporate Directors and the International Women Forum among others. She is member of the Board of Directors of Viscofan SA and member of its Audit Committee.			



	EXTERNAL INDEPENDENT DIRECTORS			
Name of director (person or company)	Profile			
MR IGNACIO MARCO - GARDOQUI IBAÑEZ	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 great recognition in the press world, where he has a strong reputation for his active contribution as an economic expert and columnist for Vocento Group. He also has developed wide experience in several industrial companies, belonging to several Board of Directors; Currently he is director of Minerales y Productos Derivados and Teknia Group. He was a director of Tubacex and Progénika Biopharma until 2018, and he used to be on the Boards of Directors, among others, of Técnicas Reunidas, Banco del Comercio, IBV, Local Credit Bank, Schneider Electric Spain, Iberdrola Ingeniería y Construcción (Iberinco SA) and Chairman of Naturgás. He is the Vice Chairman of the Board of Directors of Viscofan S.A. and Chairman of its Audit Committee.			
JAIME REAL DE ASUA Y ARTECHE	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., Chairman of its Executive Committee and member of its Appointments and Remuneration Committee. He is also Chairman of the Committee of Elecnor Infraestructuras and Director of Enerfin Sociedad de Energía, S.L., belonging to the Elecnor Group, Director of Cantiles XXI, S.L, and Tasdey S.A. and member of the BBVA Advisory Board of the Northern Zone. He has also been Chairman and Director of Adhorna Prefabricación S.A. until its takeover merger by Elecnor in 2015, and of Celeo Concesiones e Inversiones, S.L.U., as well as of the Elecnor Group. From 1987 to 2012 he was director 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.			
MR JOSE MARÍA ALDECOA SAGASTASOLOA	Technical Engineer in Electronics from the University of Mondragón and Senior Business Management Programme from IESE. Throughout his long professional career, he has held various posts at Copreci (1971-1982), 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 President of ANIEL (National Association of Electronic Industries) and a member of the Board of Directors of the European Electronic Components Association (EECA). Since 1992 he continued his professional career in MONDRAGON CORPORACION as Vice-Chairman (1992-2006), managing the Components Division (1992-1999) and the Automotive Division (1999-2006). In 2007 he was appointed Chairman, a position he held until July 2012. He has extensive experience in the international industrial world, especially in the Asian region, including the creation of Fagor Electrónica in Hong Kong and Thailand and the integration of production plants in the Kunshan industrial park in China. He has been a Director of several component and automotive companies (Copreci in the Czech Republic and Mexico), Fagor Ederlan in Brazil and Slovakia, Paranoa-Cicautxo in Brazil, FPK, Chairman of Vitorio Luzuriaga) and the position of member (1992-2006) and Chairman (2007-2012) of MONDRAGON INVERSIONES. He was an independent director and member of the Executive Committee of Gamesa Corporación Tecnológica, S.A. from 2012 to 2017. He is member of the Board of Directors of Viscofan, S.A, of the Audit Committee and of the Appointments and Remuneration Committee. In 2014 he was appointed as Coordinating Director.			



EXTERNAL INDEPENDENT DIRECTORS				
Name of director (person or company)	Profile			
	Corporación Tecnológica SA. He is member of the Board of Directors of Viscofan, S.A, of the Audit Committee and of the Appointments and Remuneration Committee. In 2014 he was appointed as Coordinating Director.			

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.

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	Motivated declaration
N/D		

OTHER EXTERNAL DIRECTORS

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

Name of director (person or company)	Reasons	Company, officer o shareholder to which Director has ties	Profile
MR. NESTOR BASTERRA LARROUDÉ	For having remained on the Board of Directors for more than 12 years		Law degree and Economics graduate from the University of Deusto. He also holds an MBA from IESE. He has spent most of his professional career working in banking, both internationally and in Spain, as head of the Capital Market and Corporate Banking departments in Bank of America and Banco Santander. He is currently the Vice-chairman of Iberpapel Gestión S.A. and Board Member of Amistra SGIIC S.A. Member of the Board of Directors of Viscofan, S.A, and of its Appointments and Remuneration Committee.

OTHER EXTERNAL DIRECTORS

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

Name of director (person or company)	Reasons	Company, officer o shareholder to which Director has ties	Profile
MS AGATHA ECHEVARRÍA CANALES	For having remained on the Board of Directors for more than 12 years		Law degree and Business Studies graduate from Universidad Pontificia de Comillas (ICADE). She has broad professional experience in a number of multi-nationals, including the audit firm Touche and Ross, S.A., British Petroleum España, S.A. and the investment bank Charterhouse Limited in which she was Managing Director and Director of its Spanish subsidiary and founder and director of D+A Documentación y Análisis S.A. She has advised family businesses on their business strategies and is currently a Board Member of Papelera Guipuzcoana de Zicuñaga, SA and Banca March SA, forming part of its Audit Committee and the Global Risk and Technological Change Committee. She is member of the Board of Directors of Viscofan SA and member of its Audit Committee.

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 the change	Former category	Current category
N/D			



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

	Number of female directors			% of to	tal female dire	ctors of each ca	ategory	
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Female Executives					0.00	0.00	0.00	0.00
Female Proprietary Directors					0.00	0.00	0.00	0.00
Independent	1	1			25.00	25.00	0.00	0.00
Other external	1	1	1	1	50.00	50.00	50.00	50.00
Total	2	2	1	1	20.00	20.00	10.00	10.00

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]	Yes
]	No
√]	Partial policies

If you have ticked yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results during the year. The specific measures adopted by the board of directors and the appointments and remuneration committee should also be indicated to achieve a balanced and diverse presence of directors.

In case the company does not apply a diversity policy, explain the reasons why.

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained

The Viscofan Group does not have a specific policy on diversity of the Board of Directors; however, this subject is regulated by the policy of Directors Selection and the Regulations of the Board of Directors.

The Policy on Selection of Directors establishes the principle of equality. Based on this, all candidates shall have the right to be considered for any vacancy produced in the Board, in accordance with objective criteria avoiding any implicit bias that may imply some discrimination, due to nationality, race, sex, ideology or any other aspect beyond their competencies, knowledge and professional experience.

Likewise, pursuant to the principle of legality of this Policy, it establishes that account will be taken of measures to be applied to establish a representation objective for the less represented sex on the Board of Directors and to facilitate the inclusion of female directors.

It also establishes that in the process of finding candidates, the Appointments and Remuneration Committee will take into account the diversity and, more specifically, the objective of representation that has been established for the less represented gender on the Board of Directors, including people of that gender from among potential candidates who meet the professional profile sought.

At the same time, the Board of Directors Regulations contains in article 8 that the Board shall ensure that the selection procedures for their members favour diversity of gender, experience and knowledge and do not have an implicit bias that may imply any discrimination and, in particular, that facilitates the selection of directors.



In this aspect the regulation includes the need for establishing an objective of representation for the least represented sex in the board of directors and the drafting on how to reach this objective, mission of the Appointments and Remuneration Committee.

The Appointments and Remuneration Committee, following the process of evaluation of the Board and the Committees for the 2018 financial year, proposed to the Board of Directors and the Board agreed that it would be appropriate to submit to the 2020 General Meeting of Shareholders an increase in the number of directors to 11 members and, particularly, in accordance with the Policy for the Selection of Directors and the diversity objectives, it was deemed appropriate to identify female candidates as the less represented gender on the Board, so that the percentage of women would reach 27.27%.

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, who meet the professional profile sought and that allows for reaching a balanced presence of women and men:

	Explanation of measures
See previous point	_

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

C.1.7 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.

The Appointments and Remuneration Committee considers that the director 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 director 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 works by taking into account the 2020 objective. In fact, in the appointment proposals for the 2018 General Meeting, Laura González-Molero was proposed and finally appointed as director, increasing the number of female directors to 20%.

In addition, the Committee is working to propose that the number of female directors be increased at the 2020 General Meeting of Shareholders.

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	Reasons
N/D	



Indicate whether formal petition	ns have been ignored fo	or presence on the	Board from shareh	iolders whose h	olding is equal to or	higher than
that of others at whose behest p	proprietary directors we	ere appointed. Whe	ere applicable, expl	lain why these p	etitions have been i	gnored:

[] Yes [√] No

C.1.9 Indicate, if any, the powers and faculties delegated by the board of directors to board members or board committees.

Name of director (person or company) or committee	Short description	
JOSE DOMINGO DE AMPUERO Y OSMA	In his role as Chairman of the Board, he has granted powers of representation, powers relating to the purchase or sale, powers relating to personnel, to charges, payments, contracts, auctions and transactions, to checking accounts, credit or savings, to bills of exchange and promissory notes, securities, guarantees, and supplementary powers to the previous.	
JOSE ANTONIO CANALES GARCIA	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.1.10 Identify any members of the Board holding positions as directors, representatives of 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 JOSÉ ANTONIO CANALES GARCÍA	VECTOR USA INC	VICE CHAIRMAN	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VECTOR PACKAGING EUROPE NV	VICE CHAIRMAN	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VECTOR EUROPE NV	VICE CHAIRMAN	NO
MR JOSÉ ANTONIO CANALES GARCÍA	NANOPACK TECHNOLOGY & PACKAGING S.L.	CHAIRMAN	NO
MR JOSÉ ANTONIO CANALES GARCÍA	KOTEKS VISCOFAN D.O.O.	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	NATURIN VISCOFAN GMBH	DIRECTOR	YES
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CZ S.R.O.	DIRECTOR	YES



Name of director (person or company)	Name of the Group Company	Position	Does the director hold executive functions?
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL LTDA	MEMBER OF THE ADVISORY BOARD	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN URUGUAY S.A.	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN USA INC	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN UK LIMITED	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CANADA INC	SECRETARY	NO
MR JOSÉ ANTONIO CANALES GARCÍA	ZACAPU POWER S. DE R.L. DE C.V.	VICE CHAIRMAN	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	SECRETARY	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DE MEXICO S. DE R.L. DE C.V.	VICE CHAIRMAN	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN DE MEXICO SERVICIOS S. DE R.L. DE C.V.	VICE CHAIRMAN	NO
MR JOSÉ ANTONIO CANALES GARCÍA	SUPRALON VERPACKUNGS AG	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	SUPRALON FRANCE SARL	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	SUPRALON PRODUKTIONS UND VERTRIEBS GMBH	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN GLOBUS AUSTRALIA PTY LTD	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN GLOBUS NEW ZEALAND LTD	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	JUPITER PTY LTD	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN COLLAGEN USA INC.	VICE CHAIRMAN	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN COLLAGEN CANADA INC.	VICE CHAIRMAN	NO



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	KOTEKS VISCOFAN D.O.O.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CANADA INC	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VECTOR USA INC	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN CENTROAMÉRICA COMERCIAL SOCIEDAD ANÓNIMA	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VECTOR PACKAGING EUROPE NV	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VECTOR EUROPE NV	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN USA INC	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 CZ S.R.O.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	NATURIN VISCOFAN GMBH	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN UK LIMITED	DIRECTOR	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN DE MEXICO S. DE R.L. DE C.V.	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 R.L. DE C.V.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN URUGUAY S.A.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	SUPRALON VERPACKUNGS AG	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	SUPRALON FRANCE SARL	DIRECTOR	NO



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	VISCOFAN GLOBUS AUSTRALIA PTY LTD	DIRECTOR	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN GLOBUS NEW ZEALAND LTD	DIRECTOR	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	JUPITER PTY LTD	DIRECTOR	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN COLLAGEN USA INC.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN COLLAGEN CANADA INC.	CHAIRMAN	NO
MR. NESTOR BASTERRA LARROUDÉ	KOTEKS VISCOFAN D.O.O.	VICE CHAIRMAN	NO
MR. NESTOR BASTERRA LARROUDÉ	VECTOR USA INC	DIRECTOR	NO
MR. NESTOR BASTERRA LARROUDÉ	VECTOR PACKAGING EUROPE NV	DIRECTOR	NO
MR. NESTOR BASTERRA LARROUDÉ	VECTOR EUROPE NV	DIRECTOR	NO
MR. NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC	VICE CHAIRMAN	NO
MR. NESTOR BASTERRA LARROUDÉ	VISCOFAN DO BRASIL SOCIEDADE COMERCIAL E INDUSTRIAL LTDA	MEMBER OF THE ADVISORY BOARD	NO
MR. NESTOR BASTERRA LARROUDÉ	VISCOFAN CZ S.R.O.	VICE CHAIRMAN	NO
MR. NESTOR BASTERRA LARROUDÉ	VISCOFAN TECHNOLOGY SUZHOU CO. LTD.	DIRECTOR	NO
MR. NESTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICE CHAIRMAN	NO
MR. NESTOR BASTERRA LARROUDÉ	VISCOFAN URUGUAY S.A.	VICE CHAIRMAN	NO
MR. NESTOR BASTERRA LARROUDÉ	SUPRALON VERPACKUNGS AG	DIRECTOR	NO
MR. NESTOR BASTERRA LARROUDÉ	SUPRALON FRANCE SARL	DIRECTOR	NO
MS AGATHA ECHEVARRÍA CANALES	SUPRALON VERPACKUNGS AG	DIRECTOR	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN (THAILAND) CO. LTD	DIRECTOR	NO
MR JOSÉ DOMINGO DE AMPUERO Y OSMA	VISCOFAN (THAILAND) CO. LTD	DIRECTOR	NO



C.1.11 Detail, where applicable, any company directors or representatives of legal entity directors that are members of the board of directors or representatives of legal entity directors 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)	Company name of the listed company	Position
MS LAURA GONZÁLEZ MOLERO	BANKIA SA	DIRECTOR
MS LAURA GONZÁLEZ MOLERO	EZENTIS SA	DIRECTOR
MS LAURA GONZÁLEZ MOLERO	ACERINOX S.A.	DIRECTOR
MR JUAN MARCH DE LA LASTRA	CORPORACIÓN FINANCIERA ALBA SA	VICE CHAIRMAN
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACIÓN FINANCIERA ALBA SA	DIRECTOR
JAIME REAL DE ASUA Y ARTECHE	ELECNOR SA	CHAIRMAN
MR. NESTOR BASTERRA LARROUDÉ	IBERPAPEL GESTION SA	VICE CHAIRMAN
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	MINERALES Y PRODUCTOS DERIVADOS S.A.	VICE CHAIRMAN

C.1.12	Indicate and, if applicable, explain whether the Company has established rules regarding the maximum number of boards of
	directors of which its directors may be members, identifying, if applicable, where this is regulated:

[√]	Yes
[]	No

Explanation of the rules and identification of the document where it is regulated

According to that established in article 23 of the Board of Directors Regulations the directors of the Company may not form part of more than three Board of Directors of listed companies, in addition to that of Viscofan, S.A.

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the board of directors:

Remuneration accrued during the year in favour of the Board of Directors (thousands of euros)	2,995
Cumulative amount of rights of current Directors in pension scheme (thousands of euros)	
Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	

C.1.14 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 JOSÉ ÁNGEL ARRARÁS	CHIEF R&D AND QUALITY OFFICER VISCOFAN GROUP
MR ANDRES DIAZ	CHIEF OPERATIONS OFFICER VISCOFAN GROUP
MR GABRIEL LARREA	CHIEF COMMERCIAL OFFICER VISCOFAN GROUP
MS MARÍA CARMEN PEÑA	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR ÓSCAR PONZ	CHIEF PLASTICS DIVISION OFFICER VISCOFAN GROUP
MR ARMANDO ARES	CHIEF INVESTOR RELATIONS AND COMMUNICATIONS OFFICER VISCOFAN GROUP



II. PROPERTY CONTRACTOR CONTRACTOR			
MR CÉSAR ARRAIZA	CHIEF STRATEGY, ORGANISATION AND SYSTEMS OFFICER VISCOFAN GROUP		
MR ALEJANDRO BERGAZ	CHIEF INTERNAL AUDIT OFFICER VISCOFAN GROUP (from December)		
MR JOSE ANTONIO CORTAJARENA	CHIEF LEGAL OFFICER AND SECRETARY OF THE BOARD OF D	CHIEF LEGAL OFFICER AND SECRETARY OF THE BOARD OF DIRECTORS VISCOFAN GROUP	
MR JAVIER GARCÍA	CHIEF INTERNAL AUDIT OFFICER VISCOFAN GROUP (until Ju	CHIEF INTERNAL AUDIT OFFICER VISCOFAN GROUP (until June)	
MR JOSÉ IGNACIO RECALDE	CHIEF DIVERSIFICATION AND TECHNOLOGY OFFICER VISCO	FAN GROUP	
MR JUAN JOSÉ ROTA	CHIEF HUMAN RESOURCES OFFICER VISCOFAN GROUP	CHIEF HUMAN RESOURCES OFFICER VISCOFAN GROUP	
MR RICARDO ROYO	CHIEF EUROPEAN BUSINESS OFFICER VISCOFAN GROUP	CHIEF EUROPEAN BUSINESS OFFICER VISCOFAN GROUP	
MR EDUARDO AGUIÑAGA	GENERAL MANAGER MEXICO	GENERAL MANAGER MEXICO	
MR LUIS BERTOLI	GENERAL MANAGER BRAZIL		
MR JESUS CALAVIA	GENERAL MANAGER SPAIN		
MS BELÉN ALDAZ	HUMAN RESOURCES MANAGER SPAIN		
MR GUILLERMO EGUIDAZU	GENERAL MANAGER UNITED STATES		
MR MILOSLAV KAMIS	GENERAL MANAGER CZECH REPUBLIC		
MR. ANGEL MAESTRO	GENERAL MANAGER URUGUAY		
MR IÑIGO MARTINEZ	GENERAL MANAGER SERBIA		
MR JUAN NEGRI	GENERAL MANAGER ASIA PACIFIC		
MR WILFRIED SCHOBEL	R WILFRIED SCHOBEL GENERAL MANAGER GERMANY		
Total top management remuneration (thousands of euros) 4,58		4,587	

C.1.15	Indicate whether there has been any change in the Board regulations during the year:

[√] Yes [] No

Description of amendments

In 2019 financial year, the Regulations of the Board of Directors were modified in order to assign to the Appointments and Remuneration Committee functions relating to the supervision of corporate governance and corporate social responsibility, which up to that date had been assigned to the Audit Committee.

This change affects the following articles of the Regulations of the Board of Directors:

Article 16. Appointments and Remuneration Committee or Committees.

The following powers have been added:

"m) Periodically evaluating the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the interests of the company and catering, as appropriate, to the legitimate interests of remaining stakeholders.



- n) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- o) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- p) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- q) Monitoring and evaluating the company's interaction with its various stakeholders.

Article 15. Audit Committee

The content of the following function is changed:

"H) Monitor the effectiveness and the operation of the Company's Compliance System", as opposed to the wording of the previous version: "H) Monitoring compliance with internal codes of conduct and rules on corporate governance."

The following powers have been removed:

- "I) Periodically evaluating the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the interests of the company and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- J) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- K) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- N) Overseeing the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders. N) Monitoring and evaluating the company's interaction with its various stakeholders."
 - C.1.16 Indicate procedures for selection, appointment, re-election and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

This point has been answered in section H- OTHER INFORMATION OF INTEREST as the maximum size allowed by the electronic format of the CNMV has been exceeded.

C.1.17 Explain to what degree the self-assessment has led to significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments

As a result of the annual evaluation, the Board of Directors took the following measures in 2019, in addition to those carried out in previous years:

First, an increase in the number of directors from 10 to 11 will be proposed to the General Meeting of Shareholders in 2020 in order to strengthen the Board of Directors and increase both the number of independent directors and the less represented gender on the Board of Directors.

With regard to the conduct of the committees' activities, during 2019 they have been provided with internal organisation and operating regulations in accordance with the recommendations of the technical guidelines approved by the National Securities Market Commission; likewise, the Appointments and Remuneration Committee has now been assigned functions relating to the promotion, monitoring and supervision of corporate governance and corporate social responsibility policies.

In 2019, the Board of Directors continued to perform its essential task of devoting the necessary time to the analysis of the long-term strategy and, to this end, senior managers in various areas of relevance to the Group's long-term strategy participated and set out their vision at meetings of the Board of Directors.

Finally, it should be noted that in 2019 the Board of Directors drew up and implemented a programme to update directors' knowledge in accordance with Recommendation 30 of the CNMV's Code of Good Governance for Listed Companies, a programme that will continue in 2020 and subsequent years.

Describe the assessment process and the areas assessed by the board of directors, assisted, where applicable, by an external consultant, regarding the operation and composition of the board and its committees and any other area or aspect that has been subject to assessment.

Description of the assessment process and assessed areas

In compliance with article 18 of its Regulation, led by the Appointments and Remuneration Committee or by the lead director, in the case of the Executive Chairman, the Board will annually perform the assessment of the Board itself and of all its committees.



In 2019, in accordance with Recommendation 36 of the Code of Good Governance for listed companies, the Board of Directors engaged the external consultancy firm Korn Ferry to provide appropriate support and assistance in the performance of the evaluation process of the Board and its committees.

In order to carry out the evaluation exercise, it developed, under the auspices of the Appointments and Remuneration Committee, a questionnaire for each of the directors relating essentially to the following areas:

- Size and structure of the Board
- The Board's Mandate
- Team dynamics
- Fulfilment of mandate
- Administrative support and training
- Operation of committees

[]

The process has also had a phase of personal interview of each director with the advisors, in which in an open and flexible way allows for adding further depth to the evaluation process and eliciting suggestions and observations that can be used to identify areas of improvement.

Lastly, the process ends with a phase of conclusions and identification of improvement plans, including the presentation by the lead partners of the consulting firm of their conclusions to the full Board of Directors.

C.1.18 For the years in which the assessment has been assisted by an external consultant, explain the business relationships 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 – Korn Ferry – only maintains in force the contract of the Board of Directors and committees to perform the self-assessment.

C.1.19 Indicate the circumstances under which Directors are obliged to resign.

In accordance with the provisions of art. 26 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 or not the Director should continue in office.

Furthermore, according to article 30 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) When they become subject to any of the disqualifications or prohibitions set down in law.

Yes

- 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.

C.1.20 Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

[√]	No
	If applicable, describe the differences.
C.1.21	Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board of Directors.
[]	Yes
[√]	No



[] Yes [√] No			
[1]			
C.1.23 Indicate whether the bylaws or the Board Regulations establish a limited term of office or other stri addition to those legally provided for independent directors, other than that established by law:	, and the second		
[] Yes [√] No			
Directors in favour of other directors, the way this is done and, in particular, the maximum number	Directors in favour of other 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		
Article 17, paragraph four of the Board of Directors Regulation states that:	-		
Directors should attend any meetings that are held in person. However, the directors may grant a proxy to another director. Non-executive direct another non-executive director.	ors may only grant a proxy to		
C.1.25 Indicate the number of meetings the Board of Directors has held during the year. Where applicable, Board has met without the Chairman in attendance. In calculating this number, proxies given with scounted as attendance.			
Number of Board Meetings 12			
Number of Board Meetings not attended by the Chairman			
Indicate the number of meetings held by the coordinating director with the other directors that have without representation by any executive directors:	ve not been attended or		
Number Meetings 2			
Indicate the number of meetings of the Board's different committees have held during the year:			
Number of Audit Committee Meetings 11			
Number of Appointments and Compensation Committee Meetings			
C.1.26 Indicate the number of meetings held by the Board of Directors during the year and provide informattendance:	ation about member		
Number of meetings attended by at least 80% of the directors in person			



% of meetings attended in person of the total votes during the year	98,33
Number of meetings attended by all the directors in person, or by proxy with specific instructions	12
% of votes issued, attended by all the directors in person and proxies with specific instructions, out of all votes during the year	100,00

C.1.27	Indicate whether the individual and consolidated financial statements presented for Board authorisation for issue are
	certified beforehand:

[√]	Yes
[]	No

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 DIRECTOR
MS MARÍA CARMEN PEÑA	CHIEF FINANCIAL OFFICER VISCOFAN GROUP
MR JOSE DOMINGO DE AMPUERO Y OSMA	EXECUTIVE CHAIRMAN

C.1.28 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 15 of the Board Regulations:

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

In addition, Article 6 of the Regulations of the Audit Committee, Functions relating to auditing, states the following:

"g) Supervise the content of the audit reports before issuance and, where appropriate, of the limited review reports of intermediate accounts ensuring that said content and the opinion on the annual accounts are drafted clearly, precisely and without limitations or exceptions by the auditor, explaining them to the shareholders (if any). In this regard, together with the auditor, the Committee must oversee the significant findings derived from its work and, where appropriate, propose to the Board of Directors the measures it deems appropriate to address the shortfalls found by the auditor."

[&]quot;D) In relation to the external auditor:



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.1.29	Is the company Secretary a director?
[]	Yes
[√]	No

Complete if the Secretary is not also a Director:

Name or corporate name of Secretary	Representative
MR JOSE ANTONIO CORTAJARENA	

On 30 July 2019, Mr José Antonio Cortajarena was appointed Secretary of the Board of Directors, replacing Juan María Zuza. The succession has become effective from 1 September 2019 (Relevant event communicated to the CNMV with registration number 280897 and dated 30 July 2019) and has also assumed the secretariat of the Commissions.

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, as well as, if any, mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

- INDEPENDENCE OF THE EXTERNAL AUDITORS

Article 15 of the Board of Directors Regulations, confers upon the Audit Committee the following duties relating to the external auditor:

- D) In relation to the external auditor
- (e) Safeguarding the independence of the auditor, paying particular attention to any circumstances or issues that could jeopardise such independence, including that their remuneration does not compromise their quality or independence, and any others relating to the process of auditing the accounts:
- (i) It shall be ensured that the Company publicly discloses to the CNMV (National Securities Market Commission), as a relevant event, any replacement of the auditor and includes a statement regarding any possible disagreement with the outgoing auditor and the details thereof. If the auditor resigns, then it shall explore the underlying causes.
- (ii) It shall likewise ensure that the Company and the auditor adhere to current regulations safeguarding the independence of auditors, and those governing the provision of non-auditing services and the limits on the concentration of the auditor's business.



- (iii) It shall establish a suitable relationship with the auditor to receive information on matters that may jeopardise the auditor's independence, so that it may be examined by the Committee, and any other matters related to the process of performing the audit, and, where necessary, authorise services that are not forbidden by the provisions of the current regulations.
- (iv) Ensure that the external auditor has a yearly meeting with the Board of Directors in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- (v) 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.
- (vi) Each year, it shall 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.
- INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES

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:

g) Determining the policy on information to shareholders, markets and public opinion.

With regard to analysts and investment banks, the mechanisms envisaged under Article 37 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. This article regulates the following:

Article 37 - 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 by-laws, 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 website 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

C 1.21 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing

C.1.51	auditors:
[]	Yes
[√]	No
	If there has been any disagreement with the outgoing auditor, describe the content thereof:
	Yes
[√]	No
C.1.32	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
[√]	No



[]

[√]

Numb

Yes

No

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

audit committee to explain the content and scope of such reservations or qualifications.

C.1.33 Indicate whether the audit report on the annual financial statements for the previous year contained reservations or

qualifications. If so, indicate the reasons given to the shareholders in the General Shareholders' Meeting by the chairman of the

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the individual and/or consolidated financial statements for the company. 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:			
	Individual	Consolidated	
lumber of consecutive years	3	3	
	Individual	Consolidated	
Number of years audited by current audit firm / number of years the company or its group have been audited (%)	10.34	11.54	
C.1.35 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 [] No			
Description of procedure			
This aspect is regulated by Article 19 of the Board of Direct	ors Regulations. Right to Ir	nformation	
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 notice of meetings shall indicate the items on the agenda upon which the directors must arrive at a decision or resolution or, in urgent cases, the prior consent of the majority of those present shall be required.			
The directors may gather additional information when considered advisable.			
The request shall be channelled through the Secretary of the Board."			
C.1.36 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			
[] No			



	ted in point C.1.19 above				
C.1.37	C.1.37 Indicate whether any member of the Board of Directors has informed the company of any legal suit or court proceedin against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act:				
[]	Yes				
[√]	No				
C.1.38	•	-		ome into force, are amended or conclude ic takeover bid, and its effects.	ed in the event of
No significant agr	reements have been made with these	characteristics.			
C.1.39	between the company and i	ts directors, m are wrongfull	anagers or employed y dismissed or if the	erms for the other cases, and indicate in es that have guarantee or ring-fencing se contractual relationship comes to an en	everance clauses for
	Number of beneficiaries			2	
	Beneficiary type			Description of the agreement	
-	NGO DE AMPUERO Y OSMA D MR JOSÉ ANTONIO CANA IRECTOR		cases provided for i JOSE ANTONIO CA	O DE AMPUERO Y OSMA: Indemnity of n the remuneration policy, with two yea NALES GARCÍA: Indemnity of two years remuneration policy, with two years of n	rs of non-competition MR s' fixed salary for cases
CHAIRMAN ANI	D MR JOSÉ ANTONIO CANA IRECTOR Indicate whether, apart fron	LES GARCÍA n the events p overnance bod	cases provided for i JOSE ANTONIO CA provided for in the rovided for by the re ies: If so, specify the	n the remuneration policy, with two yea NNALES GARCÍA: Indemnity of two years	rs of non-competition MR of fixed salary for cases non-competition. osed to and/or approved
CHAIRMAN ANI	D MR JOSÉ ANTONIO CANA IRECTOR Indicate whether, apart fron by the company or group go	n the events povernance bod	cases provided for i JOSE ANTONIO CA provided for in the rovided for by the re ies: If so, specify the	n the remuneration policy, with two yea NNALES GARCÍA: Indemnity of two years remuneration policy, with two years of n gulations, these contracts must be disclo	rs of non-competition MR of fixed salary for cases non-competition. osed to and/or approved
CHAIRMAN ANI -MANAGING DI	D MR JOSÉ ANTONIO CANA IRECTOR Indicate whether, apart fron by the company or group go	n the events povernance bod	cases provided for i JOSE ANTONIO CA provided for in the rovided for by the re ies: If so, specify the cation:	n the remuneration policy, with two years NALES GARCÍA: Indemnity of two years remuneration policy, with two years of negative gulations, these contracts must be discloprocedures, foreseen assumptions and t	rs of non-competition MR of fixed salary for cases non-competition. osed to and/or approved
CHAIRMAN ANI -MANAGING DI	D MR JOSÉ ANTONIO CANA IRECTOR Indicate whether, apart fron by the company or group go responsible for their approve	n the events povernance bod	cases provided for i JOSE ANTONIO CA provided for in the rovided for by the re ies: If so, specify the ication:	n the remuneration policy, with two years NALES GARCÍA: Indemnity of two years remuneration policy, with two years of negative gulations, these contracts must be discloprocedures, foreseen assumptions and t	rs of non-competition MR of fixed salary for cases non-competition. osed to and/or approved

If so, describe such rules:





C.2. Board of Directors Committees

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

Audit Committee				
Name	Category			
MS LAURA GONZÁLEZ MOLERO	DIRECTOR	INDEPENDENT		
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	CHAIRMAN	INDEPENDENT		
MR JOSE MARÍA ALDECOA SAGASTASOLOA	DIRECTOR	INDEPENDENT		
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	OTHER EXTERNAL		
MR SANTIAGO DOMECQ BOHORQUEZ	DIRECTOR	NOMINEE		

% Executive Directors	0,00
% Proprietary Directors	20.00
% Independent Directors	60.00
% of other external directors	20.00

Explain the committee's duties including, if applicable, those in addition to the duties provided by law, and describe the procedure and organizational and operational rules and summarize the main actions taken during the year. Indicate the most important actions taken during the year for each of the duties, and how these duties (attributed by law, the bylaws or other corporate resolutions) were put into practice.

This point has been answered in section H- OTHER INFORMATION OF INTEREST as the maximum size allowed by the electronic format of the CNMV has been exceeded.

Identify the Directors who has been appointed on the basis of knowledge and experience of accounting or auditing, or both and state the date on which they were appointed as Chairman.

Names of directors with experience	MS LAURA GONZÁLEZ MOLERO / MR IGNACIO MARCO-GARDOQUI IBAÑEZ / MR JOSÉ MARÍA ALDECOA SAGASTASOLOA / MS ÁGATHA ECHEVARRÍA CANALES / MR SANTIAGO DOMÉCQ BOHÓRQUEZ
Date that the chairman was appointed to post	21/04/2016

APPOINTMENTS AND REMUNERATION COMMITTEE			
Name Position Category			
MR JUAN MARCH DE LA LASTRA	DIRECTOR	NOMINEE	

APPOINTMENTS AND REMUNERATION COMMITTEE				
Name Position Category				
JAIME REAL DE ASUA Y ARTECHE	CHAIRMAN	INDEPENDENT		
MR JOSE MARÍA ALDECOA SAGASTASOLOA	DIRECTOR	INDEPENDENT		
MR. NESTOR BASTERRA LARROUDÉ	DIRECTOR	OTHER EXTERNAL		

% Executive Directors	0,00
% Proprietary Directors	25.00
% Independent Directors	50.00
% of other external directors	25.00

Explain the committee's duties including, if applicable, those in addition to the duties provided by law, and describe the procedure and organizational and operational rules and summarize the main actions taken during the year. Indicate the most important actions taken during the year for each of the duties, and how these duties (attributed by law, the bylaws or other corporate resolutions) were put into practice.

This point has been answered in section H- OTHER INFORMATION OF INTEREST as the maximum size allowed by the electronic format of the CNMV has been exceeded.

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

		Number of female directors						
	Year 2019 Year 2018		Year 2017		Year 2016			
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITEE	2	40.00	2	40.00	0	0.00	0	0.00
APPOINTMENTS AND REMUNERATION COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 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 AUDIT COMMITTEE

Short description

It is regulated in article 33 of the Company Bylaws, registered in the Commercial Register and published on the company's website (www.viscofan.com) en forma de texto consolidado recogiendo todas las disposiciones vigentes.

It is similarly governed by Article 15 of the Regulations of the Board of Directors, which are available from the company's website and is duly filed with the Spanish CNMV and with the Companies Registry. In addition, the Audit Committee has an organisational and operational regulation that is available on the corporate website.

The Committee drafts an annual report of activities whose summary is included in point C.2.1.



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

The Committee also drafts a report on auditor independence and a report on related transactions, which are made available to the shareholders.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Short description

It is regulated in article 33 of the Company By-Laws, registered in the Commercial Register and published on the company's website in consolidated text including all the current availabilities.

It is similarly governed by Article 16 of the Regulations of the Board of Directors, which are available from the company's website and is duly filed with the Spanish CNMV and with the Companies Registry. In addition, the Appointments and Remuneration Audit Committee has an organisational and operational regulation that is available on the corporate website.

The Committee drafts an annual report of activities whose summary is included in point C.2.1

At the same time, the chairman of the Committee presented to the General Shareholders' Meeting a summary of his annual activity report.



D. RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

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

f) The transactions that the Company conducts with directors, with major shareholders or representatives in the Board, or with persons related to them ("related-party transactions").

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

- $1\cdot$. They are governed by standard agreements applied across the board to a large number of clients;
- 2-. That they be executed at prices or rates that are laid down generally by a party acting as supplier of the goods or service in question;
- 3. The amount thereof is no more than 1% of the Company's annual revenue.

The Board shall approve related-party transactions following a favourable report from the Audit Committee. Any directors who are involved, or who represent/are associated with the shareholders involved, must refrain from taking part in the deliberation and voting on the resolution in question.

Also, in accordance with article 529.b Section 2. Non-delegable powers of the Board of Directors under the Corporate Enterprises Act: "Under urgent circumstances for which due justification is provided, the decisions corresponding to the previous matters may be adopted by the delegated bodies or persons, which must be ratified by the Board of Directors held after the adoption of the decision."

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 or corporate name of significant shareholder	Name of the related party (person or company)	Nature of relationship	Nature of transaction	Amount (in thousands of Euros)
CORPORACIÓN FINANCIERA ALBA S.A.	VISCOFAN S.A.	Contractual	Financing agreements: loans	10,000
CORPORACIÓN FINANCIERA ALBA S.A.	VISCOFAN S.A.	Contractual	Interest paid	61
CORPORACIÓN FINANCIERA ALBA S.A.	VISCOFAN S.A.	Contractual	Other	213

The loan was arranged with Banca March S.A., an entity related to Corporación Financiera Alba S.A., and replaces the previous loan of 5,000 thousand euros arranged with Banca March S.A.



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 or corporate name of director or senior manager	Name or corporate name of related party	Relationship	Nature of the transaction	Amount (in thousands of Euros)
N/D				N/A

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:

Corporate name of the group company	Brief description of the transaction	Amount (in thousands of Euros)
N/D		N/A

D.5. List any significant transactions carried out between the company or group of companies and with related parties that have not been reported in the previous sections.

Corporate name of the related party	Brief description of the transaction	Amount (in thousands of Euros)	
N/D		N/A	

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

This point has been answered in section H- OTHER INFORMATION OF INTEREST as the maximum size allowed by the electronic format of the CNMV has been exceeded.

7	Are more than	one of the	Group's com	naniec listed i	n Snain ac	nublich	i traded c	omnanies?
J./.	ALC HIGH GHAN	OHC OF THE	GIOUP 3 COIII	ו שלו וכש נושנכם ו	ii opaiii as	publicly	, tiaded c	orripariics:

[] Yes [√] No



E. RISK CONTROL SYSTEMS

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

This point has been answered in section H- OTHER INFORMATION OF INTEREST as the maximum size allowed by the electronic format of the CNMV has been exceeded.

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

Name of the committee or body: BOARD OF DIRECTORS Description of duties:

In powers", the risk control and management policy and the periodic monitoring of internal information accordance with Art. 5 of the Company Board of Directors Regulations, 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 duties:

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 duties:

One of its objectives is the identification and assessment of any type of risk faced by the Organisation, providing assurance on the degree of internal control 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. It has a broad presence on specific risk Committees: Global Risk Committee, Credit Risk Committee and the Investment Committee.

Name of the committee or body: ETHICS AND REGULATORY COMPLIANCE COMMITTEE Description of duties:

It is responsible for the implementation and monitoring of the Group's compliance system as defined by the Board of Directors, and for periodically reporting on it to the Audit Committee, as well as for proposing its revision and/or updating. In particular, with respect to the whistleblower channel, it is the body responsible for opening, on its own account or at the request of a third party, the investigation of any situation that may involve a breach of rules and regulations in the Viscofan Group that might give rise to a situation of risk for the Viscofan Group.

Its duties include that of supervising specific risks of the Company in relation with the criminal responsibility or any other regulation incompliance of it and assess, analyse, implement or improve and monitor a system of compliance aimed at avoiding the criminal responsibility on behalf of the Company.

Name of the committee or body: GLOBAL RISK COMMITTEE Description of duties:

It is a collegial body whose purpose is the identification, analysis and review of the main risks affecting the organisation, assessing this exposure, and making recommendations for the actions required to manage the risks within reasonable margins.

Name of the committee or body: CREDIT RISK COMMITTEE Description of duties:

It is established as a supervisory and control body for those risks related to customer payment management. The objective of this Committee is to delve into the prevention, monitoring and solution of the risks mentioned, via the creation and implementation of the instruments considered most appropriate at the time.

Name of the committee or body: INVESTMENT COMMITTEE Description of duties:

Its main purpose 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: CYBERSECURITY COMMITTEE



Description of functions:

It is in charge of defining the strategic objectives of the Group's Cybersecurity, ensuring the secure management of information and assuring the state of protection, as well as periodically monitoring compliance with regulations, risk projects and situations and incidents.

Name of the committee or body: SENIOR MANAGEMENT Description of the duties:

It is responsible for identifying and assessing the risks faced by the Group in the course of its activity and taking appropriate measures to prevent these risks from occurring or, if they do occur, to reduce or eliminate their impact. Therefore, it plays a fundamental role in designing and implementing control mechanisms and ensuring their fulfilment across the organisation.

Name of the committee or body: EMPLOYEES Description of duties:

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 coordinate their actions with the competent bodies at the corporate level.

E.3. Indicate the main risks, including tax risks, and to the extent that those derived from corruption (the latter being within the scope of Royal Decree Law 18/2017) that could affect the attainment of business objectives, are significant.

The inherent risks identified with the highest level of criticality (greater expected impact and greater probability of occurrence) before corrective measures are:

- Competitive environment of the sector. Competitors: The strategies of our competitors could affect our position and, therefore, the achievement of our objectives, especially price drops and greater commercial efforts in certain markets.
- Cybersecurity: 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 increase in Viscofan's visibility in recent years as sector leader and example of best industry practices, due to greater mobility of our human teams and due to the opening up of our industrial environment to the Internet (remote access to entities and persons outside Viscofan). An organisation that is aware of the risk that exists both inside and out of its perimeter can minimise the likelihood of being attacked.
- Exchange rate: It is associated with fluctuations between one currency and another, whereby changes in currency value lead to changes in the valuation of total wealth. Especially due to the fluctuation of the Euro against US\$, given the long exposure of the Viscofan Group to the US currency, with a higher percentage of revenue in US\$ than that of costs.
- Environmental issues: Industrial processes involve the use of natural resources and although the Group is fully aware of its responsibility with respect to the environment, our production processes could involuntarily affect or damage its immediate environment.
- Budget control: The budget process requires several assumptions that are required to set budgets and objectives. Errors or simply variations beyond the expected tolerances can affect the development of the corresponding operational and financial plans.
- Competitive environment of substitute products: The Group operates in a free market where other products may take the place of those offered by Viscofan. This risk is accentuated in the case of lower priced replacement products.
- Workplace accidents: In the activity of Viscofan, especially in its productive activity, there is the possibility of bodily injury of varying severity and even a mortal risk for workers and third parties.
- Customer dissatisfaction: Customer satisfaction is the basis for continuity, stability and loyalty of relationships. It is mainly linked to product quality and to customer-orientation and services provided. Shortcomings in any of these aspects can lead to customer loss.
- Group cohesion: The internationalisation and dispersion of the productive centres could affect the communication and interaction of the people who work there with the rest of the organisation. Likewise, the variety of cultures and countries in which the Group operates is a daily challenge when establishing operational and commercial practices consistent with such diversity.
- Environment and tax compliance: Multinational presence and the large number of commercial transactions and financial operations is subject to regulation and tax regulation in the different countries, which may take back or generate resources for the Group.
- Reputation: Sustainability and creation of value is closely linked to the impact of our business activity, the results obtained and the adaptation to the expectations of our stakeholders and the environment in which they are developed.



- Scarcity of raw materials: The Viscofan Group needs to acquire certain specific raw materials in multiple locations, which means that our production process may be affected in the event of shortages and/or lack of quality in such items. The strategies of our suppliers could also affect our production process.

E.4. Identify if the company has risk tolerance levels, including tax risk.

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 accepted 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 according to the methodology outlined in section E.1 above, 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.

With this data the criticality is determined, to match it with the prevention, mitigation and correction measures to be implemented.

There are Key Risk Indicators (KRIs) defined for each risk whose results are periodically compared against their tolerance thresholds, allowing for defining strategies to respond to the risk based on the observed results.

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.

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

1. Risks occurring during the year: Operational risk. Workplace accident

In September 2019, an occupational accident occurred at the production plant in Cáseda (Spain) in which one worker died and another was seriously injured by gas inhalation.

2. Risks occurring during the year: Strategic risk. Competitive Environment of the sector.

Some of the main competitors have focused their commercial strategies on improving the price conditions for their customers with the aim of increasing their sales volumes, in some cases even at the expense of the profitability of their operations. In addition, an outbreak of African swine fever has spread during the financial year 2019, which has significantly reduced the world's pig population, especially in China and several Asian countries.

As a result, in 2019 the supply has contracted and the price of pork has increased, and has affected the cost structure of our main customers. This situation has also affected the availability of animal casings, thus opening market opportunities for their replacement by collagen.

3. Risks occurring during the year: Operational risks. Strike (continuity of operations)

In the course of the negotiations of the present Collective Bargaining Agreement of the Danville plant in the US, approved and in force until 2022, the workers of the plant went on strike in the month of June, which involved a non-recurring expense of €2.3 million.

The agreement reached incorporates a greater flexibilidad of work and conditions that help to regain the competitiveness of the plant.

4. Risks occurring during the year: Operational risks. Energy

Increase in energy prices and CO2 emission allowances in Europe as a result of regulation and market structure.

E.6. Explain the response and supervision plans for the main risks of the company, including tax risks, and the procedures followed by the company to ensure that the board of directors responds to the new challenges that arise.

The Group's risk response and supervision plans reduce the impact of a risk, the probability of occurrence, or both. Therefore, the inherent risk map becomes a residual risk map, which shows the significance of the risks once the prevention, mitigation or correction measures have been taken on the detected risks. Specifically, and in reference to the Group's most significant risks, such plans and actions consist of:

- Competitive environment of the sector. Competitors: Product prices have been revised to reflect the conditions observed in the raw materials market, comparing our rates comparatively with respect to competitors and reinforcing both our confidentiality protocols and the protection of our production processes and intellectual property. Specific projects have been reinforced by expanding the portfolio of products that aim to improve levels of service, quality and productivity that entails a greater protection of the market share, and even capitalise on the shortage of animal casings to substitute them with Viscofan products.
- Cybersecurity: Procedures and tools that better mitigate the risk of being victim to a cyber-attack have been deployed, beginning with the creation in 2018 of the Cybersecurity Committee, providing its corresponding organisation and action plan, maintaining and improving the business recovery plans in case of incidence, including the separation of networks, support for access regulation or penetration tests and updating policies, including the access control policy.
- Exchange rate: The Group remains attentive to business opportunities and the hedging of exchange rates available in each of the currencies in which it works, refusing to carry out these types of transactions in a speculative manner.



- Environmental issues: Now that the policy has been approved and implemented, the Group is continuing with its strategic certifications plan, which are essential for its activity, such as ISO 50001, ISO 14001. Additionally, specific projects have been established where management and / or supervision improvement activities are required due to well-regulated business circumstances, and finally, contracting policies that cover us for unplanned circumstances.
- Budget control: Further investment has been made in the team in charge of this function, improving the information systems, establishing new multiannual planning and intensifying the continuous monitoring of the process and its results.
- Competitive environment of substitute products: True to its vocation of leadership, the Group continues to invest in areas that allow it to obtain a competitive advantage over its competitors in both quality and price, while also intensifying market observation so as to learn about innovations that has to offer in advance.
- Workplace accidents: There is an action plan for occupational safety that includes, among other things, training, communication, and specific investments in safety to reduce the
- Customer dissatisfaction: Customer care and follow-up protocols are continuously improved, such as satisfaction surveys, the visiting procedure, the follow-up of complaints, and encouraging all the areas that at one time or another have contact with customers to work together as a team.
- Group cohesion: The Group encourages the establishment of international multicultural projects, the implementation of cohesion activities, both professional and by areas, the creation of high-performance teams, exchanges between centres to learn about and disseminate best practices, etc.
- Environment and tax compliance: The international presence of the Group means that it operates under tax systems with different obligations, schedules and standards, which is why it has invested in tools that allow us to better understand the peculiarities of the countries in which we operate so as to be able to reasonably comply with our tax obligations.
- Reputation: The news and responses from different stakeholders on relevant aspects are monitored in order to identify areas where there is a greater dispersion between expectations and results, as well as compliance with the code of conduct and the policies that have been implemented.
- Scarcity of raw materials: The Group continues with its supplier diversification policy, which allows for alternative sources of supply for each material, and collaborates intensively with suppliers with whom we are developing initiatives or processes in the same line as mentioned above.

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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:

F.1.1 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.

The Board of Directors of the Viscofan Group has the exclusive power to review the risk control and management policy, as well as the periodic monitoring of the internal information and control systems. The Corporate Finance area is responsible for the implementation and supervision of the ICFR. In addition, all other Group Departments are to cooperate in the dissemination of the ICFR within their area of responsibility. As such, each Department shall be responsible for applying the controls corresponding to their area and for coordinating with the other departments in applying the ICFR.

In accordance with Article 15.c. of the Regulations of the Board of Directors, the Audit Committee is in charge of supervising the effectiveness of the company's internal control, internal audit and risk management systems. This point mentions that the Committee's powers include supervising the process of preparing and presenting the mandatory financial information on the Company and the Group.

- 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.

In the first instance, the Board of Directors, as established in its own Regulations, is responsible for approving the definition of the corporate structure. In addition, at the proposal of the chief executive, the Board decides on the appointment and removal of senior executives.

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 is via the corporate Human Resources Management platform and the corporate intranet, with the current organisation charts of each company and any major changes being managed and published on the latter

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 ICFR 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.

 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 Ethics and 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 in force in the Viscofan Group was approved by the Board of Directors at its meeting held on 29 February 2012. This Code of Conduct contains a set of general ethical principles and guidelines, including for the preparation of financial information:

"All Viscofan Group financial transactions shall be recorded clearly and accurately in the corresponding registers in accordance with the ethical principles and general rules of conduct contained in this Code, in addition to the following specific principles:

- Veracity: it shall be a true reflection of the situation of each individual company and of the Group as a whole.
- Integrity: it shall reflect the overall financial situation, i.e., it shall be unabridged, complete and without omissions that could lead to a biased or partial view.
- Uniformity: it shall be drafted, prepared and conveyed in accordance with the same criteria in all Group companies.
- Authorisation: shall be previously authorised and instructed in the financial policies and principles of the Viscofan Group."

Viscofan communicates and makes available the content of the Code of Conduct on its website, www.viscofan.com. Also, the Human Resources Department is responsible for the "Induction Procedure", by which each new employee is provided with a copy of the Code of Conduct and the policies making up 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. Lastly, each employee formally confirms their knowledge and understanding of these policies.

Additionally, each of the Group companies has a Local Compliance Supervisor appointed by the Board of Directors who is in charge of monitoring the Group's Compliance System and ensuring all local employees, technicians and managers receive the necessary training.

This Ethics and Compliance system, including the Internal Control of Financial Reporting policy, has been widely disseminated and is available to employees on the Group Intranet

The Board of Directors ensures the correct application of the Code of Conduct, and responds to any situations of conflict that arise and can take the necessary measures that have been established to deal with non-compliance. To this end, the Board of Directors will be assisted by the Ethics and Compliance Committee, the body responsible for supervising/monitoring compliance with the Code of Conduct.

· 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 15 of the Board of Directors 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."

For such purpose, a whistle-blowing channel has been implemented and is operational, 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 ethics and 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, while guaranteeing the confidentiality of communications.

The Audit Committee has delegated the creation and management of this Whistle-blowing Channel to the Ethics and Compliance Committee. In particular, Article 10 of the Audit Committee Regulations, Functions related to the Ethics and Compliance Committee, is as follows:

"Oversee the effectiveness and operation of the Ethics and Compliance Committee and for this purpose, receive regular information on compliance with the Internal Code of Conduct and the Code of Conduct, and in particular, on the mechanism (complaint channel) that allows employees to confidentially report possible irregularities of potential significance..."

· 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 personnel involved in the preparation and review of financial information for training específica aimed at meeting the specific needs of each individual or, where appropriate, a department, external training actions are combined for the updating of standards and accounting knowledge, with internal training, mainly focused on the dissemination of policies and procedures, and on the implementation of internal controls included in the ICFR.

In order to better carry out their duties, in 2019 the Group's Taxation Manager attended a Master's Degree in Taxation taught by Garrigues, and the Transfer Pricing Manager attended a course on taxation of related-party transactions and transfer pricing taught by ESIIF (International School of Finance).

Furthermore, the employees of the Internal Audit department follow the guidelines of the Spanish Institute of Internal Auditors of which Viscofan is a member, which suggests that they should receive 40 hours of training annually. In addition, those members of the department who do not yet have it have begun training with the aim of obtaining the Internal Auditors Certificate.

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 ICFR is working and identify risk areas for which additional controls should be incorporated into the system.

This year, they worked on the identification of the key controls, as well as reviewing the text of the control, its objective and its periodicity.

Every month, the Corporate Finance Department monitors compliance in the execution of controls of each subsidiary and reports these execution statistics to the Audit Committee on a quarterly basis. The Internal Audit Division also informs the Audit Committee on a quarterly basis of the main incidents identified in the period, together with a risk assessment based on qualitative criteria 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:
- a) Validity: All transactions generated in the period are valid.
- b) Integrity: All transactions have been recorded correctly.
- c) Registry: All transactions have been accurately entered into the accounts.
- d) Cut-off: All transactions recorded represent economic events that occurred during the period in question; transactions are recorded in the corresponding period.
- e) Assessment: Assets and liabilities are correctly valued (they appropriately reflect the existing circumstances of the business and its financial conditions).
- f) 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 list of risks for each process (affecting the preparation of financial information), 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 of Directors Regulations, the Board shall be exclusively responsible for defining the structure of the corporate group. In turn, the Audit Committee shall oversee the appropriate scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures and 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 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 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 15 of these same Regulations, the Audit Committee is responsible for informing the Board, prior to it making the corresponding decisions in this area.

· 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.

The process of identificación of risks of error or fraud in financial information takes into account the effects of other types of risks insofar as they affect the financial statements, risks that are assessed and managed as described in Section E of this report.

· Which of the entity's governance bodies supervises the process:

Article 15 of the Viscofan Board of Directors Regulations assigns the Audit Committee the role of monitoring the risk management carried out by the Group.

"Reviewing the internal control and risk management systems, including tax risks, so that the main risks can be correctly identified, managed and properly reported."

In addition, as described in section E of this report, all departments of the organisation, including the Internal Audit Department, collaborate with the Audit Committee through the Global Risk Committee, continuously identifying and assessing the risks faced by the organisation.

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F.3. Control activities.

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

F.3.1 Procedures for reviewing and authorising financial information and the description of the ICFR, to be published in the stock markets, indicating those in charge, as well as descriptive documentation of the activity and control flows (including those related to fraud risk) of the various types of transactions that may materially affect the financial statements, including the procedure for closing the accounts and the specific review of key 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 Reporting, the Corporate Finance Division is responsible for the design, start-up and dissemination of the ICFR, 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 assessing the ICFR.

To do so, 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 ICFR 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 2019, ongoing progress has been made in the preparation of documents describing the objectives of each control, the improvement and standardisation of evidence provided by the various subsidiaries and the streamlining of the controls of certain functional areas (mainly commercial) to make them more effective.

A document has been drafted detailing "The Internal Risk Management and Control Systems" implemented in Viscofan, explaining the set of measures and controls that allow assurance to be given on financial closings, as well as narratives and flow charts related to the local procedure for closing accounts, with the corporate ICFR review process and the operations of the various existing committees.

At local level, each subsidiary has a person responsible for the ICFR, 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 accounting 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 of Directors Regulations.

"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. Reviewing, analysing and discussing the financial statements and other relevant financial information with the senior management team and the internal and external auditors as 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."

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

The Committee 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.
- IT Security 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 the Password Policy.
- Management of access to any computer system or network shall comply with the provisions of the IT Profile Access Authorisation Policy. 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 a main Data Processing Centre (CPD). In a second CPD the secondary infrastructure is housed to ensure the continuity of the service in case of disaster.

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.

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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 Viscofan Group assigns to independent expert third parties the actuarial calculations on labour liabilities and the calculation of the Corporate Tax of one of the Group companies, as well as the performing of PPA (Purchase Price Allocation) processes in the purchases of new businesses.

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

In line with the evolution of technology, housing and maintenance services are contracted for the Group's main data centres, as well as plans that ensure business continuity in the event of computer incidents. Outsourced services are periodically monitored by checking the critical management indicators. A validation service has been implemented for cloud services offered by software companies for the access and use of their applications.

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 smooth 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 Reporting.

The accounting 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.

The manuals are reviewed by the person responsible for Consolidation, at least annually, generally during the months of November and/or December. The perimeter is updated and new legal regulations applicable to the Group are incorporated. The documents are issued in Spanish and English. The latest update to the Group's accounting policy manual was in November 2019.

In addition, regular account coordination meetings are held to transmit accounting policies, provide training in the performance of the controls included in the ICFR 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

As an additional control measure, the controlling team ensures that at year-end, the accounting balances of the consolidation system coincide with the accounting balances of the financial modules of each subsidiary to ensure that the origin and destination information is the same.



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.

As noted in Article 8 of the Regulations of the Audit Committee, one of the main functions is to supervise the process of preparation, presentation and integrity of the economic and financial information relating to the Company and its consolidated Group, reviewing the correct design of the ICFR, compliance with regulatory requirements and the correct application of generally accepted accounting principles.

Reporting directly to the Audit Committee is the Viscofan Group's Internal Audit Department, whose scope of work is to determine whether the Viscofan Group's risk management and control, designed and operated by Management, are adequate and functioning in a manner that ensures that, among other things, significant financial, management and operational information is accurate, reliable and is available in a timely manner.

During the financial year of 2019, the Internal Audit work plan specifically focussed on:

- Participation in the Investment Committee, overseeing its activity. In 2019, the Investment Committee held four meetings, coinciding with the quarterly financial closures.

Investments are strictly monitored at all subsidiaries. A report is issued every month and emailed 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 its activity, particularly with regard to credit risk coverage levels and the principal accounts receivable. The Credit Risk Committee met during the year on four occasions.

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. The default rate was maintained at a level considered satisfactory by the organisation.

- Participation in the Global Risk Committee previously described, performing the reassessment and the redefinition of some risks of the Risk Map already existing (defined in 2016 based on the new strategic plan for the period from 2016-2020, MORE TO BE), performing a redefinition of all the KRIs associated to each of these risks and performing, also, a monitoring of the values of these KRIs.

The Committee met four times throughout this year.

- The quarterly assessment of the ICFR, reviewing 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 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.
- The review of different processes in various national and international subsidiaries in compliance with the annual Audit Plan approved for 2019.
- The monitoring of the implementation of the recommendations arising from the reviews of the different processes audited in the past. To do so, it has a monitoring tool of the Internal Audit recommendations, with the creation of reports for Top Management.



On a quarterly basis, the Internal Audit team carries out an independent review of the effectiveness of the different controls implemented in the ICFR platform. Subsequently, these conclusions are discussed with the Corporate Finance Department as the head of the System, agreeing on action plans to correct any found shortcomings. Subsequently, these conclusions reached are forwarded to the Audit Committee prior to the approval of the financial information to be published, for its consideration.

The Internal Audit activity is considered satisfactory, thanks mainly to the high rate of application of the improvements and recommendations carried out to resolve the incidents detected.

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.

The Audit Committee has Regulations that conform to the law and to internal corporate governance rules. The Regulations implement and supplement the rules of the Bylaws and the Regulations of the Board of Directors applicable to the Committee.

Art. 6 of these Regulations describes the different functions of the Committee regarding the external auditors, and among others the following functions are indicated;

- Supervise the results of each audit and the management team's responses to its recommendations.
- Supervise the content of the audit reports before issuance and, where appropriate, of the limited review reports of intermediate accounts ensuring that said content and the opinion on the annual accounts are drafted clearly, precisely and without limitations or exceptions by the auditor, explaining them to the shareholders (if any). In this regard, together with the auditor, the Committee must oversee the significant findings derived from its work and, where appropriate, propose to the Board of Directors the measures it deems appropriate to address the shortfalls found by the auditor.
- Assess whether the relationships and collaboration of senior management and the financial department with the auditor has been suitable for the performance of the audit functions.

Art. 7 of these Regulations describes the different functions of the Committee regarding the internal auditors, and among others the following functions are indicated;

- Receive regular information on the activities carried out by the Internal Audit Department of Viscofan and the companies of its Group, and specifically on the execution of the annual work plan, the incidents found and the annual report containing a summary of the activities.
- Ensure that senior managers take into account the conclusions and recommendations of the reports of the Internal Audit Department.

F.6. Other significant 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.

The information of the ICFR has been submitted for review by our external auditors, PwC, in accordance with the Professional Performance Guide and the Auditor's Report model referring to the information related to the ICFR of listed entities as established in Circular 5/2013. of June 12, 2013 of the CNMV subsequently amended by CNMV circular no. 7/2015 dated December 22, 2015 and CNMV circular 2/2018 of June 12, 2018.



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.

Sh sh nc

areho	-	nvestors and the marke		-	·	d be given of the reasons so that the pany works. General explanations will				
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.								
		Compliant [X]	Explain []							
2.	When	n a dominant and a subs	sidiary company are both	n listed, they shoul	d provide detailed discl	osure on:				
	a)	The activity they eng group companies.	gage in and any business o	dealings between	them, as well as betwee	en the listed subsidiary and other				
	b)	The mechanisms in p	olace to resolve possible o	conflicts of interes	t.					
		Compliant []	Partially compliant []	Explain []	Not applicable [X]				
3.	releva		oany's corporate governa			ders in sufficient detail of the most on circulated in the annual corporate				
	a)	Changes taking place	e since the previous annu	al general meeting	g.					
	b)	The specific reasons procedures followed		owing a given Goo	od Governance Code red	commendation and any alternative				
		Compliant [X]	Partially compliant []	Explain []					
4.		advisors that complies				areholders, institutional investors and ment to shareholders in the same				
		•	ed on the company's web those charged with its im	•	th details of how it has	been put into practice and the identitie	!S O			
		Compliant [X]	Partially compliant []	Explain []					



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.						
						vithout pre-emptive subscription rights, the company should isaged in company legislation.	
		Compliant [X]	Partially compliant []	Explain []	
6.				the following reports on meeting, even if their d	-	npulsory basis should publish them on their website well in bligatory:	
	a)	Report on au	uditor inde	ependence.			
	b)	Reviews of t	he operati	on of the audit commit	ttee and the nomina	ation and remuneration committee.	
	c)	Audit comm	ittee repo	rt on third-party transa	actions.		
	d)	Report on co	orporate so	ocial responsibility polic	су.		
		Compliant [x]	Partially compliant []	Explain []	
				n analysis of the corporate soo general shareholders' meeting		is included in the Non-Financial Statement section. This report is published on the	
7.	The co	mpany should	d broadcas	t its general meetings l	live on the corporat	e website.	
		Compliant []	Explain [X]			
shareh remot throug	nolders' pa ely using t gh the mea	rticipation in the (he methods enabl	General Share led for such p ay of the atte	eholder's Meeting, which is cor ourpose, so the company prefe ndance bonus and providing sl	nfirmed by the high numers to allocate the resource	smaller company is not the most appropriate measure to facilitate ober of shareholders who are physically present at the meeting or who attend ces that would be allocated to this transmission to encouraging participation h information as possible by making available a large amount of information	
8.	withou	ut limitations o	or qualifica	ations in the auditor's re	eport. In the except	can present the company's accounts to the general meeting cional case that qualifications exist, both the chairman of the olders of their scope and content.	
		Compliant [x]	Partially compliant []	Explain []	



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 c	·	ures should encourage sha	areholders to attend	and exercise their rights a	and be applied in a non-discriminatory		
		Compliant [X]	Partially compliant []	Explain []			
10.		an accredited sharehompany should:	older exercises the right to	supplement the ag	enda or submit new propo	osals prior to the general meeting,		
	a)	Immediately circula	te the supplementary iten	ns and new proposa	ls.			
	b)		of attendance card or propososals can be voted on in t			nodified so that new agenda items ard of directors.		
	c)		or alternative proposals to cular regard to presumption		_	r those submitted by the board of s.		
	d)	After the general me	eeting, disclose the break	down of votes on su	ch supplementary items o	r alternative proposals.		
		Compliant []	Partially compliant []	Explain []	Not applicable [X]		
11.	In the		/ plans to pay for attendar	nce at the general m	eeting, it should first esta	blish a general, long-term policy in		
		Compliant [X]	Partially compliant []	Explain []	Not applicable []		
12.	shareh	olders in the same po		I at all times by the	company's best interest, ι	, according the same treatment to all inderstood as the creation of ic value.		
	faith, e legitim	ethics and respect for	commonly accepted custonployees, suppliers, clients	oms and good pract	ices, but also strive to reco	elf according to principles of good oncile its own interests with the mpact of its activities on the broader		
		Compliant [X]	Partially compliant []	Explain []			



13.			I have an optimal size to dingly between five and	•	nt functioning and maximize par	ticipation. The
		Compliant [X]	Explain []			
14.	The bo	oard of directors should	approve a director selec	ction policy that:		
	a)	Is concrete and verifia	able.			
	b)	Ensures that the appo	ointment or re-election p	proposals are based	on a prior analysis of the board's	s needs.
	c)	Favours a diversity of	knowledge, experience	and gender.		
				•	e nomination committee's explaintment and re-election of each	
		irector selection policy sethe year 2020.	should pursue the goal o	of having at least 30°	% of total board places occupiec	d by women directors
		ppointments committee al corporate governance		heck on compliance	with the director selection polic	cy and set out its findings in the
		Compliant [X]	Partially compliant []	Explain []	
15.		ors should be the minin			on the board of directors, while y of the corporate group and the	
		Compliant [X]	Partially compliant [1	Explain []	
16.		•	irectors out of all non-ex nolders they represent an		nould be no greater than the pro the company's capital.	portion between the
	This c	riterion can be relaxed:				
	a)	In large cap companie	es where few or no equit	y stakes attain the l	egal threshold for significant sha	areholdings.
	b)	In companies with a p	olurality of shareholders	represented on the	board but not otherwise related	
		Compliant [X]	Explain []			



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

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% of capital, independent directors should occupy, at least, a third of the total number of directors.

Compliant [] Explain [X]

The company considers that it complies with recommendation 17 in accordance with the principle of proportionality among shareholder participation and representation in the board of directors, according to which, the relationship between proprietary directors and independent directors must reflect the relationship between the percentage of capital represented in the board of directors by the proprietary directors and the rest of the capital. In the Code of Good Governance of the listed companies published by the CNMV, it specifically indicates that this proportional principle is not, however, an exact mathematic rule, but rather an approximate rule whose objective is to ensure that the independent directors have a sufficient weight in the board of directors and that no significant shareholder exercises a disproportionate influence in relation to their participation in the capital.

In this text it also clarifies that in certain situations it is considered that this percentage could be excessive and it is recommended to mitigate the application of this rule respect to those that however, do not have an elevated capitalisation considering as a reference those companies not included in the IBEX-35 index to those that would become excessively onerous the compliance of this rule, however respect to the companies in whose share ownership shareholders have presence that individually or together with others maintain an elevated percentage of its capital. For these cases it is recommended a percentage of, at least, one third.

In this sense, it is worth noting that in accordance with the principle of the standard, the inclusion in the Ibex can be used as a reference, but not as a mathematic demand, given that considering the inclusion in a reference index defined by a private institution that could be reviewed every quarter should not have been the principle of complying with or explaining for which the companies are governed their long-term corporate governance, but a reference. In this sense, the law and the code indicate as a quantitative objective criterion an elevated capitalisation and Viscofan is not included as a reference in the funds that they invest in companies of high capitalisation both in the national market and foreign investors, which are considered high capitalisation given a versatile capitalisation greater than 10 billion euros.

It is worth remembering that the criteria of including in the Ibex index are not exclusively of capitalisation, but that also influence the liquidity of the value, having companies with capitalisation greater than Viscofan that is not included in this index. However, despite all these considerations, and including even though a foreign decision to the Company, outside the scope of their control that could have as a purpose modifying the monitoring of the recommendations within the same fiscal year without the possibility of doing nothing to the respect, as in this case, the Code of good governance of the companies listed approved by Agreement of the Board of the National Stock Market Committee (CNMV) on 18 February 2015, establishes that the inclusion in the IBEX is the determining criteria regardless of the data objective of capitalisation, and in this sense, the Company does not follow the recommendation that the independent directors represent half of the board even considers that for its capitalisation should fulfil the recommendation that the number of independent directors must represent, at last, a third of the total directors. The Company fulfils this recommendation.

Moreover, the Company considers that the special characteristics of its activity and industrial sector, in which a high degree of specialisation and specific knowledge in areas are required that are not at the scope of persons outside this sector, making it suitable to ensure that the Board maintains sufficient presence of directors with a lot of experience that can guarantee an appropriate development of the Board's duties, especially in relation to the company's strategy and a continuity in that knowledge.

The temporary limitation of the independent directors does not allow guaranteeing this continued presence and the Company considers that it must combine both needs, above all to the view of the requirement for the companies that do not have a high capitalisation in accordance with the generally accepted criteria.



10.	Compa	anies should disclose the following director particulars on their websites and keep them regularly updated.								
	a)	Background and pr	Background and professional experience.							
	b)	Directorships held	in other companies, listed o	or otherwise, and ot	her paid activities they en	gage in, of whatever nature.				
	c)	Statement of the drepresent or have l		belong, in the case	of proprietary directors inc	dicating the shareholder they				
	d)	Dates of their first	appointment as a director	and subsequent re-e	lections.					
	e)	Shares held in the	company, and any options	on the same.						
		Compliant [X]	Partially compliant []	Explain []					
19.	appoin reques	tment of nominee d	irectors at the urging of sh	areholders controllir	ng less than 3% of capital;	d disclose the reasons for the and explain any rejection of a formal thers applying successfully for a				
		Compliant []	Partially compliant []	Explain []	Not applicable [X]				
20.	shareh	olders reduce their s d accordingly.	takes, thereby losing some	of their entitlemen	t to nominee directors, the	o interest in its entirety. If such e latters' number should be				
		Compliant [X]	Partially compliant []	Explain []	Not applicable []				

CNMV COMISIÓN NACIONAL DEL MERCADO DE VALORES

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 director, 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.									
	Compliant [X] Explain []									
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.									
	Compliant [X] Partially compliant [] Explain []									
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 relevant 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 should also apply to the secretary of the board of directors, whether a director or otherwise.									
	Compliant [X] Partially compliant [] Explain [] Not applicable []									



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.								
	Compliant []	Partially compliant []	Explain []	Not applicable [X]					
25.	The nomination committee responsibilities effectively.	e should ensure that non-executive	directors have sufficient time avail	lable to discharge their					
	The board of directors regu	lations should lay down the maxin	num number of company boards or	n which directors can serve.					
	Compliant [X]	Partially compliant []	Explain []						
26.			erly perform its functions, eight tim ch director may propose the additio	nes a year at least, in accordance with a on of initially unscheduled items.					
	Compliant [X]	Partially compliant []	Explain []						
27.		•	antified in the Annual Corporate Go tion with the appropriate instruction Explain []	•					
	Compliant[X]	r artially compliant []	Explain[]						
28.			proposal or, in the case of director ld be recorded in the minute book	rs, about the company's performance, if the person expressing them so					
	Compliant [X]	Partially compliant []	Explain []	Not applicable []					
29.		de suitable channels for directors to cance at the company's expense.	o obtain the advice they need to ca	rry out their duties, extending if					
	Compliant [X]	Partially compliant []	Explain []						
30.	Regardless of the knowledg circumstances so advise.	ge directors must possess to carry o	out their duties, they should also be	e offered refresher programmes when					
	Compliant [X]	Explain []	Not applicable []						



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, of the majority of directors present, which shall be duly shown in the minutes.							
	Compliant [X]	Partially compliant []	Explain []				
32.	Directors should be regularly agencies on the company ar		in share o	wnership and of the views of ma	ajor shareholders, investors and ra	ting		
	Compliant [X]	Partially compliant []	Explain []				
33.	law and the company's byla coordinate regular evaluation	ws, should prepare and su ons of the board and, when or its proper functioning; e	bmit to the e appropri ensure that r, when cir	e board a schedule of meeting d ate, the company's chief executi sufficient time is given to the di	iddition to the functions assigned ates and agendas; organise and ive officer; exercise leadership of t iscussion of strategic issues, and	-		
34.	following powers over and a give voice to the concerns o	bove those conferred by lf non-executive directors;	aw: chair t maintain o	he board of directors in the abse contacts with investors and shar	ions should grant him or her the ence of the chairman and vice chai eholders to hear their views and d e governance; and coordinate the			
	Compliant [X]	Partially compliant []	Explain []	Not applicable []			
35.	The board secretary should sthe Good Governance Code			ons and decisions are informed l	by the governance recommendation	ons of		
	Compliant [X]	Explain []						



36.	The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weaknesses detected in:									
	a) The quality and efficiency of the board's operation.									
	b)	b) The performance and membership of its committees.								
	c)	The diversity	of board	membership and comp	oetences.					
	d)	The performa	ance of th	e chairman of the boar	rd of directors and th	ne company	's chief executi	ive.		
	e)	The performa	ance and	contribution of individu	ual directors, with pa	rticular atte	ention to the c	hairmen of board committees.		
				nittees should start from f the nomination comm		end the boa	ord of directors,	while that of the board itself		
	_	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.								
	-	_		facilitator or members al corporate governand		up maintair	n with the com	pany or members of its corporate grou	Þ	
	The pr	ocess followed	d and area	s evaluated should be	detailed in the annua	al corporate	governance re	port.		
		Compliant [)	X]	Partially compliant []	Explain []				
37.				e exists, its membership ecretary to the executiv		ss should re	semble that of	the board. The secretary of		
		Compliant []	Partially compliant []	Explain []	Not applicable [X]		
38.				pe kept fully informed I receive a copy of the			decisions made	by the executive committee. To this		
		Compliant []	Partially compliant []	Explain []	Not applicable [X]		
39.							_	o their knowledge and experience eld by independent directors.		
		Compliant [)	X]	Partially compliant []	Explain []				



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.							
	Compliant [X]	Partially compliant []	Explain []					
41.		ng internal audit function should pres sing during its implementation and su	, 0	me to the audit committee, inform it he end of each year.				
	Compliant [X]	Partially compliant []	Explain []	Not applicable []				

CNMV COMISIÓN NACIONAL DEL MERCADO DE VALODES

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

- 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 respect to the external auditor:

Compliant [X]

- 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) To oversee that the company reports, as a relevant event, to the Spanish Securities Market Commission (CNMV) the change of auditor and accompanies it with a declaration on the eventual existence of disagreements with the outgoing auditor and, if any, the content thereof.

Explain []

- 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.

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.

Compliant [X] Partially compliant [] Explain []

Partially compliant []



44.	comn		se the ope	eration and report to th	•	•		e company is planning, so the is and accounting impact and, when
		Compliant [>	<]	Partially compliant []	Explain []	Not applicable []
45.	Risk c	ontrol and man	agement	policy should identify a	at least:			
	a)	legal, social, e	environme		•			operational, technological, financial, al or economic risks of contingent
	b)	The determin	ation of t	he risk level the compa	ny sees as acceptab	le.		
	c)	The measures	s in place	to mitigate the impact	of identified risk ev	ents should t	hey occur.	
	d)	The internal o			be used to control	and manage	the above risks	s, including contingent liabilities
		Compliant [>	()	Partially compliant [1	Explain []		
46.	and u		supervisio	n of the audit committ		_		npany's internal department or units This function should be expressly
	a)			and management systy identified, managed a		g correctly ar	nd, specifically	, that major risks the company is
	b)	Participate ac	ctively in t	he preparation of risk s	strategies and in key	decisions ab	out their man	agement.
	c)	Ensure that ri		and management syst	tems are mitigating	risks effectiv	ely in the fram	ne of the policy drawn up by the
		Compliant [>	<]	Partially compliant [1	Explain []		
47.	separ	ately constitute	d – should		e of knowledge, skill	s and experie		remuneration committee, if nctions they are called on to
		Compliant []	Partially compliant [X	<]	Explain []		
				ration Committee are appoin		ave the knowleds	ge, skills and exper	ience appropriate to the function to be

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48.	Large cap companies should operate separately constituted nomination and remuneration committees.					
		Compliant []	Explain [X]		Not applicable []
with th Board	ne commo of Directo	nly accepted inter	national star the separatio	idards and to the trajectory of	f corporate governance of	I considering Viscofan as a medium capitalisation company in accordance the company. The Company considers that its actual size and that of the gning of greater resources to the Board of Directors to remunerate the
49.		omination Cor ive Directors.	nmittee sl	nould consult with the	company's Chairma	n and chief executive, especially on matters relating to
		there are vaca er suitable.	ncies on t	he board, any Director	may approach the N	lomination Committee to propose candidates that it might
		Compliant []	X]	Partially compliant [1	Explain []
50.	The re	muneration co	mmittee :	should operate indeper	ndently and have the	following functions in addition to those assigned by law:
	a)	Propose to the	ne board t	he standard conditions	for senior officer co	ntracts.
	b)	Monitor com	pliance w	ith the remuneration p	olicy set by the com	pany.
	c)	-	tion, and e	ensure that their individ		or officers, including share-based remuneration systems and sproportionate to the amounts paid to other directors and
	d)	Ensure that o	onflicts o	f interest do not under	mine the independer	nce of any external advice the committee engages.
	e)	Verify the inf			officers' pay contair	ned in corporate documents, including the annual directors'
		Compliant []	X]	Partially compliant [1	Explain []
51.		muneration co			e company's chairma	an and chief executive, especially on matters relating to
		Compliant []	X]	Partially compliant [1	Explain []



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 advice, when they feel it necessary for the discharge of their functions.							
	e)	Meeting proceedings should be recorded in minutes and a copy made available to all directors.							
		Compliant [] Partially compliant [] Explain [] Not applicable [X]							

CNMV COMISIÓN NACIONAL DEL MERCADO DE VALORES

- 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 evaluating the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the interests of the company 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.

Compliant [X]	Partially compliant []	Explain []
20b.:.a[1, 1]	· a. c.a.c. copae []	-xhra[]



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 corpo	orate social responsibility	/ policy and the supp	ort instruments to be deployed.				
	b)	The corporate strate	gy with regard to sustain.	ability, the environn	nent and social issues.				
	c)	Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, tax 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 communand integrity.	nication practices that pr	event the manipulat	ion of information and protect the company's honour				
		Compliant [X]	Partially compliant []	Explain []				
55.		ompany should report on internationally acce			nts in its directors' report or in a separate document, Explain []				
56.					e desired profile and compensate the commitment, abilities and ne independent judgement of non-executive directors.				
		Compliant [X]	Explain []						
57.	acquir	e shares or to be remu		hare price movemen	nnce, the award of shares, options or any other right to ts, and membership of long-term savings schemes such as				
	The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above will not be applicable to shares that the director has to sell to satisfy costs related to their acquisition.								
		Compliant [X]	Partially compliant []	Explain []				



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 parti	cular, variable remuner	ation items should meet	the following cond	itions:		
	a)	Be subject to predeter	mined and measurable p	performance criteria	that factor the	risk assumed to obtain a given outcome.	
	b)	_	•			iteria that are relevant for the company ontrol and management policies.	's long-
	c)	performance-related p	ay rewards ongoing ach	ievement, maintaine	ed over sufficier	g-term objectives, such that t time to appreciate its contribution to ased solely on one-off, occasional or	
		Compliant [X]	Partially compliant []	Explain []	Not applicable []	
59.	-	r part of variable remur nance criteria have effe	·	ould be deferred for	a long enough p	period to ensure that predetermined	
		Compliant [X]	Partially compliant []	Explain []	Not applicable []	
60.		eration linked to compa	any earnings should bea	r in mind any qualifi	cations stated in	the external auditor's report that	
		Compliant [X]	Partially compliant []	Explain []	Not applicable []	
61.	-	r part of executive directs linked to the share price		tion should be linked	d to the award o	f shares or financial instruments whose	
		Compliant [X]	Partially compliant []	Explain []	Not applicable []	
intend	ed for the					roved a Long-Term Incentive Plan for 2019-2021 liance with its objectives, will result in a cash paym	ent

In accordance with the provisions of article 219 of the consolidated text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, and in articles 29.2 of the Bylaws and 32, b) of the Regulations of the Viscofan Board of Directors, the Plan will be submitted, with respect to the Company's executive directors, to be approved by the

next General Shareholders' Meeting, under the terms provided for in current legislation and in the current Director Remuneration Policy.

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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 will not be applica	able to shares that the dire	ctor has to se	ll to satisfy costs related to t	heir acquisition.		
	Compliant [X]	Partially compliant []	Explain []	Not applicable []		
63.	Contractual arrangements sh when payment was out of sto	•	•		e components of remuneration ently found to be misstated.		
	Compliant [X]	Partially compliant []	Explain []	Not applicable []		
64.	Termination payments shoul should not be paid until the o			•	s total annual remuneration and nance criteria.		
	Compliant [X]	Partially compliant []	Explain []	Not applicable []		



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. If applicable, the code in question and the date of accession will be identified. In particular, it will mention whether it has adhered to the Code of Good Tax Practices of 20 July 2010:

Below is the content of the points that could not be answered in their corresponding space because they exceeded the maximum size allowed by the CNMV format:

POINT C.1.16 Indicate procedures for selection, appointment, re-election 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 Bylaws, 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 25 of the Articles of Association: Their appointment of directors will correspond to the General Shareholders meeting in accordance with article 242 of the Capital Companies Act.

Article 26 of the Bylaws states 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 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 as from the date on which they were first appointed.

Article 8 of the Regulations of the Board of Directors states that: The shareholders at the General Shareholders' Meeting or the Board of Directors itself shall appoint the directors in accordance with the provisions of the law.



The Board of Directors must ensure that the procedures to select its members favour the diversity of gender, experience and knowledge and that there is no implicit bias that may involve any 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.

Under no circumstances shall the provisions of the foregoing paragraphs limit the power of the Company's General Shareholders' Meeting or, where applicable, the Board of Directors to re-elect or appoint a specific candidate as a director and, where applicable, it shall only affect his/her possible classification as an independent director.

Furthermore, Article 16 of the Board of Directors Regulations includes the Appointments and Remuneration Committee and sets forth: The mission of the Appointments and

Remunerations Committee, amongst others, will be as follows:

- a) Evaluating the skills, knowledge and experience required by the Board and, as a result, defining the functions and abilities required from candidates who are to cover each vacant position and evaluating the amount of time and dedication required for the effective performance of their duties.
- b) Set a representation target for the least represented sex of the Board of Directors and prepare guidelines on how to achieve this target.
- c) Providing the Board of Directors with proposals for appointing independent directors, for appointment by co-optation or submission for voting at the General Shareholders' Meeting. Submitting proposals for the re-election or removal of these directors.
- d) 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.
- e) Provide information about proposals for appointing and dismissing of senior management and 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.

The removal of directors is governed by the following articles of the Regulations of the Board of Directors: Article 30. Removal of

directors

- Directors shall serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they shall tender their resignations 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 their term of office, whether by resigning or for any other reason, they must explain the reasons for their departure in a letter to be sent to all other members of the Company's Board of Directors.

The departure shall be reported to the CNMV (National Securities Market Commission) as a material event, and the reason for the departure shall be reported in the annual corporate governance report.

Article 31. Directors' Duties after Separation

After leaving 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.2.1. FUNCTIONS OF THE AUDIT COMMITTEE AND ITS MOST IMPORTANT ACTIONS IN THE YEAR



The Audit Committee is regulated by article 15 of the Board Regulations and article 33, section 1 of the Bylaws.

Below is an explanation about article 15 of the Board Regulations, regulating, in the broadest sense, its composition, the appointment and cessation of its members and their principal duties, calling meetings, and formulating and adopting resolutions.

Article 15 - Audit Committee

"There shall be an Audit Committee within the Board of Directors, which shall be composed of a minimum of three and a maximum of six members.

The Audit Committee shall be composed solely of non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors, and its members shall be appointed by the Board of Directors, subject to the legal requirements and a report from the Appointments and Remuneration Committee, with due consideration given to the knowledge, skills and experience in accounting, auditing and risk management of its directors and, above all, its Chairman, and overall, the members of the Committee shall have relevant technical expertise in relation to the sector to which the audited entity belongs.

The members of the Committee shall automatically cease to sit on the Committee when they cease to sit as directors of the Company or at the discretion of the Board of Directors.

Audit Committee members shall appoint a Chairman, selected from the independent directors that form the Committee, who shall be replaced every four years; the Chairman may be re-elected one year after they cease to serve as Chairman.

The Audit Committee will meet whenever convened by its Chairman, by decision of the Board of Directors, or upon the request of the majority of its members.

The Audit Committee shall be quorate with the attendance in person or by proxy of the majority of its members.

Resolutions will be adopted by simple majority vote of the members attending the meeting and the Chairman will have the casting vote.

The Audit Committee shall have the power 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 the aforementioned persons will be bound to cooperate and provide access to any information they may have.

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

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

- A) Reporting to the General Shareholders' Meeting regarding matters that fall within its remit and, in particular, regarding the result of the audit, explaining how this has helped to ensure the integrity of the financial information and the function that the Committee has performed in that process.
- B) Proposing the appointment of the auditor to the Board of Directors, which shall 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) Monitoring the efficiency of the Company's internal control, internal auditing and its risk management.
 - (b) Overseeing the process of preparing and presenting the compulsory financial information relating to the Company and its group, ensuring that the system of internal control of financial reporting (ICFR) is correctly designed and that all legal requirements have been met, and defining an appropriate consolidation perimeter, taking into account, among other aspects, possible complex corporate structures, instrumental or special purpose entities, the correct application of accounting criteria and presenting recommendations or proposals to the administrative body, designed to safeguard their integrity.
 - (c) 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.
 - (d) Review, analyse and discuss 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.
 - (e) Reviewing the internal control and risk management systems, including tax risks, so that the main risks can be correctly identified, managed and properly reported.
 - (f) Discussing with the auditor any significant shortcomings in the internal control system, detected during the audit, without undermining their independence. For such purposes, where appropriate, they may submit recommendations or proposals to the administrative body and respective period for their follow-up.
 - (g) 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, ensuring that their activity focuses primarily on the main risks the Company is exposed to; and receiving periodic information on the results of the work performed, including any incidents that may arise. Likewise, receiving 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 senior management takes into account the conclusions and recommendations set forth in its reports.

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D) With respect to the external auditor:

- (a) Referring to the Board of Directors the proposals for selecting, appointing, re-electing and replacing the auditor, being responsible for the selection process, pursuant to the provisions of the current regulations and the terms of their recruitment, regularly gathering information from them about the audit plan and its implementation, and preserving their independence in the exercise of their duties.
- (b) Ensuring that the accounts prepared by the Board of Directors are put before the General Shareholders' Meeting without qualifications in the associated audit report.
- (c) 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.
- (d) 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.
- (e) Safeguarding the independence of the auditor, paying particular attention to any circumstances or issues that could jeopardise such independence, including that their remuneration does not compromise their quality or independence, and any others relating to the process of auditing the accounts:
- (i) It shall be ensured that the Company publicly discloses to the CNMV (National Securities Market Commission), as a relevant event, any replacement of the auditor and includes a statement regarding any possible disagreement with the outgoing auditor and the details thereof. If the auditor resigns, then it shall explore the underlying causes.
- (ii) It shall likewise ensure that the Company and the auditor adhere to current regulations safeguarding the independence of auditors, and those governing the provision of non-auditing services and the limits on the concentration of the auditor's business.
- (iii) It shall establish a suitable relationship with the auditor to receive information on matters that may jeopardise the auditor's independence, so that it may be examined by the Committee, and any other matters related to the process of performing the audit, and, where necessary, authorise services that are not forbidden by the provisions of the current regulations.
- (iv) Ensure that the external auditor has a yearly meeting with the Board of Directors in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- (v) 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.
- (vi) 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.
- (vii) Ensure that the group's auditor also audits each component group company.
- E) Reporting to the Board, prior to the latter making any respective decisions provided for in current regulations, in the Bylaws and in these Regulations, particularly with regards to:
- (a) The periodic financial information that the Company must publicly disclose, 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) Any structural and corporate modification procedures that are planned by the Company and, specifically, their economic conditions and accounting impact and, where applicable, the proposed exchange ratio.
- (d) Related-party 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) Monitoring the effectiveness and operation of the compliance system.

The duties of the Audit Committee shall be:

- I) Evaluating all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- J) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Summary of its most important actions in 2019 The Audit Committee held 11 meetings in 2019.



Throughout its relationship with its external auditor (PricewaterhouseCoopers, S.L.), it ensured that the financial statements were presented without reservations or qualifications, and with total independence. Whenever the Audit Committee considered it appropriate, it required the presence of members of the management team, the internal audit and external auditors.

As in previous years, the Audit Committee has reviewed and analysed the financial statements of Viscofan S.A. and its Group prior to their presentation to the Board and communication to the CNMV and the securities markets, contained in the annual, half-yearly and quarterly reports, to confirm that this information is reliable, understandable and relevant and that accounting criteria consistent with the previous annual closing have been followed, for which it has had the necessary support from the group's senior management, especially from the areas in charge of the Consolidation and Financial functions, as well as from the Group's external and internal auditors.

Also, the Committee has dealt with issues such as the analysis of the acquisition of Nitta Casings Inc. (now Viscofan Collagen USA Inc.) and Nitta Casings (Canada) Inc. (now Viscofan Collagen Canada Inc.) and the monitoring of the purchase price allocation carried out in accordance with the present legislation.

The Committee analysed and approved the work plan for 2019 drawn up by internal audit, has regularly monitored its implementation and has been directly informed of any incidents in its development.

In relation to Directive 2014/95/EU, its implementing regulations in Spain and Law 11/2018 on non-financial information and diversity, the Committee has monitored the reporting process of this statement of non-financial information.

To better fulfil its functions, the Audit Committee may seek the advice of external professionals. The Audit Committee issues its own annual report of activities, available to the public on the company's website.

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

C.2.1. FUNCTIONS OF THE APPOINTMENTS AND REMUNERATION COMMITTEE AND ITS MOST IMPORTANT ACTIONS IN THE YEAR

The Appointments and Remuneration Committee is regulated in article 33, paragraph 2 of the bylaws and in article 16 of the Regulations of the Board, which identically regulate its composition, the method for the electing and removal of its members and their main functions.

We attach below the content referring to the Board Regulations as a broader and more complete draft of the duties, procedures, organisation and operation rules of the Appointments and Remuneration Committee. Article 16 establishes the following:

The Appointments and Remuneration Committee or Committees shall be composed of a minimum of three and a maximum of six members and they shall be composed solely of non-executive Directors appointed by the Board of Directors. At least two of them must be independent directors.

The members thereof shall be appointed ensuring that they have the right balance of knowledge, skills and experience for the functions they are called on to discharge and they shall automatically step down when they cease to serve as Company directors or at the discretion of the Board of Directors.

The Committee's Chairman shall be selected from the independent directors who sit on the Committee or, as the case may be, each of the Committees.

The Appointments and Remuneration Committee or Committees shall report to the Board of Directors on the business it addresses and all resolutions it adopts and it shall submit the minutes of its meetings to all directors.

The purpose of the Appointments Committee shall be as follows:

- a) Evaluating the skills, knowledge and experience required by the Board and, as a result, defining the functions and abilities required from candidates who are to cover each vacant position and evaluating the amount of time and dedication required for the effective performance of their duties.
- b) Setting a representation target for the least represented sex on the Board of Directors and preparing guidelines on how to achieve this target.
- c) Providing the Board of Directors with proposals for appointing independent directors, for appointment by co-optation or submission for voting at the General Shareholders' Meeting. Submitting proposals for the re-election or removal of these directors.
- d) 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.
- e) Provide information about proposals for appointing and dismissing of senior management and 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.

The Appointments Committee shall consult with the Chairman of the Board of Directors and the Chief Executive Officer of the Company, especially on matters relating to executive directors.

Any director may request that the Appointments Committee consider any potential candidates who they believe to be suitable to cover vacancies on the Board.



- g) Propose to the Board of Directors the remunerations policy of the directors and senior officers, as well as the individual remuneration and the rest of the contractual conditions of the executive directors, and ensure its observance.
- h) Propose to the board the standard conditions for senior officer contracts.
- i) Monitor compliance with the remuneration policy set by the company.
- j) 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.
- k) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- 1) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.
- m) Periodically evaluating the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the interests of the company and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- n) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- o) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- p) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- q) Monitor and evaluate the company's interaction with its stakeholder groups.

The Remuneration Committee shall consult with the Company's Chairman and Chief Executive Officer, especially on matters relating to executive directors and senior managers.

Summary of its most important actions in 2019

The Appointments and Remuneration Committee met on 8 occasions in 2019 and, whenever considered appropriate, the presence of senior management members was requested.

The Committee 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 2019. It was advised by Korn Ferry in the evaluation of the Board and its committees.

It has also analysed the skills, knowledge and experience required in the Board, including updating the skills matrix with the advice of Russel Reynolds. It requested the presence of the Lead Director in order to learn about the concerns of non-executive directors, it submitted to the Board of Directors the proposals and for increasing the number of members of the Board of Directors.

The Appointments and Remuneration Committee, in accordance with the Policy on Selection of Directors and the diversity objectives, considered the suitability of identiying female candidates of the less represented gender and made reports for the proposal of re-election or appointment of Directors at the next General Meeting of Shareholders, whose appointments will be Finally, as regards this section on attracting and retaining talent and guaranteeing its continuity, it reviewed the succession plans for the Chairman, the Managing Director and Senior Management and the talent management policy.

Likewise, the Committee fulfilled its role in relation to the preparation of the Annual Report on the remuneration of directors, as well as in setting and reviewing the objectives to which annual and multi-year variable remuneration is subject, and proposed the new long-term incentive plan that includes new requirements for three-year remuneration, both for directors and for senior management, which includes payment in cash and shares, as well as, in short, the salary policy for senior management.

The Committee assumed its new functions related to the supervision and monitoring of the sustainability of the Viscofan Group, has reviewed the Sustainability Action Plan proposed by the Management for approval by the Board of Directors.

the Committee for work-life balance of employees of the Viscofan Group also reported to this committee.

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

The duty to prevent conflicts of interest is governed in article 26 of the Board of Directors Regulations. It states the following: "The directors shall adopt the measures required to avoid any conflict with the interests of the Company 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 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 resolutions or decisions affecting their capacity as members of the Board, such as their appointment for 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 conflicts of interest involving the directors 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 should continue in office.

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 conflict with the interests of the Company."

The duty to abstain is regulated by Article 27 of the Board of Directors Regulations. It states the following:

"Directors must not use the name of the Company or its related companies, or take advantage of their position to conduct transactions for themselves or related parties.

A director's duty to abstain implies not making personal use of the company's assets, including any confidential information received while fulfilling their role as a director and not making any investments or conducting any commercial transactions related to the fulfillment of said role, for their own gain or that of related third parties.

Directors shall abstain from trading - or suggesting that anyone else trades - in the securities of the Company or its related companies, regarding which they have inside information due to the position they hold.

The directors may not take advantage of the business opportunities of the company and its related companies, obtain advantages or remuneration from third parties, except for mere courtesy services in compliance with current internal regulations."

Moreover, both the duty of loyalty and the duty to avoid conflicts of interest extends to related persons, whose definition is established in Article 28 of the Board of Directors Regulations. Related persons.

"The director's duty of loyalty, of avoiding conflicts of interest and duty to abstain in their various facets, also covers those activities performed by related parties, based on the definition set forth in these Regulations.

For the purpose of these Regulations, 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 entity, then the following shall be understood to be related parties:

- 1) The shareholders who, in relation to the legal entity 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 attorneys-in-fact with general powers of legal entity 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 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 entity administrator."

Article 34 of the Board of Directors Regulations states the following regarding duties in relation to significant shareholders:

"Directors acting on behalf of major shareholders shall ensure that the aforesaid obligations of directors are extended to the shareholders, in addition to any legal obligations and those set out in the Articles of Incorporation.

Any transactions performed with these major shareholders shall be approved by the Board in a plenary session and must be included in the Company's annual report and in the annual corporate governance report and comply with the current legislation."

 $Lastly, Article\,36\ of\ the\ Board\ of\ Directors\ Regulations, regulating\ the\ use\ of\ voting\ by\ proxy, reads\ as\ follows:$

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) Their 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."

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

The risk management system of the Viscofan Group is regulated by the Policy on risk management control approved in 2017, whose object is to establish basic principles and the general framework for acting for the control and risk management of any nature to which the Viscofan Group faces with the purpose of identifying, measuring, preventing and mitigating their possible impact on its activity in the case of occurrence.

This policy establishes that the Group's risk management system should operate in an integral and continuous manner, consolidating such management in the subsidiaries and at the corporate level. To this end, three basic principles are established:

Integration

The risk control and management of the Viscofan Group must guarantee the preventive identification of the different risks that may affect its activity, integrating, coordinating and directing all actions aimed at preventing and mitigating such risks through a system that involves all the companies over which it has effective control, encompassing all employees, including senior management, and the Board of Directors of the Company itself.

The Company's control and risk management 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.

Continuity:

The control and risk management must be reviewed and updated periodically to adjust to the situation of the Viscofan Group at all times in order to guarantee the preventative identification continuously in time and the adaptation to the mitigating measures and information and control systems of the different risk that could affect the evolution of this activity in a changing socio-economic, political and environment in its different geographical locations, as well as the composition of the Viscofan Group over time.

Transparency

Risk control and management must guarantee reliable information to all stakeholders: shareholders, market, employees and the entire company, of the inherent risks to the Viscofan Group and the systems developed for their prevention and mitigation that contributes to the compliance of the growing requirements for information in different areas of the company's activity.

The general policy on control and risk management and their basic principles are materialised via an integral continuous control and risk management system, supported by different internal bodies that have different duties and responsibilities, and by a consistent process, at least, in the following actions:

- a) Identify the main keeping in mind their capacity to adversely affect the creation of sustainable value.
- b) Fix a level of risk that is considered acceptable in accordance with the circumstances of the Viscofan Group at all times via the establishment of tolerances and adopt the means of measurement.
- c) Identify, implement and maintain an integrated control system in the internal regulations of the Viscofan Group identifying or, where applicable, approving the codes, policies and procedures aimed at mitigating the identified risks in case they materialise.
- d) Assess the suitability and efficiency of the control system, its application, as well as its compliance by all the Viscofan Group employees.
- e) Review and, if applicable, adapt and reinforce the compliance system determining specific action plans in the case that the occurrence of one of the main risks negatively affects the creation of long-term sustainable value.

Knowing the location of each risk in the inherent map (that is, without applying the preventive, mitigating and/or corrective measures) and in the residual map (once such measures are applied), as well as its tolerance to risk, requires a continuous dialogue with the stakeholders through the channels established by the company. This system enables the Organisation to measure the effectiveness of the mitigating measures adopted 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 materialising to be lowered.

The Company's Risk Management System is monitored through various instances outlined in point E.2. The Global Risk Committee met four times in 2019 to update the methodology of the Risk Management process and the composition of the risk map. In any event, it is possible that there are additional risks that are not identified and that could also negatively affect the achievement of the Viscofan Group's objectives.



The organisation's risk map has been defined in accordance with the code of conduct, internal regulation and the Strategic Plan MORE TO BE, which encompasses the period from 2016-2020, and is presented adopting the COSO reference framework, grouping the existing risks in four categories:

- 1. Strategy: Those risks that affect the objectives at a high level, aligned with the mission of the Viscofan Group
- 2. Transactions: affect the objectives related to efficient use of resources and continued long-term activity, including reputational risks.
- 3. Information: Those risks that affect the reliability of information supplied and objectives regarding the availability of sufficient capital and resources to carry out the activity and achieve the financial objectives of the company
- 4. Compliance: 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.

The risks wer	e identified under	the same COSO reference framework, and are shown on the Viscofan Group's risk map under qualitative and quantitative parameters.
		rnance report was approved by the Board of Directors of the Company at its meeting of:
_	27/02/2020 Ther any board	members voted against or abstained from voting on approving the present Report.
	[] [√]	Yes No

VISCOFAN, S.A. AND SUBSIDIARIES

FINANCIAL STATEMENTS AND MANAGEMENT REPORT APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT: The Secretary of the Board of Directors, Mr. José Antonio Cortajarena Manchado, hereby certifies that the Board of Directors, at its meeting on February 27, 2020, approved the consolidated financial statements and the consolidated management report for the year ended December 31, 2019, which have been signed by him on each page for identification purposes. The consolidated financial statements comprise the attached documents preceding this certificate.

Mr. José Domingo de Ampuero y Osma Mr. Ignacio Marco-Gardoqui Ibáñez

Chairman Vice Chairman

Ms. Agatha Echevarría Canales Mr. Nestor Basterra Larroudé

Member Member

Mr. José María Aldecoa Sagastasoloa Mr. Jaime Real de Asúa Arteche

Member Member

Mr. José Antonio Canales García Mr. Juan March de la Lastra

Member Member

Mrs. Laura González Molero Mr. Santiago Domecq Bohórquez

Member Member

Secretary of the Board of Directors Mr. José Antonio Cortajarena Manchado