Viscofan
The casing company

Annual Report 2020

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

A los accionistas de Viscofan, S.A.:

Informe sobre las cuentas anuales consolidadas

Opinión

Hemos auditado las cuentas anuales consolidadas de Viscofan, S.A. (la Sociedad dominante) y sus sociedades dependientes (el Grupo), que comprenden el estado de situación financiera a 31 de diciembre de 2020, la cuenta de resultados, el estado del resultado global, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha.

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del Grupo a 31 de diciembre de 2020, así como de sus resultados y flujos de efectivo, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea (NIIF-UE), y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Fundamento de la opinión

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

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

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

Cuestiones clave de la auditoría

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

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Viscofan, S.A. y sociedades dependientes

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría
Reconocimiento de ingresos La partida más significativa de la cuenta de resultados del Grupo es su cifra de ventas y prestación de servicios (nota 20.1 de la memoria consolidada adjunta). Esta partida es un indicador clave de la actividad del Grupo. La cifra de ventas y prestación de servicios del Grupo incluye multitud de transacciones y corresponde, principalmente, a ventas de envolturas artificiales para embutidos y, en menor medida, ventas de producción eléctrica mediante sistemas de cogeneración (nota 1 de la memoria consolidada adjunta). La comprobación de que las ventas se registran de manera adecuada atendiendo a las condiciones de las mismas, es una cuestión clave de nuestra auditoría.	Nuestros procedimientos de auditoría han incluido la validación de la eficacia de los controles del proceso de ventas y procedimientos de comprobación, tales como: • Comprobación del diseño e implantación, así como la eficacia operativa de los controles relevantes que soportan la integridad de las ventas, incluyendo la identificación de los controles manuales y automáticos de los sistemas de información, a lo largo de los procesos de creación de los pedidos, generación de los albaranes y facturación de las ventas. • Realización de pruebas en detalle sobre las operaciones de venta verificando, para una muestra, el adecuado registro de las transacciones mediante documentación soporte de terceros. • Selección y comprobación, en su caso, de los asientos contabilizados en la cifra de negocios que hemos considerado que pudieran dar lugar a partidas inusuales o irregulares. • Obtención de las confirmaciones de los saldos registrados a cierre para una muestra de clientes. • Comprobación de que las ventas se han reconocido en el periodo correcto en función de las condiciones establecidas para una muestra de transacciones. Como resultado de nuestras pruebas no tenemos observaciones relevantes sobre esta cuestión.

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Viscofan, S.A. y sociedades dependientes

Otra información: Informe de gestión consolidado

La otra información comprende exclusivamente el informe de gestión consolidado del ejercicio 2020, cuya formulación es responsabilidad de los administradores de la Sociedad dominante, y no forma parte integrante de las cuentas anuales consolidadas.

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

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

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

Sobre la base del trabajo realizado, según lo descrito anteriormente, hemos comprobado que la información mencionada en el apartado a) anterior se facilita en la forma prevista en la normativa aplicable y que el resto de la información que contiene el informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2020 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Informe sobre otros requerimientos legales y reglamentarios

Formato electrónico único europeo

Hemos examinado los archivos digitales del formato electrónico único europeo (FEUE) de Viscofan, S.A. y sociedades dependientes del ejercicio 2020 que comprenden el archivo XHTML en el que se incluyen las cuentas anuales consolidadas del ejercicio y los ficheros XBRL con el etiquetado realizado por la entidad, que formarán parte del informe financiero anual.

Los administradores de Viscofan, S.A. son responsables de presentar el informe financiero anual del ejercicio 2020 de conformidad con los requerimientos de formato y marcado establecidos en el Reglamento Delegado UE 2019/815, de 17 de diciembre de 2018, de la Comisión Europea (en adelante Reglamento FEUE).

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

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

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Viscofan, S.A. y sociedades dependientes

Informe adicional para la comisión de auditoría de la Sociedad dominante

La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para la comisión de auditoría de la Sociedad dominante de fecha 25 de febrero de 2021.

Periodo de contratación

La Junta General Ordinaria y Extraordinaria de Accionistas en su reunión celebrada el 24 de abril de 2020 nombró a PricewaterhouseCoopers Auditores, S.L. como auditores del Grupo por un período de un año, para el ejercicio finalizado el 31 de diciembre de 2020.

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

Servicios prestados

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

David Zubizarreta Lecumberri (21650)

25 de febrero de 2021

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

2021 Núm. 16/21/00186
SELLO CORPORATIVO: 96,00 EUR

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

VISCOFAN, S.A. AND SUBSIDIARIES

Consolidated Financial Statements for the year ending

31 December 2020

* Free translation from the original in Spanish, in event of discrepancy, the Spanish-language version prevails

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1. Description and Principal Activities

Viscofan, S.A. (hereinafter the Company or the parent) was incorporated 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 principal activity consists of the manufacture, distribution and sale of casings and the films for use in the food industry all other applications; collagen-based products for food and bioengineering use, and the generation of electricity for sale to third parties through co-generation systems. The head office and registered office are located in Polígono Industrial Berroa, Calle Berroa nr. 15, 4ª planta, 31192 - Tajonar (Navarra).

The Company is the parent of a group of companies (“the Viscofan Group” or “the Group”) that chiefly carry out their activities in the same activities as the parent company.

The entirety of Viscofan S.A.'s shares have been listed since 1986, and are quoted on the continuous market and forms part of the IBEX 35.

The Group's 2019 consolidated financial statements were approved at the General Shareholders’ Meeting held on 24 April 2020.

The parent’s directors expect these 2020 consolidated financial statements, which were drawn on 25 February 2021, to be approved by the shareholders in general meeting without modification.

2. Viscofan Group

2.1. Business combinations

- In 2020

Effective from 1 January 2020, Nanopack Technology & Packaging, S.L.U. was taken over by Viscofan S.A. The merger was designed and agreed under the criterion of simplifying the group and eliminating any duplicate structures and material and human resources. This operation had no impact on the consolidated financial statements.

The company Viscofan España S.L.U. which is wholly owned by Viscofan S.A., was incorporated on 24 November 2020, the date on which it formed part of the consolidation scope of the Group.

- In 2019

Effective from 1 January 2019, Gamex C.B. s.r.o. was taken over by Viscofan CZ, s.r.o. in the Czech Republic. There was no impact on the consolidated financial statements.

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, we 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 6)	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 contributing to 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 on the financial statements a 31 December 2019 were definitively measured at fair value for both tangible and intangible assets. The Group used an independent expert to carry out the main valuations.

2.2. Details of subsidiaries and associates comprising the Viscofan Group at 31 December 2020

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

2.3. Details of subsidiaries and associates comprising the Viscofan Group at 31 December 2019

Group companies	Percentage of interest		Activity	Registered offices
	Direct	Indirect		
Jupiter PTY Ltd	100.00%	-	Services rendered	Bankstown (Australia)
Koteks Viscofan, d.o.o.	100.00%	-	Manufacture and marketing of artificial casings	Novi Sad (Serbia)
Nanopack, Technology and Packaging S.L.	100.00%	-	Manufacture of interleaver film	Tajonar, Navarra (Spian)
Naturin Viscofan GmbH	100.00%	-	Manufacture and marketing of artificial casings	Weinheim (Germany)
Supralon Verpackungs AG	-	100.00%	Lease of an industrial machinery (to the Group)/Other services	Chur (Switzerland)
Supralon Produktions und Vertriebs GmbH	-	100.00%	Manufacture and marketing of artificial casings	Alfhausen (Germany)
Supralon France SARL	-	100.00%	Marketing of artificial casings	Courcouronnes (France)
Supralon International AG under liquidation	-	100.00%	Marketing of artificial casings	Schaan (Liechtenstein)
Vector Europe NV.	100.00%	-	Marketing of artificial casings	Hasselt (Belgium)
Vector Packaging Europe NV.	-	100.00%	Manufacture and marketing of artificial casings	Hasselt (Belgium)
Vector USA Inc.	-	100.00%	Manufacture and marketing of artificial casings	Oak Brook, Illinois (USA)
Viscofan Canadá Inc.	-	100.00%	Marketing of artificial casings	Quebec (Canada)
Viscofan Centroamérica Comercial, S.A.	99.50%	0.50%	Marketing of artificial casings	San José (Costa Rica)
Viscofan Collagen Canada Inc	-	100.00%	Fabricación y comercialización de envolturas artificiales	Markham (Canadá)
Viscofan Collagen USA Inc	-	100.00%	Fabricación y comercialización de envolturas artificiales	Bridgewater New Jersey (USA)
Viscofan CZ, s.r.o.	100.00%	-	Manufacture and marketing of artificial casings	Ceske Budejovice (Czech Republic)
Viscofan Globus Australia PTY Ltd	100.00%	-	Marketing of artificial casings	Bankstown (Australia)
Viscofan Globus New Zealand Ltd	100.00%	-	Marketing of artificial casings	Lower Hutt (New Zealand)
Viscofan de México S.R.L. de C.V.	99.99%	0.01%	Manufacture and marketing of artificial casings	San Luis Potosí (Mexico)
Viscofan de México Servicios, S.R.L. de C.V.	99.99%	0.01%	Services rendered	San Luis Potosí (Mexico)
Viscofan do Brasil, soc. com. e ind. Ltda.	100.00%	-	Manufacture and marketing of artificial casings	Sao Paulo (Brasil)
Viscofan (Thailand) Co. Ltd.	100.00%	-	Marketing of artificial casings	Bangkok (Thailand)
Viscofan Technology (Suzhou) Co. Ltd.	100.00%	-	Manufacture and marketing of artificial casings	Suzhou (China)
Viscofan UK Ltd.	100.00%	-	Marketing of artificial casings	Seven Oaks (United Kingdom)
Viscofan Uruguay, S.A.	100.00%	-	Manufacture and marketing of artificial casings	Montevideo (Uruguay)
Viscofan USA Inc.	100.00%	-	Manufacture and marketing of artificial casings	Montgomery, Alabama (USA)
Zacapu Power S.R.L. de C.V.	-	100.00%	Cogeneration plant	Zacapu, 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 2020 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 2020 and 2019, 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 2019. with the exception of the application of standards that came into force on 1 January 2020 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 2020:

- IFRS 3 "Business Combinations" in its definition of "Business"

With respect to the modification made by the IASB on the definition of "Business" in IFRS 3, the purpose of said clarifications is to facilitate the identification of a business within the framework of a business combination, or conversely if the operation corresponds to an acquisition of a set of assets.

The previous definition determined that a business is a set of activities and assets whose purpose is to provide a return in the form of dividends, lower costs and economic benefits directly to investors. According to the new definition, we can consider that a business exists when we are faced with a set of activities and assets capable of providing goods or services to consumers, generating income from property (either through dividends or interest), or generating other income from ordinary activity.

This new definition of business incorporates the reference to the production of goods and services, compared to the lower costs on which the previous definition was based.

- IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors" in its definition of "Materiality"

With respect to the modification made by the IASB on the definition of "Materiality" included in IAS 1 and IAS 8, the objective is to clarify what is considered material for inclusion in the financial statements. Consequently, the definition of material would be as indicated below:

"The information is material if its omission, inaccuracy or concealment could reasonably be expected to influence the decisions that the main users of financial information make based on the financial statements".

This new definition of materiality incorporates the reference to information concealment which equates to the omission or inappropriate expression of financial information.

- IFRS 16 Covid-19-related lease concessions amendment

On 28 May 2020, the International Accounting Standards Board (IASB) approved, under IFRS 16 Leases, authorising lessees to not account for rent concessions as amendments to of the lease if they are a direct consequence of COVID-19 and they meet certain conditions.

The application of these rules has not had a significant impact on the Group's financial statements.

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 2020, the figures for the previous year, except where an accounting standard specifically states that this is not necessary.

Some headings of these financial statements have been ordered and or/grouped differently to that presented in the 2019 financial statements, so as to adapt them to the new taxonomy requirements published by the ESEF.

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. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and future taxable profits together with future tax planning strategies.

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

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

Further details on taxes are disclosed in Note 18.

(b) Pension benefits

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

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

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

(c) Provisions for litigation and contingent assets and liabilities

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

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

(d) Fair value of share-based remuneration

Fair value is determined by a third party using an adjusted form of the Black-Scholes model that includes a Monte Carlo simulation model embracing the price of the share during the year, the option period, the effect of dilution (where material), the share price at 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 4.7, 4.14 y 4.16).
– Useful life of property, plant, and equipment and intangible assets: (Notes 4.13 and 4.14)
– Measurement of derivative financial instruments: (Note 4.24)

3.6. Impact of COVID-19

The spread of COVID-19 during 2020 has created a setting of uncertainty, volatility, as well as a healthcare and economic crisis, that have affected practically every economy in the world, and having implications on the behaviour and eating habits of a multitude of countries. Within this context, in general terms this has resulted in an increase in the consumption of sausages and other cold meats with the subsequent increase in demand for casings on a global level.

In light of the situation caused by the COVID-19 pandemic, the Viscofan Group has focused on three main areas: protecting the employee health, ensuring the supply of our products to the food chain and contributing to preventing and combating the spread of COVID-19 and its effects.

- Protecting health:

Hygiene measures have been reinforced, such as the mandatory use of face masks, distancing measures and an increased frequency of cleaning and disinfection. Health services have been increased, with frequent temperature readings being taken, antigen and PCR tests being given in collaboration with the health services and protocols have been established on what to do in the event of detecting cases of COVID or symptoms compatible with the virus. From an organisational perspective we have implemented teleworking when possible, limited access to facilities, modified working hours and maintenance stoppages, maintained close communication with staff and carried out awareness campaigns to avoid contagion both at work and in the home, as well as other measures.

- To ensure supply:

Throughout the year, and particularly during the first months of the year, we activated our contingency plans by implementing new production plans, increasing the purchase of raw materials, accelerating the shipment of products to customers and intermediary warehouses, and we also carried out a proactive management of our human resources to ensure the availability of staff due to the risk of higher sick leave. These measures, together with the commitment of the professional team working at Viscofan, have resulted in none of the production plants having to close because of COVID-19. Not only have we complied with our responsibility as an essential foodstuffs company by guaranteeing the supply to all our customers, we have also been able to cover specific increases in demand that have occurred in some countries and help new customers.

- With the aim of combating the spread of the virus and its effects:

In addition to the acquisition of protection material for our employees around the world, during the months of greatest global shortage more than 200,000 masks were donated to various institutions to protect people who may be more exposed to this new virus and donations were made in order to provide foodstuffs and medical equipment with the aim of helping the most vulnerable groups. Special bonuses and incentives have also been given to offset the costs associated with COVID-19 and the payment of the dividend was brought forward in order to facilitate liquidity and mitigate in so far as possible any decrease in savings that small investors may have suffered.

With regard to liquidity, the Company has a positive working capital of 331 million euros as at 31 December 2020. No liquidity stress is anticipated for 2021 as a result of the forecast performance of the Group, which contemplates a positive generation of cash during 2021. For those bank borrowings where compliance with certain ratios is established, there have not been, nor are they expected to be, any breaches of these ratios in 2021.

No significant signs of impairment have been identified from the analysis of the fixed assets, intangible assets, PPE, customers or inventory.

As a result of the growth in the market and the measures implemented to mitigate and control risk, the COVID-19 pandemic has not resulted in any changes to the strategic direction, operations, financial results, economic situation and cash flows that have significantly affected the attainment of the objectives presented the market for the whole of 2020 and the plans for 2021.

4. Significant accounting principles

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

A summary of the most significant principles is as follows:

4.1. Changes in accounting policies

As of 1 January 2020, the Group applied the amendments of IFRS 3-Business combinations as well as the amendments in IAS 1-Presentation of financial statements and IAS 8-Accounting policies, changes in accounting estimates and errors.

The Group considers that, both for this year and previous years, its business combinations comply with the new definition set out in the standard. Likewise, it considers that there are no omissions, inaccuracies or concealment in its financial statements.

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, consequently, only business combinations which occurred subsequent to 1 January 2004, the date of transition to EU-IFRS, have been recognised using the acquisition 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 the functional currency at the year-end exchange rate, whereas non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Non-monetary assets denominated in foreign currencies measured at fair value are translated to the functional currency at the foreign currency exchange rate prevailing at the date the value was determined.

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

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

(b) Translation of foreign operations

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

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

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

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

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

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

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

4.6. Calculation of fair value

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

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

- The principal or the most advantageous market must be accessible to by the Group.

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Measurement techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Measurement techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

4.7. Financial instruments - Initial recognition and subsequent measurement

(a) Classification

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). Interests income on these financial assets are included in financial income in accordance with the effective interest rate method. Gains and losses on exchange differences are presented in other gains and losses and impairment losses are presented as a separate item on the statement of profit or loss.

- Fair value through other profit or loss: Assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income are recognised at fair value through profit or loss. Gains or losses on a debt investment recognised subsequently at fair value through profit or loss are recognised through profit or loss and presented net on the statement of profit or loss under other gains/(losses) in the year in which they occur.

Equity instruments

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

(d) Impairment

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 9 for further details.

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

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

(a) Calculation of recoverable amount

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

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

(b) Reversal of impairment

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

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

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

4.9. 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.

For 2020 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 5).

(b) Development costs

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

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

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

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

(c) Other tangible assets

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

Software maintenance costs are expensed as incurred.

(d) Useful lives and amortisation rates

The Group evaluates whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is considered to have an indefinite useful life where there is no foreseeable limit to the period over which it will generate net cash inflows. At 31 December 2020 and 2019, the Group had no intangible assets with indefinite useful lives, except for Goodwill discussed in Note 5.

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

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

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

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

4.14. Property, plant, and equipment

(a) Initial recognition

Property, plant, and equipment is stated at cost, less accumulated depreciation and any impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, considering the principles established to determine the cost of production. The cost of production is capitalised 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 remeasurement 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. Right-of-use

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

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

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

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

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

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

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

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

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

Right-of-use assets are generally amortised on a straight-line basis over the shorter of the asset's useful life or the right-of-use 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 remeasured at the lower of the carrying amount and fair value less costs to sell.

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

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

- Represents a significant and separate major line of business or geographical area of operations.

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

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

4.19. Cash and Cash equivalents

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

4.20. Dividend

The interim dividends approved by the Board of Directors in 2020 and 2019 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 14.1.

(b) Termination benefits

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

(c) Short-term employee benefits

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

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

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

(d) Share-based payment

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

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

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

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

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

4.23. Provisions

(a) General criteria

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

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

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

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

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

(b) Onerous contracts

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

(c) Restructuring expenses

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

(d) Emission rights provision

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

4.24. Derivatives and hedge accounting

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

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

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

The fair values of derivative financial instruments designated in hedging relationships are broken down in Note 17. Changes to hedging reserves included in shareholders' equity are shown in Note 12. 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 25.

4.27. Related party transactions

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

5. Intangible assets and goodwill

5.1. Intangible assets other than goodwill

The breakdown and movements in other intangible assets during 2020 and 2019 are as follows:

	Thousands of euros						
	Client portfolio	Software	Concessions, patents, licenses and use rights	Development	Prepayments	Amortization	*Total*
Balance at January 1, 2019	**621**	**38,225**	**22,526**	**1,785**	**239**	**(46,414)**	**16,982**
Translation differences	-	170	273	-	(1)	(324)	118
Additions	-	3,004	56	670	221	(4,087)	(136)
Disposals	-	(798)	-	-	-	798	-
Transfers	-	309	-	-	(309)	-	-
Balance at December 31, 2019	**621**	**40,910**	**22,855**	**2,455**	**150**	**(50,027)**	**16,964**
Translation differences	-	(1,482)	(883)	-	(21)	1,991	(395)
Additions	-	3,840	-	-	298	(4,121)	17
Disposals	-	(5)	-	-	-	5	-
Transfers	-	339	(55)	-	(240)	-	44
Balance at December 31, 2020	**621**	**43,602**	**21,917**	**2,455**	**187**	**(52,152)**	**16,630**

The balances of this heading at 31 December 2020 and 2019 are the following:

	Thousands of euros					
	31.12.2020			31.12.2019		
	Cost	Amortization	*Total*	Cost	Amortization	*Total*
Client portfolio	621	(497)	*124*	621	(169)	*452*
Software	43,602	(33,611)	*9,991*	40,910	(31,941)	*8,969*
Concessions, patents, licenses and use rights	21,917	(17,039)	*4,878*	22,855	(17,917)	*4,938*
Development	2,455	(1,005)	*1,450*	2,455	-	*2,455*
Prepayments	187	-	*187*	150	-	*150*
TOTAL	**68,782**	**(52,152)**	***16,630***	**66,991**	**(50,027)**	***16,964***

“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 2020 and 2019 are as follows:

	Thousands of euros	
	2020	**2019**
Software	25,639	22,704
Concessions, patents, licenses and use rights	13,426	12,544
Fully anortizated intangible assets	**39,065**	**35,248**

5.2. Goodwill

The changes during 2020 and 2019 are detailed below:

	Thousands of euros
Balance at January 1, 2019	**5,933**
Translation differences	258
Disposals	(3,520)
Balance at December 31, 2019	**2,671**
Translation differences	(33)
Balance at December 31, 2020	**2,638**

These amounts correspond to the Supralon Group CGU (1,806 thousand euros) and relate to the Rest of Europe and Asia segment, and to the transfer of ingredients CGU (832 thousand euros) in the North America segment.

Impairment test

Below, we provide details of the calculation used in the impairment test for the different goodwill recognised at 31 December 2020.

a) CGU Supralon Group

Goodwill for the sum of 1,806 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, is a company with a productive presence in Germany and commercial distribution in the main European markets.

The assumptions include an upward trend during the first years of 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 actions to be implemented aimed at geographical expansion, and available macroeconomic forecasts.

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

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

Based on a sensitivity analysis;

- Variations of 10% in the discount rate do not imply the recognition of impairment.

- Sensitivity to reasonably possible changes in revenue does not entail the need to record any impairment losses.

The consolidated carrying amount totalled 7,814 thousand euros (goodwill totalling 1.806 thousand, with PP&E and other intangible items amounting to 6,008 thousand euros).

Therefore, taking the above into consideration, the Directors consider that at 31 December 2020, there were no indications that any impairment losses should be recorded.

b) 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 totalling 832 thousand euros as at 31 December 2020.

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 2020 amounted to 832 thousand euros, of which 8 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 upward trend 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 2,271 thousand euros (goodwill totalling 832 thousand, with PP&E items amounting to 1,439 thousand euros).

Therefore, taking the above into consideration, the Directors consider that at 31 December 2020, there were no indications that any impairment losses should be recorded.

c) Nanopack Technology & Packaging, S.L.

The goodwill at Nanopack Technology & Packaging, S.L. was impaired in 2019. No asset class other than goodwill was impaired.

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 arose 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 stood at 1.5%, in line with estimated long-term growth. The pre-tax discount rate used was 9.4%.

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

Based on a sensitivity analysis;

- Variations of 10% in the discount rate did not imply a need to recognise significant additional impairment.

- Sensitivity to reasonably possible changes in revenue did 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 items amounting to 2,236 thousand euros).

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

6. Property, plant, and equipment

The breakdown and movements in property, plant, and equipment during 2020 and 2019 are as follows:

	Thousands of euros							
	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, 2019	**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 2.1)	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***
Translation differences	(10,302)	(45,596)	(1,853)	(1,974)	(986)	35,733	8	*(24,970)*
Additions	1,806	22,155	4,847	2,980	20,939	(62,639)	(179)	*(10,091)*
Disposals	(63)	(1,694)	(178)	(732)	(344)	2,661	9	*(341)*
Transfers	1,585	13,589	633	885	(16,736)	-	-	*(44)*
Balance at December 31, 2020	**261,662**	**860,324**	**112,970**	**39,920**	**17,581**	**(832,031)**	**(878)**	***459,548***

The balances of this heading at 31 December 2020 and 2019 are the following:

	Thousands of euros					
	31.12.2020			31.12.2019		
	Cost	Amortization and impairment	*Total*	Cost	Amortization and impairment	*Total*
Land and buildings	261,662	(121,388)	*140,274*	268,636	(118,645)	*149,991*
Plant and machinery	860,324	(605,296)	*255,028*	871,870	(589,148)	*282,722*
Other installations, equipment and furniture	112,970	(79,195)	*33,775*	109,521	(74,850)	*34,671*
Other property, plant and equipment	39,920	(27,030)	*12,890*	38,761	(25,859)	*12,902*
Advances and assets under construction	17,581	-	*17,581*	14,708	-	*14,708*
TOTAL	**1,292,457**	**(832,909)**	***459,548***	**1,303,496**	**(808,502)**	***494,994***

In 2020, investments in property, plant and equipment in the Group totalled 52,727 thousand euros. The main projects have been the technological updating of the collagen casing production plant in New Jersey (USA) acquired in December 2019, improvements to capacity and processes in cellulose, fibrous, plastic and collagen, energy optimisation improvements and the reduction of the environmental impact, as well as improving safety conditions in various Group facilities.

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 while reducing environmental impact, waste treatment plants, and improvements in facility safety.

Details of fully depreciated property, plant, and equipment in use at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	**2019**
Buildings	50,887	40,339
Plant and machinery	402,217	384,484
Other installations, equipment and furniture	60,558	57,414
Other property, plant and eq	20,375	17,663
Fully depreciated property, plant and equipment	**534,037**	**499,900**

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 2020 year-end there were commitments to acquire non-current assets amounting to 12,877 thousand euros, relating mainly to increasing the capacity of the new fibrous technology in Cáseda, the installation of a boiler with the capability to use green hydrogen, environmental investments and other recurring investments.

At 2019 year-end, non-current asset purchase commitments amounted to 1,598 thousand euros, relating mainly to recurring maintenance investments.

<u>Impairment test</u>

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.

7. Right-of-use

This note provides information on the rights of use 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.

7.1. Right-of-use assets

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

	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 2.1)	512	163	-	-	-	*675*
Additions	932	158	94	2,326	(4,516)	*(1,006)*
Disposals	-	-	-	(20)	5	*(15)*
Balance at January 1, 2020	**19,208**	**461**	**238**	**3,946**	**(4,521)**	***19,332***
Translation differences	(682)	(22)	-	(80)	217	*(567)*
Additions	1,148	-	-	859	(4,766)	*(2,759)*
Disposals	(709)	(56)	-	(629)	1,133	*(261)*
Transfers	-	-	(238)	238	-	-
Balance at December 31, 2020	**18,965**	**383**	**-**	**4,334**	**(7,937)**	***15,745***

The balances of this heading at 31 December 2020 and 2019 are the following:

	Thousands of euros					
	31.12.2020			31.12.2019		
	Cost	Amortization and impairment	*Total*	Cost	Amortization and impairment	*Total*
Buildings	18,965	(5,787)	*13,178*	19,208	(3,192)	*16,016*
Plant and machinery	383	(170)	*213*	461	(83)	*378*
Other installations, equipment and furniture	-	-	-	238	(101)	*137*
Other property, plant and equipment	4,334	(1,980)	*2,354*	3,946	(1,145)	*2,801*
TOTAL	**23,682**	**(7,937)**	***15,745***	**23,853**	**(4,521)**	***19,332***

Additions to right-of-use assets in 2020 amounted to 2,007 thousand euros; 3,510 thousand euros in 2019.

7.2. Right-of-use liabilities

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

	Thousands of euros	
	2020	**2019**
Up to 3 months	1,217	505
3 months to 1 year	3,239	4,398
Current	**4,456**	**4,903**
1 to 5 years	8,810	10,968
More than 5 years	2,419	3,424
Non current	**11,229**	**14,392**
Total at December 31,	**15,685**	**19,295**

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

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

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

8. Inventories

Details of inventories at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	**2019**
Raw materials and other supplies	70,785	71,311
Semi-finished products	56,496	60,673
Finished products	124,265	134,377
Goods for resale	5,752	4,330
Greenhouse gas emission rights	13,026	4,972
Prepayments to suppliers	2,869	1,727
Total Inventories	**273,193**	**277,390**

The valuation adjustments in 2020, corresponding to impairment and obsolescence, entailed an expense of 2,702 thousand euros (an expense of 4,269 thousand euros in 2019) 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 2020 and 2019 amounted to 285,857 and 266,621 tonnes, respectively.

The amount of the expense related to greenhouse gas emission rights in 2020 was recognised under “Consumption of raw materials and other consumables” in the amount of 6,524 thousand euros (5,668 thousand euros in 2019).

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

9. Trade and other receivables

The breakdown for "Trade and other receivables" at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Trade receivables	169,708	171,135
Other receivables	2,900	3,175
Advances to employees	137	209
Provisions for bad debts	(3,630)	(3,821)
Total trade receivables	**169,115**	**170,698**
Receivable from public administrations	13,593	12,127
Prepayments	2,435	3,454
Total other receivables	**16,028**	**15,581**
Total trade and oher receivables	**185,143**	**186,279**

At 31 December 2020 and 2019, the age of trade receivables by maturity was as follows:

	Thousands of euros					
		Due				
	Not due	**< 30 days**	**31-60 days**	**61-90 days**	**> 90 days**	***Total***
2020	155,924	10,642	1,579	396	574	***169,115***
2019	146,169	19,276	3,686	694	873	***170,698***

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 of euros	
	2020	**2019**
Balance at January 1,	**(3,821)**	**(3,264)**
Translation differences	18	(626)
Amounts provisioned	(519)	(255)
Amounts applied	692	324
Balance at December 31,	**(3,630)**	**(3,821)**

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***
2020	55,941	63,491	596	24,156	449	11,078	13,404	***169,115***
2019	55,599	71,156	286	20,734	553	11,785	10,585	***170,698***

At 31 December 2020 and 2019, balances receivable from public administrations are as follows:

	Thousands of euros	
	2020	**2019**
VAT receivable form the Treasury	13,075	11,217
Withholdings and peyments on account receivable from the Treasury	-	210
Other public bodies	518	700
Balance at December 31,	**13,593**	**12,127**

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***
2020	4,905	19	686	3,128	3,035	63	1,757	***13,593***
2019	5,028	17	770	4,216	143	369	1,584	***12,127***

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 is also subject to the impairment requirements under IFRS 9, although the impairment identified is also immaterial.

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

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

The expected loss rates are based on the payment profiles of sales during a 36-month period prior to 1 January 2020 and the corresponding historic credit losses experienced during this period. Historic loss rates are adjusted to reflect annual, forward-looking information about macroeconomic factors that affect the ability of customers to repay accounts receivable.

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

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.

The change in the collection of flows in 2020 and that forecast for future years has not changed with regard to that of previous financial years.

Within the economic context caused by the pandemic, many of our customers have been considered as an essential activity in their respective countries and have not interrupted their productive or commercial activity. In many cases, they have seen their revenue; therefore the estimate of the expected losses for future years has not changed significantly.

10. Current and non-current financial assets

All derivative financial instruments at 31 December 2020 and 2019 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 2020 and 2019 of this current and non-current financial assets not including trade and other receivables is as follows:

	Thousands of euros			
	Measured at			
	Amotised cost	Fair value with changes in P&L	*Carrying amount*	*Fair value*
Financial investments	362	633	*995*	*995*
Guarantees and deposits	945	-	*945*	*945*
Non-current financial assets	**1,307**	**633**	***1,940***	***1,940***
Equity funds investments	-	751	*751*	*751*
Loans and other receivables	89	-	*89*	*89*
Current financial assets	**89**	**751**	***840***	***840***
Total at December 31, 2020	**1,396**	**1,384**	***2,780***	***2,780***

	Thousands of euros			
	Measured 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***
Total at December 31, 2019	**1,812**	**1,379**	***3,191***	***3,191***

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*
2020	840	425	12	6	358	1,139	***2,780***
2019	815	268	8	2	806	1,292	***3,191***

A breakdown by currency is as follows:

Thousands of euros

	Euros	US dollars	Brazilian real	Chinese yuan	Others	*Total carrying amount*
2020	1,477	122	991	138	52	***2,780***
2019	1,450	146	1,447	142	6	***3,191***

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 2020 (or 31 December 2019).

11. Cash and cash equivalents

"Cash and cash equivalents" at December, 31 2020 and 2019 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*
2020	11,526	19,022	16	4,818	2,456	11,088	3,064	***51,990***
2019	5,448	21,053	14	4,138	3,260	15,077	2,380	***51,370***

12. Equity

12.1. Share capital

At 31 December 2020, the Parent's share capital consisted of 46,500,000 bearer shares of 0.70 euros par value each. Total capital value was 32,550 thousand euros. The same as at 31 December 2019.

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 2020 and 2019, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% of investment	
	2020	2019
Corporación Financiera Alba, S. A.	13.03	13.03
APG Asset Management N.V.	10.09	10.09
Angustias y Sol, S.L.	5.02	5.26
Marathon Asset Management, LLP.	4.94	4.94
Setanta Asset Management Limited	3.96	4.02
Wellington Management Group LLP	3.22	3.22
Norges Bank (*)	-	4.98

(*) Norges Bank has reported that on 18 February 2020 its shareholding fell to less than 3% of the share capital.

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 2020 and 2019.

Capital management

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

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

The Group monitors capital by analysing trends in its leverage ratio, in line with common practice. This ratio is calculated as net financial debt divided by total equity. Net financial debt includes total borrowings in the consolidated financial statements less cash and cash equivalents, and excluding 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 2020 and 2019 were as follows:

	Thousands of euros	
	2020	**2019**
Cash and cash equivalents (Note 11)	51,990	51,370
Other financial assets, S.T. (Note 10)	840	815
Financial liabilities (Note 16)	(119,591)	(122,337)
Liabilities on Right-of-use assets (Note 7.1)	(15,685)	(19,295)
Total net financial debt	**(82,446)**	**(89,447)**
Total equity	**(736,246)**	**(784,366)**
Leverage ratio	**11.2%**	**11.4%**

	Thousands of euros	
	2020	**2019**
Cash and cash equivalents (Note 11)	51,990	51,370
Other financial assets, S.T. (Note 10)	840	815
Financial debt refundable in one year (Note 16)	(75,803)	(55,331)
Financial debt refundable in more than one year (Note 16)	(59,473)	(86,301)
Net debt	**(82,446)**	**(89,447)**

	Thousands of euros	
	2020	**2019**
Cash and cash equivalents (Note 11)	51,990	51,370
Other financial assets, S.T. (Note 10)	840	815
Gross debt at fixed interest rates	(93,336)	(107,291)
Gross debt at variable interest rates (Note 22.4)	(41,940)	(34,341)
Net debt	**(82,446)**	**(89,447)**

The change in net debt at 31 December 2020 and 2019 is as follows:

	Thousands of euros					
	Balance at January 1, 2020	**Cash flow**	**Adquisitions and other non-monetary changes**	**Variarion on fair value**	**Translation differences**	***Balance at December 31, 2020***
Cash and cash equivalents	**51,370**	4,805	-	-	(4,185)	***51,990***
Other financial assets, S.T.	**815**	30	-	-	(5)	***840***
Liabilities included on cash flows from financing activities	**-**	-	-	-	-	***-***
S.T. Financial debt	**(38,504)**	38,263	(57,653)	-	471	***(57,423)***
L.T. Financial debt	**(55,234)**	(35,345)	57,653	-	281	***(32,645)***
Interest	**(179)**	1,800	(1,911)	-	150	***(140)***
Assets suppliers	**(7,186)**	(2,259)	-	-	39	***(9,406)***
Other financial liabilites, S.T.	**(4,559)**	214	(29)	(5)	1	***(4,378)***
Other financial liabilites, L.T.	**(16,675)**	754	29	(107)	400	***(15,599)***
Current liabilities on Right-of-use assets	**(4,903)**	4,833	(4,589)	-	203	***(4,456)***
Non current liabilities on Right-of-use assets	**(14,392)**	-	2,695	-	468	***(11,229)***
Total net debt	**(89,447)**	**13,095**	**(3,805)**	**(112)**	**(2,177)**	***(82,446)***

	Thousands of euros					
	Balance at January 1, 2019	**Flujos de efectivo**	**Adquisiciones y otros cambios no monetarios**	**Variación en valor razonable**	**Diferencias de conversión**	***Balance at December 31, 2019***
Cash and cash equivalents	**31,050**	19,964	-	-	356	***51,370***
Other financial assets, S.T.	**8,434**	(7,743)	-	-	124	***815***
Liabilities included on cash flows from financing activities	**-**	-	-	-	-	***-***
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)***
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)***
Total net debt	**(119,224)**	**35,165**	**(2,034)**	**(3,616)**	**262**	***(89,447)***

12.2. Share premium

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

The amount at 31 December 2020 and 12 thousand euros, the same as at 31 December 2019.

12.3. Reserves

Changes in this item are as follows:

	Thousands of euros			
	Other reserves	**Trnaslation differences**	**Share-based payments (Note 24.3**	***Total***
Balance at January 1, 2019	**701,376**	**(58,744)**	**-**	***642,632***
Recognized Income / (expense)	(1,818)	1,763	-	*(55)*
Dividends distribution	(79,993)	-	-	*(79,993)*
Transfers between equity accounts	123,833	-	-	*123,833*
Owns shares movements	(5,221)	-	-	*(5,221)*
Transactions with non-controlling interests	(279)	-	-	*(279)*
Own shares acquisition	-	-	262	*262*
Balance at December 31, 2019	**737,898**	**(56,981)**	**262**	***681,179***
Recognized Income / (expense)	(924)	(61,650)	-	*(62,574)*
Dividends distribution	(74,633)	-	-	*(74,633)*
Transfers between equity accounts	105,577	-	-	*105,577*
Owns shares movements	42	-	-	*42*
Transactions with non-controlling interests	-	-	-	-
Own shares acquisition	-	-	1,485	*1,485*
Balance at December 31, 2020	**767,960**	**(118,631)**	**1,747**	***651,076***

(a) Other reserves

- Legal reserves

In accordance with the Spanish Corporate Enterprises Act, companies registered in Spain are obliged to transfer 10% of the profits for the year to a legal reserve until it reaches an amount of at least an amount equivalent to 20% of share capital. This reserve is not distributable to shareholders and its value at 31 December 2020 and 2019 amounts to 2,935 thousand euros.

- Revaluation reserve

The parent opted for the voluntary revaluation of PP&E items as established in the Navarre Regional Law 21/2012 of December 26, on modifying various taxes and other tax measures. The revaluation was carried out with respect to items 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.

At 31 December 2020 and once the inspection period has 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.

- Treasury share reserves

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

(b) Exchange gains (losses)

The detail of the most significant translation differences by company for the years ended 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Viscofan CZ sro	(23,888)	(18,182)
Viscofan USA Inc	7,051	12,914
Vector USA Inc	3,690	4,888
Viscofan de México S.R.L. de C.V.	(8,207)	(6,473)
Viscofan do Brasil, soc. com. e ind. Ltda.	(68,193)	(45,273)
Viscofan Uruguay, S.A.	(21,421)	(15,223)
Rest of Group companies	(7,663)	10,367
Balance at December 31, 2020	**(118,631)**	**(56,982)**

12.4. Movement in treasury shares

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

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

At 31 December 2020, Viscofan S.A. held a total of 139,442 treasury shares (2019: 150,000 treasury shares) representing 0.3% of the voting rights (2019: 0.32%) acquired for an average price of 43.25 euros each one (2019: 43.25 euros).

12.5. Valuation adjustments

Movements in the years ended 31 December 2020 and 2019 were as follows:

	Thousands of euros		
	Exchange rate insurance	**Raw material derivatives**	***Total***
Balance at January 1, 2019	**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***
Gains/(losses), net of tax effects	(592)	-	*(592)*
Reclassification of gains to the income statement, net of tax	(2,027)	1,988	*(39)*
Balance at December 31, 2020	**(592)**	**1,623**	***1,031***

12.6. Profit distribution and other remuneration paid to the shareholders

The proposed distribution of the profit of the parent for 2020, formulated by the Directors of the parent and pending approval by the General Shareholders' Meeting, corresponds to a total remuneration to shareholders of 1.70 euros per share, of which, the distribution of earnings in the form of dividends is 1.69 euros per share and 0.01 euros per share for the premium payment for attending the General Shareholders' Meeting in 2021.

In relation to 2019, the total remuneration for shareholders amounted to a total of 1.62 euros per share. Of the above, the distribution of profit represented a per-share dividend of 1.61 euros (0.65 euros per share paid on 19 December 2019 as an interim dividend) and 0.01 euros corresponding to the payment of attendance fees related to the 2020 General Shareholders' Meeting. This premium was recognised as an expense for the year.

	Thousands of euros	
	Distribution proposal year 2020	Distributed profits year 2019
Dividends	78,349	74,624
Voluntary reserves	51,506	30,838
Distributable profits attributable to the parent	**129,855**	**105,462**

Parent profits for the year ended 31 December 2019 were distributed as approved by the shareholders at their annual general meeting held on 24 April 2020.

On 19 November 2020, based on projected profit for the year, the Board of Directors approved an interim dividend for 2020 of 64,905 thousand euros, equal to 1.40 euros per share. This dividend was paid on December 22, 2020.

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 Board of Directors of the parent company in respect of the distribution of the interim dividend for 2020 is as follows:

	Thousands of euros
Cash available at 05.11.2020	**10,507**
Trade and other receivables	230,996
Trade and other payables	(141,091)
Payments to employees	(54,610)
Interest expense	(460)
Other payments	(4,500)
Cash flow from operating activities	**30,335**
Dividends received	99,005
Purchases of property, plant and equipment	(24,600)
Cash flow from investment activities	**74,405**
Variations in bank borrowings	(15,179)
Dividends paid	(78,813)
Cash flows from financing activities	**(93,992)**
Projected liquidity at 05.11.2021	**21,255**

13. Grants

This heading includes the capital grants in the amount of 1,033 thousand euros as at 31 December 2020 (1,551 thousand euros as at December 2019) and the grants for greenhouse gas emission rights in the amount of 156 thousand euros as at 31 December 2020.

The movements over the capital grants in 2020 and 2019 were as follows:

	Thousands of euros
Balance at January 1, 2019	**2,135**
Translation differences	6
Taken to profit	(590)
Balance at December 31, 2019	**1,551**
Translation differences	(6)
Taken to profit	(512)
Balance at December 31, 2020	**1,033**

The breakdown of capital grants during 2020 and 2019, all related to PP&E items, is as follows:

	Thousands of euros	
	2020	2019
Navarra Regional Government	708	1,053
Ministry of Science and Technology	206	233
International organizations	119	265
Balance at December 31	**1,033**	**1,551**

14. Non-current employee benefits and other provisions

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

		Thousands of euros	
	Note	2020	2019
Defined benefit		28,204	29,995
Other employee benefits		9,667	3,299
L.T. employee benefits	**14.1**	**37,871**	**33,294**
Provisions for other litigation		649	308
Other non-current provisions	**14.2**	**649**	**308**
Provisions for warranties/repayments		2,057	1,582
Provisions for safety in the workplace		2,295	1,183
Provisions for emission rights		6,516	5,667
Others		336	527
Current provisions	**14.3**	**11,204**	**8,959**

14.1. Non-current employee benefits

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

Actuarial valuations are used for all.

- Pension plans in Germany

A contribution is made through the Naturin Viscofan GmbH subsidiary for a defined benefit plan consisting of a life pension plan for retired employees. At 31 December 2020, there were 344 employees, 452 retirees, and ex-employees. At 31 December 2019, there were 360 employees and 456 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 19,176 thousand euros at 31 December 2020, and 18,757 thousand euros at 31 December 2019.

- Pension plans in the United States of America

The subsidiary Viscofan Collagen USA Inc. contributed to two defined benefit plans.

1) Retirement Plan for Hourly Employees. This plan provides a life annuity for employees and former employees of the company and has a total of 183 beneficiaries (32 of them active, 151 retired and former employees).

   The net obligation amounted to 2,704 thousand euros at 31 December 2020. The capitalisation rate was 78.99% of the value of the obligation.

   As at 31 December 2019, the net obligation amounted to 3,642 thousand euros with a capitalisation rate of 72.7% of the value of the obligation and 190 beneficiaries (35% active and 155 retired and former employees).

   This plan has been frozen as of 1 December 2010.

2) Retirement Plan for Salaried Employees. This plan provides an annuity for 132 participants (20 of whom are active, while 112 are retired and former employees).

   The net obligation amounted to 3,895 thousand euros at 31 December 2020. The capitalisation rate was 74.35% of the value of the obligation.

   As at 31 December 2019, the net obligation amounted to 5,444 thousand euros with a capitalisation rate of 65.6% of the value of the obligation and 133 beneficiaries (21% active and 112 retired and former employees).

   This plan has been frozen as of 31 January 2008.

- Pension plans in Canada

Through the subsidiary Viscofan Collagen Canada Inc. the Group contributes a defined benefit plan consisting of an annuity for the 41 beneficiaries (21 of whom are active, 20 retired and former employees); the same as in 2019.

The net obligation amounted to 238 thousand euros at 31 December 2020. The capitalisation rate was 94.96% of the value of the obligation.

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

This plan has been frozen as of 31 March 2011.

a) The amounts recognised in the Statement of financial position for the respective plans are:

	Thousands of euros	
	2020	**2019**
Present value of the obligation	**(54,150)**	**(54,813)**
Plans in Germany	(19,176)	(18,757)
Plans in USA and Canada	(32,783)	(34,042)
Plans in other countries	(2,191)	(2,014)
Present value of plan assets	**25,946**	**24,818**
Plans in USA and Canada	25,946	24,818
Obligation at December 31,	**(28,204)**	**(29,995)**

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

	Thousands of euros							
	Germany		Plans in United States and Canada		Plans in other countries		*Total*	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	***2020***	***2019***
Obligations at January 1,	**18,757**	**16,153**	**34,042**	**-**	**2,014**	**1,859**	***54,813***	***18,012***
Service cost for the current period (Note 20)	313	283	-	-	36	135	*349*	*418*
Interest cost	242	320	976	-	63	81	*1,281*	*401*
Payments made	(277)	(285)	(1,988)	-	(205)	(211)	*(2,470)*	*(496)*
Actuarial gains/(losses)	141	2,286	2,646	-	472	105	*3,259*	*2,391*
Translations differences	-	-	(2,893)	-	(189)	45	*(3,082)*	*45*
Acquired on business combination	-	-	-	34,042	-	-	*-*	*34,042*
Present value of the obligation at December 31	**19,176**	**18,757**	**32,783**	**34,042**	**2,191**	**2,014**	***54,150***	***54,813***
Active members	*10,304*	*10,208*	*4,972*	*7,109*	*556*	*453*	*15,832*	*17,770*
Ex employee	*3,024*	*3,084*	*3,479*	*2,370*	*-*	*-*	*6,503*	*5,454*
Retired beneficiaries	*5,848*	*5,465*	*24,332*	*24,563*	*1,635*	*1,561*	*31,815*	*31,589*

c) The changes in the fair value of plan assets in the USA and the Canada are as follows:

	Thousands of euros	
	2020	2019
Fair value of pension plan assets at January 1	**24,818**	**-**
Return on assets	3,225	-
Contribution of the company	2,134	-
Payments made	(1,988)	-
Translations differences	(2,243)	-
Acquired on business combination	-	24,818
Fair value of pension plan assets at December 3´	**25,946**	**24,818**
Cash	*-*	*79*
Domestic Investment funds	*22,116*	*21,031*
Foreing Investment funds	*3,830*	*2,966*
Real estate funds	*-*	*742*

d) 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	
	2020	2019
Current service cost	**349**	**417**
Plans in Germany	313	283
Plans in other countries	36	134
Net financial cost	**324**	**401**
Interest expense for German plans	242	320
Interest expense for plans in United States and Canada	19	-
Interest expense for plans in other countries	63	81
Expense (income) recognized for the year	**673**	**818**

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

	Thousands of euros	
	2020	**2019**
Actuarial losses and gains of	**(993)**	**(2,391)**
Arising from changes in demographic assumptions	(149)	(110)
Arising from changes in financial assumptions	(3,236)	(2,363)
Arising from experience	125	82
Returns, different from expected returns, of assets associated with pension plans	2,267	-
Tax effect	**68**	**573**
Net results recognized in the consolidated statement of comprehensive income	**(925)**	**(1,818)**

f) The principal actuarial assumptions used in the plans are as follows:

- Pension plans in Germany

	2020	**2019**
Annual discount rate	1.0%	1.3%
Expected rate of salary increases	1.7%	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.

- Pension plans in the United States and Canada

	2020	**2019**
United States	-	-
Annual discount rate	3.0%	3.0%
Expected rate of return on assets	5.8%	5.3%
Canada	-	-
Annual discount rate	2.4%	2.9%
Expected rate of return on assets	2.4%	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).

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

	Thousands of euros	
	2020	2019 (*)
Payable within the next 12 months	2,338	306
Payable within 1 and 2 years	2,356	326
Payable within 2 and 3 years	2,375	347
Payable within 3 and4 years	2,366	381
Payable within 4 and 5 years	2,374	413
Payable within 5 and 10 years	12,221	2,670
Payable within more than 10 years	20,277	21,706

(*) The future payments relating to 2019 refer only to the German pension plans.

h) 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:

	Thousands of euros	
	2020	2019 (*)
Discount rate		
Increase of 50 basic points	(3,510)	(1,784)
Decrease of 50 basic points	3,942	2,053
Increase in pensions		
Increase of 50 basic points	1,448	1,416
Decrease of 50 basic points	(1,312)	(1,282)
Life expectancy		
Increase of 1 additional year	1,959	742

(*) The future payments relating to 2019 refer only to the German pension plans.

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

- Other employee benefits and long-term remuneration

The movements at 31 December 2020 and 2019, are as follows:

	Thousands of euros	
	2020	2019
Balance at January 1,	**3,298**	**3,566**
Translation differences	(198)	(3)
Modifications	-	(936)
Allowances	6,827	970
Payments	(260)	(299)
Balance at December 31,	**9,667**	**3,298**

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

The 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 344 employees (360 in the previous period), while the obligation amounts to 1,757 and 1,751 thousand euros at 31 December 2020 and 2019, respectively. The beneficiaries received 135 thousand euros in payments during the year (2019: 284 thousand euros). The payable amount expected for 2021 totals 182 thousand euros.

Recognised service costs and financial expenses for the current period amounted to 98 thousand and 22 thousand euros, respectively (2019: 164 thousand and 52 thousand euros, respectively).

This heading also includes the long-term incentive plan amounting to 6,892 thousand euros, (930 thousand euros in 2019) and the features of which are detailed in Note 23.3.

14.2. Other non-current provisions

The movements at 31 December 2020 and 2019, are as follows:

	Thousands of euros	
	2020	2019
Balance at January 1,	**308**	**312**
Translation differences	(32)	(1)
Allowances	374	-
Payments	(1)	(3)
Balance at December 31,	**649**	**308**

14.3. Current provisions

a) Provision for guarantees / refunds

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

b) Safety in the workplace provision

The safety in the workplace provision covers claims brought against the Group by certain employees, most of whom 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 2020.

c) Emission rights provision

The emission rights provision includes the estimated consumption of emission rights during 2020 and 2019 valued in accordance with the measurement standard described in Note 4.17.

d) Provisions for other liabilities

The provision for other litigation mainly covers claims brought against the Brazilian subsidiary by the Brazilian tax authorities and certain company employees. After seeking appropriate legal counsel, the directors consider that the result of the litigation will not significantly differ from the amounts provisioned at 31 December 2020.

14.4. Contingent assets and liabilities

(a) Contingent liabilities

At year end, there were a number of different legal claims filed against the Brazilian subsidiary totalling 5.6 million euros (3.7 million euros as at 31 December 2019) classified as possible. Based on historic experience, the materialisation does not normally exceed 5% of said amount. There are provisions of a significant amount to cover said at risk.

Also, at year end, there were a number of ongoing lawsuits against Griffith Colombia, S.A. ("Griffith") which sold Viscofan Group products in Colombia. In the year ending 31 December 2012, Viscofan terminated its commercial relationship with Griffith. As a result of this termination, Griffith Colombia stopped paying invoices and, to date, Griffith owes Viscofan CZ, S.R.O. an amount acknowledged in a final ruling of approximately 1.2 million euros, taking into account accrued interest; in addition, by virtue of a process initiated in 2018, still in progress course, Griffith filed suits in Colombia against Viscofan do Brasil Sociedade comercial e Industrial Ltda., Viscofan CZ, S.R.O. and Viscofan S.A. claiming an indemnity for the termination of the commercial relationship for a total amount of approximately 3,700,000 euros, however, based on the estimates carried out by the lawyers in charge of the proceedings, the possible risk is valued at approximately 500,000 euros, an amount that is lower than that legally recognised by Viscofan CZ and susceptible to compensation. In conclusion, and in light of the circumstances addressed, it is believed that Griffith's claims represent a remote risk of a negative impact on Viscofan's financial statements.

In relation to the accident at the Viscofan S.A. production centre In Cáseda (Navarra), which occurred in September 2019, the investigation phase continues through the competent court, without any provision to date of an economic impact in terms of economic responsibilities still pending to be determined.

In relation to the accident at the subsidiary Koteks Viscofan d.o.o. en Novi Sad (Serbia), which occurred in July 2020, the investigation phase continues through the competent authority, without any penal proceedings having been opened nor any provision to date of an economic impact in terms of economic responsibilities still pending to be determined.

At the close of the year, the lawsuit filed by an employee of the production centre of the American subsidiary Viscofan USA Inc. in Montgomery (Alabama) against Viscofan S.A. and against other companies that do not belong to the group (two Spanish companies and a Chinese company) continues, due to an accident that occurred at said the centre in 2016. With regard to tort claims, the process continues before the Alabama District Court (case number 2:17 cv 349 ALB) with the evidentiary procedures having been delayed due to Covid-19 and it is unlikely that the court case will be held before 2022 and without any amount of being quantifiable at this time.

(b) Contingent assets

In relation to the lawsuit filed by Viscofan S.A. before the Mercantile Court against Sayer Technologies S.L. for revealing confidential information, an appeal has been filed before the Provincial Court of Navarre. In relation to this same company, Sayer Technologies S.L., the American subsidiary Viscofan Collagen USA Inc. together with the Canadian subsidiary Viscofan Collagen Canada Inc. have the intention to file lawsuits against Sayer Technologies, S.L. (which has initially filed a claim the non-payment of invoices corresponding to the sale of some supplies in the amount of €137,309.11) for breach of contract, damages and losses regarding the sale and start-up of a machine and installation for extruding collagen, a converting machine and a knotting machine, with it not being possible at this time to determine the amount of the claim as it is not possible to carry out the corresponding expert evidence.

In terms of the electricity sector regulation in Spain, Viscofan, S.A. has submitted to the Treasury of Navarre requests to rectify the annual self-assessments In relation to the Tax on Electricity Production corresponding to Financial year 2013 to 2018 on the basis that this tax breaches different legal provisions at a European level and in the Spanish Constitution. The requests are currently in different stages of procedures and processes, and it is not currently possible to estimate a date on which they will be resolved, which will depend on the resolution of the pre-judicial matter pending before the CJEU.

15. Trade and other payables

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

	Thousands of euros	
	2020	**2019**
Suppliers	27,825	29,961
Amounts owed for services received and other payables	24,182	26,021
Customer advances	1,978	2,624
Remuneration pending payments	15,678	15,937
Trade payable	**69,663**	**74,543**
Payable to public administrations	17,711	11,404
Other payables	**17,711**	**11,404**
Balance at December 31,	**87,374**	**85,947**

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***
2020	31,139	16,757	2,567	3,231	3,185	3,765	9,019	***69,663***
2019	33,570	17,856	2,882	4,642	3,878	3,621	8,094	***74,543***

At 31 December 2020 and 2019, balances payable to public administrations were as follows:

	Thousands of euros	
	2020	**2019**
VAT payable to Treasury	5,492	3,681
Amounts payable to the Treasury for withholdings	11,558	6,752
Payable to social security agencies	661	792
Other public bodies	-	179
Balance at December 31,	**17,711**	**11,404**

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***
2020	13,372	32	499	890	2,087	271	561	***17,712***
2019	8,098	137	488	661	969	579	472	***11,404***

Information on late payments to suppliers in Spain in commercial transactions

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

	Days	
	2020	**2019**
Average supplier payment period	23.8	23.2
Ratio of transactions paid	24.1	23.5
Ratio of unpaid transactions	19.3	20.1

	Thousands of euros	
	2020	**2019**
Total payments made	126,970	132,329
Total unmade payments	8,748	10,002

16. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at 31 December 2020 and 2019, 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	22,321	35,102	32,644	-	*90,067*	*90,067*
Accrued interest payable	93	47	-	-	*140*	*140*
Other financial liabilities	11,343	2,441	9,659	5,941	*29,384*	*29,384*
Measured at amorised cost	*11,343*	*2,441*	*9,659*	*5,941*	*29,384*	*29,384*
Total at December 31, 2020	**33,757**	**37,590**	**42,303**	**5,941**	***119,591***	***119,591***

	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***

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

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

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

Financial liabilities for bank borrowings bearing interest at floating rates are referenced to Euribor or Libor plus an average spread of 0.60 percentage points (0.86 percentage points in 2019).

The average fixed interest rate on financial liabilities for bank borrowings in 2020 is 0.73% (0.76% in 2019).

"Other financial liabilities" at 31 December 2020, both current and non-current, mainly includes:

- A loan to the parent amounting to 833 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 sponsored by entities such as the CDTI and the Ministry of Economy and Competitiveness amounting to 12,960 thousand euros.
- Non-current assets suppliers, amounting to 9,406 thousand euros.

31 December 2019 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 sponsored 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.

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*
2020	102,567	10,443	650	5,931	***119,591***
2019	107,440	8,458	956	5,483	***122,337***

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

	Thousands of euros	
	2020	2019
Limit	133,189	131,767
Amount draw down	26,115	14,867
Drawable amount	107,074	116,900

The undiscounted value of financial liabilities classified by maturity without taking into account derivative financial instruments at 31 December 2020 and 2019 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*
Borrowings - debt principal	57,422	19,449	10,196	2,000	1,000	-	*90,067*
Interest	466	206	89	17	6	-	*784*
Financial liabilities - borrowings	**57,888**	**19,655**	**10,285**	**2,017**	**1,006**	**-**	***90,851***
Debt principal	13,785	4,122	1,909	1,851	1,777	5,940	*29,384*
Interest	73	39	29	24	19	15	*199*
Other financial liablities	**13,858**	**4,161**	**1,938**	**1,875**	**1,796**	**5,955**	***29,583***
Total at December 31, 2020	**71,746**	**23,816**	**12,223**	**3,892**	**2,802**	**5,955**	***120,434***

	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	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***
Total at December 31, 2019	**50,920**	**32,294**	**17,945**	**12,247**	**3,206**	**7,084**	***123,696***

At 31 December 2020, the Group had confirming lines with a joint limit of 5,000 thousand euros (5,000 thousand as at 31 December 2019), as well as multi-risk policies totalling 8,500 thousand euros (8,000 thousand as at 31 December 2019).

17. Derivative financial instruments

The breakdown of balances which include the values of the derivative financial instruments at 31 December 2020 and 2019 is as follows:

	Thousands of euros							
	2020				2019			
	Measured at fair value with changes in OCI		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	326	-	-	-	32	-	-	-
Raw materials hedges	-	107	-	-	64	-	-	-
L.T. Derivatives	**326**	**107**	**-**	**-**	**96**	**-**	**-**	**-**
Exchange rate insurance	3,088	12	1,620	-	2,277	40	47	85
Raw materials hedges	-	2,147	-	-	444	-	-	-
S.T. Derivatives	**3,088**	**2,159**	**1,620**	**-**	**2,721**	**40**	**47**	**85**
Total	**3,414**	**2,266**	**1,620**	**-**	**2,817**	**40**	**47**	**85**

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

	Thousands of euros			
	Measured at fair value			
	With changes in P&L	With changes in OCI	*Carrying amount*	*Fair value*
Non-current derivatives	-	326	*326*	*326*
Current derivatives	1,620	3,088	*4,708*	*4,708*
Total Financial assets at December 31, 2020	**1,620**	**3,414**	***5,034***	***5,034***
Current derivatives	-	(2,266)	*(2,266)*	*(2,266)*
Total Financial liabilities at December 31, 2020	**-**	**(2,266)**	***(2,266)***	***(2,266)***

	Thousands of euros			
	Measured at fair 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)***

17.1. 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 that variations in energy prices could have on energy prices, in 2020 the Company entered into hedging contracts for the period February 2021 to January 2022 for a total of 1,210,000 MWh, with a contracted price of 1.62.

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.

17.2. Exchange rate insurance

Part of the fair value of the exchange rate insurances at year end was recognised as income or expense on the consolidated income statements for 2020 and 2019. 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 2020 and 2019 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 2020 and 2019, is as follows:

	Thousands of euros	
	2020	**2019**
US dollar	127,575	117,700
Pounds sterling	3,350	5,550
Canadian dollar	3,900	2,550
Brazilian real	12,000	-

18. Income tax

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

Thousands of euros

	Assets		Liabilities		Net	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Non-current assets	9.679	14.293	15.923	20.562	(6.244)	(6.269)
Current assets	11.649	8.844	1.307	1.732	10.342	7.112
Non-current liabilities	4.360	4.205	124	196	4.236	4.009
Current liabilities	1.278	1.090	1.920	1.179	(642)	(89)
Total at December 31,	**26.966**	**28.432**	**19.274**	**23.669**	**7.692**	**4.763**

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 (4,361 thousand euros) and R&D deductions (3,748 thousand euros). In addition, deferred tax assets arising from current and non-current tax liabilities relate mainly to provisions at different Group companies that will be used for tax purposes when applied. A large number of the provisions described in Note 18 have led to adjustments in the tax assessment basis in the different countries.

Deferred tax liabilities arising from non-current assets for the years ended 31 December 2020 and 2019, mainly relate to the application of different amortisation rates by certain Group subsidiaries (mostly in the USA) than those used for tax purposes. Also included is the tax effect of net unrealised gains on PP&E items acquired in different business combinations.

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

	Thousands of euros	
	2020	2019
Non-current assets	2,316	(3,993)
Current assets	(3,721)	(281)
Non-current liabilities	(256)	210
Current liabilities	1,056	784
Consolidated income statement	**(605)**	**(3,280)**
Non-current assets	(2,341)	749
Current assets	491	(216)
Non-current liabilities	29	(595)
Current liabilities	(503)	(240)
"Other comprehensive income" on the consolidated statements of comprehensive income	**(2,324)**	**(302)**
Total changes in taxes and deferred tax liablities	**(2,929)**	**(3,582)**

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

	2020	2019
Actuarial gains/(losses) on pension plans	(68)	(573)
Unrealized gains/(losses) on cash flow hedges	389	(823)
Other notions	(2.645)	1.094
Charged directly against "Other comprehensive income" on the consolidated income statement	**(2.324)**	**(302)**

The major components of income tax expense for the years ended 31 December 2020 and 2019, are as follows:

	Thousands of euros	
	2020	2019
Income tax expense for the year	36.201	27.753
Adjustment to income tax from prior years	1.547	14
Current income tax	**37.748**	**27.767**
Origination and reversal of temporaty differences	(605)	(3.280)
Deffered income tax	**(605)**	**(3.280)**
Tax on income expense	**37.143**	**24.487**

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

	Thousands of euros	
	2020	2019
Profit before tax for the year	**159,656**	**130,064**
28% tax rate	44,704	36,418
Effect of application of tax rates in each country	(5,134)	(6,085)
Deductions generated	(6,916)	(6,084)
Adjustment to income tax from prior years	1,547	14
Impact of permanent differences	2,942	224
Tax on income expense	**37,143**	**24,487**

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

Koteks Viscofan, d.o.o. may avail itself of a tax incentive which would reduce the 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 revenue (90% in the first half of the 25-year period and thereafter will fall to 10%).

In relation to the temporary taxable differences of the subsidiaries, as at 31 December 2020 and 2019, the Group did not recognise any amount in this regard based on its dividend distribution policy, according to which it unlikely that the results accumulated by the subsidiaries as at 31 December 2020 will be distributed in the foreseeable future. This unrecognised deferred tax liability would total approximately 8.8 million euros as at 31 December 2020.

Income tax payable from continued operations was calculated as follows:

	Thousands of euros	
	2020	**2019**
Current tax	36,201	27,753
Withholdings and payments on account	(27,883)	(24,117)
Total at December 31,	**8,318**	**3,636**

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

	Thousands of euros	
	2020	**2019**
Tax assets receivable	765	1,522
Tax liabilities payable	(9,083)	(5,158)
Total at December 31,	**(8,318)**	**(3,636)**

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 2020, 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 management considers that any additional liabilities that might arise would not have a significant impact on these consolidated financial statements.

19. Segment reporting

GIRL 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 cogeneration plants in Spain, Mexico, and Germany. These cogeneration activities have three aims: to decrease the cost of electricity 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 following PP&E items and intangible assets in different segments were acquired during 2020 and 2019:

	Thousands of euros					
Year 2020	**Spain**	**Other European and Asian countries**	**North America**	**South America**	**Eliminations and other**	***Consolidated***
Revenue from external customer	103,506	399,800	279,484	129,370	-	*912,160*
Revenue from inter-segment	110,106	267,345	90,697	37,143	(505,291)	-
Total revenue	213,612	667,145	370,181	166,513	(505,291)	*912,160*
Depreciation and amortization	(20,291)	(30,386)	(14,264)	(6,585)	-	*(71,526)*
Finance revenue	73	251	126	74	-	*524*
Finance costs	(508)	(208)	(707)	(52)	-	*(1,475)*
Exchange differences	(2,581)	(1,415)	116	1,575	-	*(2,305)*
Segment profit	**5,532**	**87,513**	**15,445**	**54,503**	**(3,337)**	***159,656***
Total assets	**265,605**	**482,912**	**256,544**	**139,759**	**(104,388)**	***1,040,432***
Total equity and liabilities	**128,593**	**151,052**	**118,345**	**23,277**	**(117,081)**	***304,186***
Acquisition of assets	**21,728**	**16,850**	**12,390**	**5,898**	**-**	***56,866***

Year 2019	Spain	Other European and Asian countries	North America	South America	Eliminations and other	*Consolidated*
	Thousands of euros					
Revenue from external customer	105,970	374,167	243,135	126,425	-	*849,697*
Revenue from inter-segment	83,850	234,996	81,005	27,650	(427,501)	-
Total revenue	189,820	609,163	324,140	154,075	(427,501)	*849,697*
Depreciation and amortization	(18,692)	(31,227)	(12,826)	(7,929)	-	*(70,674)*
Finance revenue	23	401	117	56	-	*597*
Finance costs	(883)	(740)	(337)	(6)	-	*(1,966)*
Exchange differences	778	(299)	(793)	1,449	-	*1,135*
Segment profit	**(2,225)**	**78,536**	**14,773**	**39,689**	**(709)**	***130,064***
Total assets	**237,499**	**477,133**	**285,503**	**157,678**	**(72,804)**	***1,085,009***
Total equity and liabilities	**128,418**	**139,170**	**107,269**	**20,870**	**(95,084)**	***300,643***
Acquisition of assets	**28,097**	**19,689**	**7,482**	**6,786**	**-**	***62,054***

20. Operating income and operating expenses

20.1. 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 2020 and 2019 is as follows:

	Thousands of euros					
	Casings sales and services		Energie sales and services		Total sales and rendered services	
	2020	2019	2020	2019	2020	2019
Spain	72,350	68,432	31,156	37,537	103,506	105,969
Other European and Asian countries	399,800	374,168	-	-	399,800	374,168
North America	273,771	235,510	5,713	7,625	279,484	243,135
South America	129,370	126,425	-	-	129,370	126,425
Total	**875,291**	**804,535**	**36,869**	**45,162**	**912,160**	**849,697**

Revenue from external customers can be traced to 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 cogeneration 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 cogeneration 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.

20.2. Other income

The breakdown of "Other Operating Income" for 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Work performed by the Group on non-curr	297	958
Capital Grants (Note 13)	512	590
Other operating income	7,713	5,400
Total other income	**8,522**	**6,948**

The conditions or contingencies associated to grants received.

20.3. Personnel expenses

The breakdown of "Personnel expenses" in 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Wages and salaries	177,039	155,801
Indemnity payments	844	2,280
Current service cost of defined benefits (Note 14.1)	349	417
Company social security contributions	29,210	29,209
Other welfare benefits and taxes	15,289	13,571
Total personnel expenses	**222,731**	**201,278**

Group employees during 2020 and 2019, by professional category and gender, were as follows:

Total headcount at the end of year

	Men	Women	*Total 2020*	Men	Women	*Total 2019 (*)*
Executives	107	17	***124***	98	14	***112***
Technicians and supervisors	886	340	***1,226***	833	319	***1,152***
Administratives	57	184	***241***	56	182	***238***
Specialized personnel	691	237	***928***	641	213	***854***
Unskilled workers	1,880	729	***2,609***	1,704	653	***2,357***
Total	**3,621**	**1,507**	***5,128***	**3,332**	**1,381**	***4,713***

Average number of employees

	Men	Women	*Total 2020*	Men	Women	*Total 2019 (*)*
Executives	104	18	***122***	99	18	***117***
Technicians and supervisors	875	333	***1,208***	824	299	***1,123***
Administratives	57	178	***235***	53	178	***231***
Specialized personnel	670	216	***886***	637	209	***846***
Unskilled workers	1,816	700	***2,516***	1,688	623	***2,311***
Total	**3,522**	**1,445**	***4,967***	**3,301**	**1,327**	***4,628***

(*) 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).

Four parent employees have a recognized degree of disability equal to or higher than the legally-stipulated 33%, this information is given in accordance to Royal Decree 602/2016 of December 2. The breakdown by professional category are 3 operators and 1 administrative employee. The same as in 2019.

Due to the circumstances of the production process, since 3 May 2017, and renewed on 3 May 2020, Viscofan S.A. has recognised, through Resolution 287/2020 of the Directorate of the Navarre Employment Service, the recognition of exceptionality that justifies adopting alternative measures to comply with the reserve quota in favour of disabled workers and authorises, as an alternative measure, the 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 74 differently abled people among its workers (67 men and 7 women), in 2019 it was 78 differently abled people (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.

20.4. Other operating expenses

The detail of "Other operating expenses" for 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Research and development costs	2,703	2,564
Repair and maintenance	29,626	29,859
Environment	5,748	5,020
Power supplies	51,506	55,622
Plant expenses (surveillance, cleasing and others)	29,448	23,490
Leasing expenses	3,183	3,295
Insurance premium	5,873	4,644
Other taxes	5,350	5,993
Administrative and selling costs	47,750	50,799
Other expenses	9,214	8,737
Other operating expenses	**190,401**	**190,023**

In 2019, "Other Expenses" included the expenses relating to the acquisition of Viscofan Collagen USA Inc and Viscofan Collagen Canada Inc, amounting to 1,497 thousand euros.

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

20.5. Financial income and expense

The breakdown of financial income and expenses for 2020 and 2019, according to the origin of the items making it up, is as follows:

	Thousands of euros	
	2020	**2019**
Financial income	**524**	**597**
Bank borrowings and other financial liabilities	(1,151)	(1,512)
Net finance cost of pension plans and other L.T. benefits	(324)	(454)
Financial expense	**(1,475)**	**(1,966)**
Fair value adjustment to financial investment	**5**	**15**
Exchange gains	32,052	13,716
Exchange losses	(34,357)	(12,581)
Exchange gains (losses)	**(2,305)**	**1,135**
Financial incomer (expenses) total	**(3,251)**	**(219)**

21. Earnings per share

21.1. Basic

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

	Thousands of euros	
	2020	2019
Weighted average number of ordinary shares in circulation	46,358,856	46,458,230
Profit attributable to ordinary equity holders of the parent	122,513	105,577
Basic earnings per share (in euros)	**2.64**	**2.27**

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

	2020	2019
Average number of ordinary shares in circulation	46,500,000	46,500,000
Own shares effect	-141,144	-41,770
Weighted average number of ordinary shares in circulation at December 31,	**46,358,856**	**46,458,230**

21.2. Diluted

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

The diluted earnings per share include the effect of the group's share plan, detailed in note 23.3. It includes the ordinary shares that will be put into circulation based on the degree of achievement of the conditions established as at 31 December 2020, as if this date was the planned deadline for these conditions to be fulfilled.

	Thousands of euros	
	2020	2019
Weighted average number of ordinary shares in circulation	46,500,000	46,458,230
Profit attributable to ordinary equity holders of the parent	122,513	105,577
Basic earnings per share (in euros)	**2.63**	**2.27**

22. Risk management

Risk management is controlled by the Group, in keeping with policies approved by the Board of Directors. The *risk control system is described in section E. Risk management and control systems* of the Annual Corporate Governance Report from the parent company, listing those that might affect the achievement of objectives, their materiality in 2020, 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.

22.1. Exchange rate risk

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

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

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

	Thousands of euros			
	2020		2019	
	+ 5%	- 5%	+ 5%	- 5%
US dollar	6,568	(5,943)	6,467	(5,845)
Czech Crown	(1,744)	1,578	(1,634)	1,478
Brazilian Real	1,591	(1,439)	1,451	(1,314)
Chinese Yuan Renmimb	1,412	(1,277)	803	(728)

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			
	2020		2019	
	+ 5%	- 5%	+ 5%	- 5%
US dollar	8,151	(7,375)	9,661	(8,740)
Czech Crown	2,935	(2,656)	3,141	(2,841)
Brazilian Real	4,442	(4,019)	4,910	(4,442)
Chinese Yuan Renmimb	4,603	(4,164)	3,211	(2,905)

22.2. Credit risk

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

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

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

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

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

The Directors consider that at 31 December 2020 there were no significant assets that could be impaired with respect to their net carrying amount.

22.3. Liquidity risk

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

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

The following ratios show the level of liquidity at 31 December 2020 and 2019:

	Thousands of euros	
	2020	2019
Current asstes	516,639	520,144
Current liabilities	(185,623)	(155,520)
Working capital	**331,016**	**364,624**
Current liabilities	185,623	155,520
% working capital/current liabilities	**178.33%**	**234.45%**
Cash and cash equivalents	51,990	51,370
Available borrowing facilities (Note 16)	107,074	116,900
Cash and available on credit and discount lines	**159,064**	**168,270**
% cash and cash equivalents+available on credit and discount lines/Current liabilities	**85.69%**	**108.20%**

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

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 2020 and 2019, 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 2020 and 2019 there were no defaults or other noncompliance of the principal, interest, or repayments of debts with credit entities. No defaults are foreseen for 2021.

22.4. Interest rate risks in cash flows and fair value

The Group manages interest rate risk by maintaining a balanced portfolio of fixed and floating rate loans and credits. The Group's policy is to hold between 50% and 85% of its loans at a fixed interest rate. To manage it, the Group receives fixed-interest loans. At 31 December 2020, approximately 67% of the Group's loans are remunerated at a fixed interest rate (2019: 70%).

The Group does not own significant remunerated assets.

At 31 December 2020 and 2019 the structure of financial liabilities subject to interest rate risk, once hedges through the derivatives arranged have been taken into account, is as follows:

	Thousands of euros	
	2020	2019
Bank borrowings	90,207	93,916
Other financiasl debt	19,974	21,234
Financial debt total	**110,181**	**115,150**
Fixed interest rate (*)	68,241	80,809
Variable interest rate	41,940	34,341

(*) Plant and equipment suppliers not included

In 2020 and 2019, the floating interest rates on loans are linked to Euribor and Libor dollar.

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

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

	Thousands of euros			
	2020		2019	
	+ 1%	- 1%	+ 1%	- 1%
Pension plans commitments				
Germany	(194)	185	(168)	181
Plans in other countries	(21)	19	(18)	19
Financial debt				
Euribor	(381)	381	(413)	410

22.5. 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 processing its casings.

The Group policy is to set the prices for main fuels through the arrangement of year-long contracts with suppliers, or by using hedging policies (Note 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	
	2020	2019
+ 10%	2,611	2,874
- 10%	(2,611)	(2,874)

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

23.1. 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 2020 and 2019 is as follows:

	Thousands of euros						
	Salaries	Fixed remuneration	Allowances	Variable short-term remuneration	Remuneration: seniority and commission	Other notions	*Total*
Mr. José Domingo de Ampuero y Os	606	160	-	468	-	21	*1,255*
Mr. José Antonio Canales García	466	80	-	360	-	46	*952*
Mr. Ignacio Marco-Gardoqui Ibáñez	-	80	36	-	38	-	*154*
Mr. José María Aldecoa Sagastasolo	-	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	36	-	20	-	*136*
Mr. Santiago Domecq Bohórquez	-	80	36	-	30	-	*146*
Ms. Laura González Molero	-	80	36	-	40	-	*156*
Ms. Carmen de Pablo Redondo	-	53	24	-	20	-	*97*
Total 2020	**1,072**	**933**	**312**	**828**	**278**	**67**	***3,490***

	Thousands of euros						
	Salaries	Fixed remuneration	Allowances	Variable short-term remuneration	Remuneration: seniority and commission	Other notions	*Total*
Mr. José Domingo de Ampuero y Os	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 Sagastasolo	-	80	36	-	50	-	*166*
Mr. Jaime Real de Asúa y Arteche	-	80	36	-	30	-	*146*
Mr. Nestor Basterra Larroudé	-	80	36	-	30	-	*146*
Ms. Agatha Echevarría Canales	-	80	36	-	20	-	*136*
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***

During the General Shareholders' Meeting of 24 April 2020 Ms Carmen de Pablo Redondo 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 828 thousand euros in the short-term (2019: 480 thousand euros in the short-term). These were calculated based on EBIDTA, net profit, sales, and share price values which were determined in accordance with the annual plan as well as personal performance.

In relation to the Long Term Incentive Plan, for the year 2020 the amount of 1,014 thousand euros was recognised As a liability and equity (101 thousand euros as at 31 December 2019).

"Other items" includes 67 thousand euros (45 thousand euros in 2019) in respect of life and accident insurance premiums, health care policies and company cars.

The Company has arranged civil liability insurance for both executive and non-executive directors (D&O insurance), as well as for executives of the Company and the Group's subsidiaries. In this insurance, the directors will be considered as the insured parties, due to the liabilities that may arise as a consequence of the performance of their activities. During 2020, amounts were paid for insurance premiums covering the civil liability of its directors and executives for damages caused by acts or omissions in their position amounting to 70 thousand euros (46 thousand euros in 2019).

At 31 December 2020 and 2019, 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 2020 and 2019 the members of the Board of Directors and related individuals or entities did not perform any transactions with the Company or with Group companies other than in the ordinary course of business or on terms other than on an arms' length basis.

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

In 2020, all the Group companies had no legal person administrators in any companies

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

23.2. Senior management

The breakdown of parties holding executive positions during 2020 follows:

Corporate management	
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	Financial Manager Uruguay
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
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 Europe 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	General Manager Asia - Pacific
Mr. Iñigo Martinez	Chief Financial Officer
Mr. Juan Negri	General Manager Germany
Mr. Wilfried Schobel	General Manager Serbia

In 2020, remuneration received by key management personnel totalled 6,082 thousand euros. In 2019 remuneration amounted to 4,587 thousand euros.

In relation to the Long Term Incentive Plan, for the year 2020 the amount of 3,544 thousand euros was recognised As a liability and equity (411 thousand euros as at 31 December 2019).

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

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

23.3. Long-term Incentive Plan

The Board of Directors of Viscofan, in a meeting held on 30 July 2019, at the proposal of the Appointments 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 2019 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 were approved during the General Shareholder's Meeting on 24 April 2020, 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.

24. Transactions and balances with related parties

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

In 2020, 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 2020 (13,03% at 31 December 2019). Specifically, the financial debt includes a loan of 10 million euros; the same amount as in 2019. Viscofan S.A. has also taken out exchange rate insurance with the financial institution associated with Corporación Financiera Alba, S.A., worth 35 thousand euros at 31 December 2020 (213 thousand euros in 2019). No additional services have been received by companies related to this shareholder in 2020 or 2019. All transactions took place in normal market conditions.

25. Environmental information

The cost of items related to the Group’s environmental projects maintained as at 31 December 2020 was 57,266 thousand euros (2019: 54,172 thousand euros), with an accumulated amortisation of 25,366 thousand euros (2019: 25,781 thousand euros).

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

The emission rights consumed by the Company during 2020 and 2019 amounted to 285,587 and 266,621 tonnes, respectively.

In 2020, the Group incurred in environmental protection and improvement costs amounting to 5,748 thousand euros. In 2019 this amount totalled 5,020 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.

26. Audit fees

The auditors of the Group's consolidated Financial Statements, PricewaterhouseCoopers Auditores, S.L. in 2020, 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 production date, for the year ended 31 December 2020 and 2019 as follows:

	Thousands of euros		
Year 2020	**In the parent's Company**	**In other companies**	***Total***
PwC Auditores, S.L.	118	99	*217*
PwC Network	-	419	*419*
Audit services	**118**	**518**	***636***
PwC Auditores, S.L.	4	-	*4*
Other audit related services	**4**	**-**	***4***
Total at December 31, 2020	**122**	**518**	***640***

	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***

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

27. Events after the balance sheet date

The Board of Directors, at its meeting on 25 February 2021, agreed to propose to the shareholders at General Meeting the distribution of a final dividend of 0.29 euros per share to be paid on 3 June 2021. Thus, total shareholder return amounts to 1.70 euros per share, including the interim dividend of 1.40 euros per share paid on 22 December 2020, the final dividend of 0.29 euros per share and the premium for attending the Meeting of 0.01 euros per share. This proposal increases ordinary remuneration by 4.9% as compared to the total of 1.62 euros approved for the previous year.

The Board of Directors at its meeting on 25 February 2021, agreed the spin-off project to establish Viscofan S.A.'s legal form as a holding company that grouped ownership interests in different group companies and facilitated a better internal organisation to carry on with its operations. Thus, the Board of Directors will propose to the General Shareholders' Meeting, to be held in 2021, the spin-off by virtue of which Viscofan S.A. will transfer with effect for accounting purposes on 1 January 2021 the industrial and operational activities in favour of the limited liability company known as Viscofan España S.L.U., with registered office in Tajonar (Navarre), incorporated on 24 November 2020 and wholly answerable to Viscofan S.A., which will acquire all rights and obligations inherent in said activity and will be incorporated as a result of the execution of the spin-off.

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

CONTENT

LETTER FROM THE CHAIRMAN

José Domingo de Ampuero y Osma

2020 was an exceptional year for the whole world and also for Viscofan. Hence, before commenting on the achievements attained in this year, I wish to highlight the work performed by an extraordinary human team. In a climate of uncertainty and insecurity, the 5,000 people that work at Viscofan have demonstrated a level of commitment and responsibility on a par with the challenge facing us. Each with their set of circumstances: at the factory, at their home, at their office, they have continued working to ensure that the food chain was not broken. I would like to thank all of them for the work performed.

Our management is based on the prioritisation of three axes: guaranteeing the health and safety of our employees and collaborators, ensuring the food chain and production and combating the spread of COVID-19 and its effects.

The pandemic caused by COVID has been lived with special intensity from the first day due to our global presence, first in China, where very soon we had to improvise the first protocols to guarantee the health of our people, which were subsequently implemented in Europe, America and Oceania as the virus has spread throughout the whole world.

To avoid breaking the food chain it was essential that Viscofan did not interrupt its production. We were declared to be an essential industry in the countries in which we operate and we have not suffered any restrictions preventing us from working. A correct decision because we have had to reinforce our production and logistical activity to guarantee a global supply to all our customers, especially in the months of tough lockdown. Circumstances that have been acknowledged through the payment of extraordinary premiums to our employees. Having responded to this demanding environment is one of the greatest motives of professional pride.

It has also been a very complicated year from a human standpoint. I do not want to overlook the fire at the office area of our facilities in Serbia, a fatal accident in which two of our colleagues died, and also the loss of other employees and their family members that have died from COVID. Among all of us we need to continue working to avoid any human loss.

In this year, we progressed in the deployment of our Sustainability Action Plan and our commitments to obtain the Sustainable Development Goals on the 2030 Agenda as signatories of the United Nations Global Compact. Policies have been approved and updated with greater details of the Viscofan Group's performance patterns, especially in relation with the sustainability area, and the number of directors on the Carmen de Pablo who, in turn, was included on the

Audit Committee to take advantage of her experience in this field. The Appointments, Remuneration and Sustainability Committee was reappointed, together with new Committee regulations, onto which Mr Ignacio Marco-Gardoqui was included, and significant investments were made to fight against climate change, such as the installation of new cogeneration engines, with green hydrogen capacity, as well as other efficiency, safety and sustainability improvements.

From a financial standpoint, the results obtained in 2020 were due, to a large extent, to the work performed over all these years, especially in the implementation of the MORE TO BE strategy.

We currently have 22 production plants and our own presence in 19 countries, from where we sell to more than 100 countries throughout the world. The acquisitions of Vector, Supralon, Transform Pack, Globus and Nitta Casings in recent years reinforce our business model. A global presence that combines our production presence on the most significant markets with a sufficient scale to attend to a multitude of countries with homogeneous quality requirements. This combination of flexibility and proximity has been decisive when restricting movements, both of people and goods, enabling Viscofan to be a guaranteed provider of supply needs such as those that have arisen this year.

Furthermore, the pandemic has shaken up consumer habits in many countries. We have continued to eat, but we have had to adapt to a context of restrictions and less social interaction. Our diversified product portfolio has given us sufficient flexibility to adapt to this change. Perhaps there has been a slowdown in the marketing of new products but, on the other hand, others, in which our proposal is the market benchmark, have accelerated.

During the strategic planMORE TO BEwe have earmarked €384 million to investments which, among other improvements, have increased capacity and renewed our industrial park, including the new cellulose and fibrous technology. Accordingly, we are enjoying the best conditions to meet demand peaks, offer high-quality products and attend to our customers in these times of need.

The combination of these factors is what enables us to have such accelerated growth this year, undoubtedly higher than that of the previous years and that of market growth itself, thereby managing to reinforce our market share in casings.

We have grown and this growth is accompanied by increased operating returns and net earnings, achieving aggregates that are in line with or above the expectations that we shared with the market at the beginning of the year.

Growth and financial soundness is reflected in increased shareholder remuneration. We decided to substantially increase interim dividends, with the payment of €1.40 per share in December 2020, to contribute liquidity to our shareholders, especially minority interests, in a year in which savings deteriorated significantly. This dividend will be complemented with the payment of 29 cents per share on 3 June which, together with the cent that we traditionally distribute as a fee for attending the shareholders' meeting, is equivalent to a remuneration of €1.70 per share, up 5% on the previous year, 26% more than the distribution prior to the MORE TO BE strategic plan, triggering over 15 years of increased remuneration, with a cash distribution of over 64% of the earnings obtained.

Lastly, in 2020 -just like many other people and institutions- we made donations of protection materials that we were able to obtain in moments of great scarcity, together with increased monetary contributions and contributions of food and in kind to different charity associations particularly affected by the pandemic.

This year, the market growth rate was exceptional, but that does not limit the market growth capacity at long term. In 2021, the inter-annual growth comparison will be more demanding, but the need to feed a growing population or to do so in a more personalised, safe and efficient manner, continues to boost volumes of casings as a fundamental ingredient for this challenge.

Additionally, in this new year, we expect to legally organise ourselves as a holding company. Hence, we will propose to the General Shareholders' Meeting the unbundling plan in Spain for which Viscofan Spain S.L.U. was created.

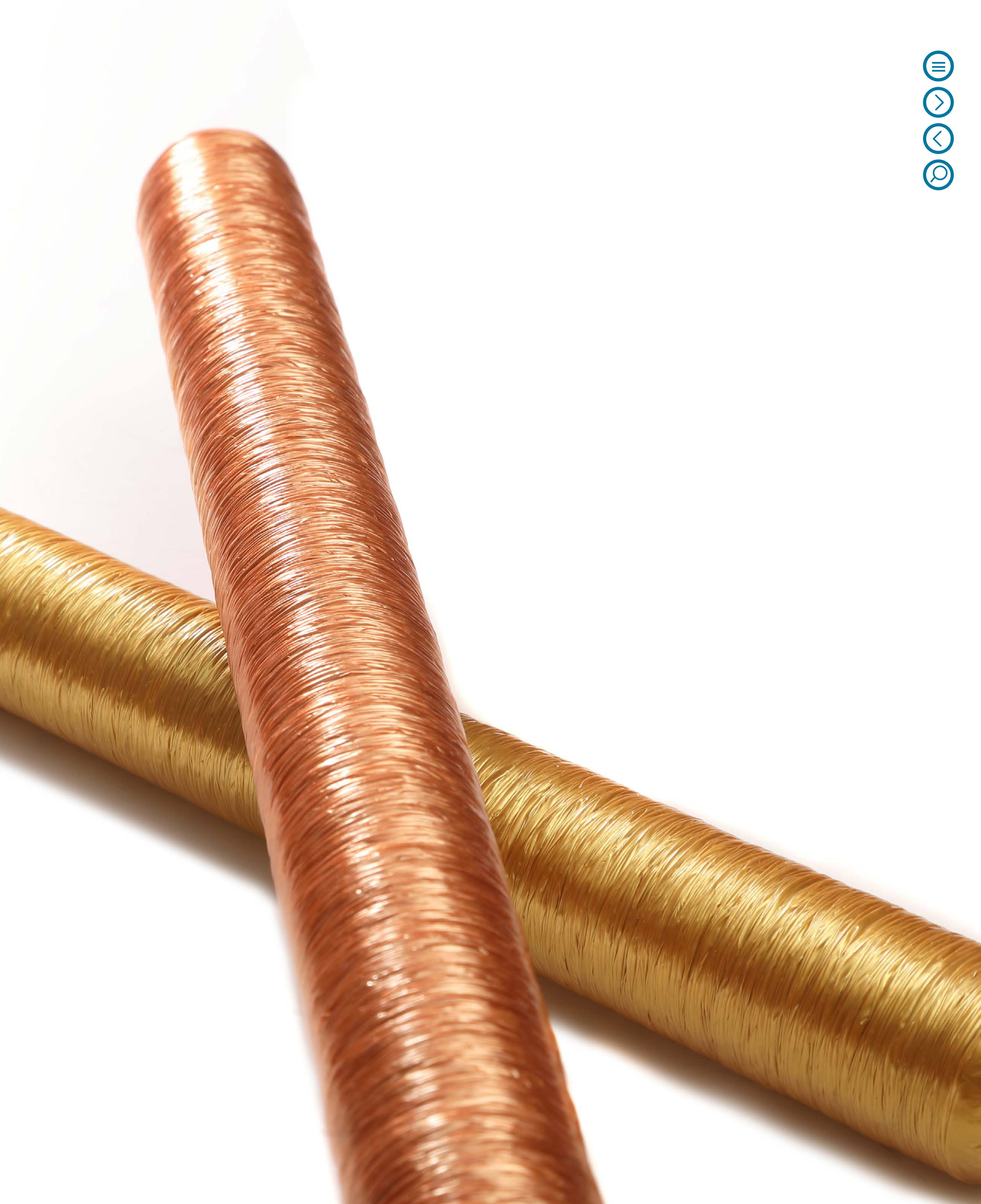
We have significant investment projects because our objective is to continue building a more sustainable Viscofan in the long term. Only companies guided by this objective are capable of adapting to the risks that may always arise at long term. Today Viscofan is a better, more solid and sustainable company and on this basis, we believe that it is possible to attain the ambitious financial targets that we have set for 2021.

Thank you very much for placing your trust in us.

Jose Domingo de Ampuero y Osma
Chairman

2

STATEMENT OF NON-FINANCIAL INFORMATION



2.1 FOUNDATION

The purpose of the Non-Financial Information Statement is to inform all stakeholders of how the Viscofan Group creates value and reports the environmental. social and good governance impacts that can substantially influence the decision-making of such stakeholders.

The purpose of the Non-Financial Information Statement is to inform all stakeholders of how the Viscofan Group (without distinction it will be referred to as the "Viscofan Group" or "Viscofan". Viscofan S.A., parent company of the Viscofan Group, will be referred to as the "Company") creates value and reports the 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 2020 for the financial year of the Viscofan Group.

The scope of this report covers the companies that form part of the Viscofan Group as of 31 December 2020, detailed in note 2 of the annual consolidated financial statements. The companies included in the 2019 comparison are those included in the 2019 scope of consolidation, with the exception of the companies originating from Globus in Australia and New Zealand and those acquired from Nitta Casings Inc. in the United States and Canada.

This document was prepared pursuant to Law 11/2018, of 28 December, on non-financial information and diversity. Likewise, this report was prepared in conformity with the essential option of the Global Reporting Initiative (GRI) standard.

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

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

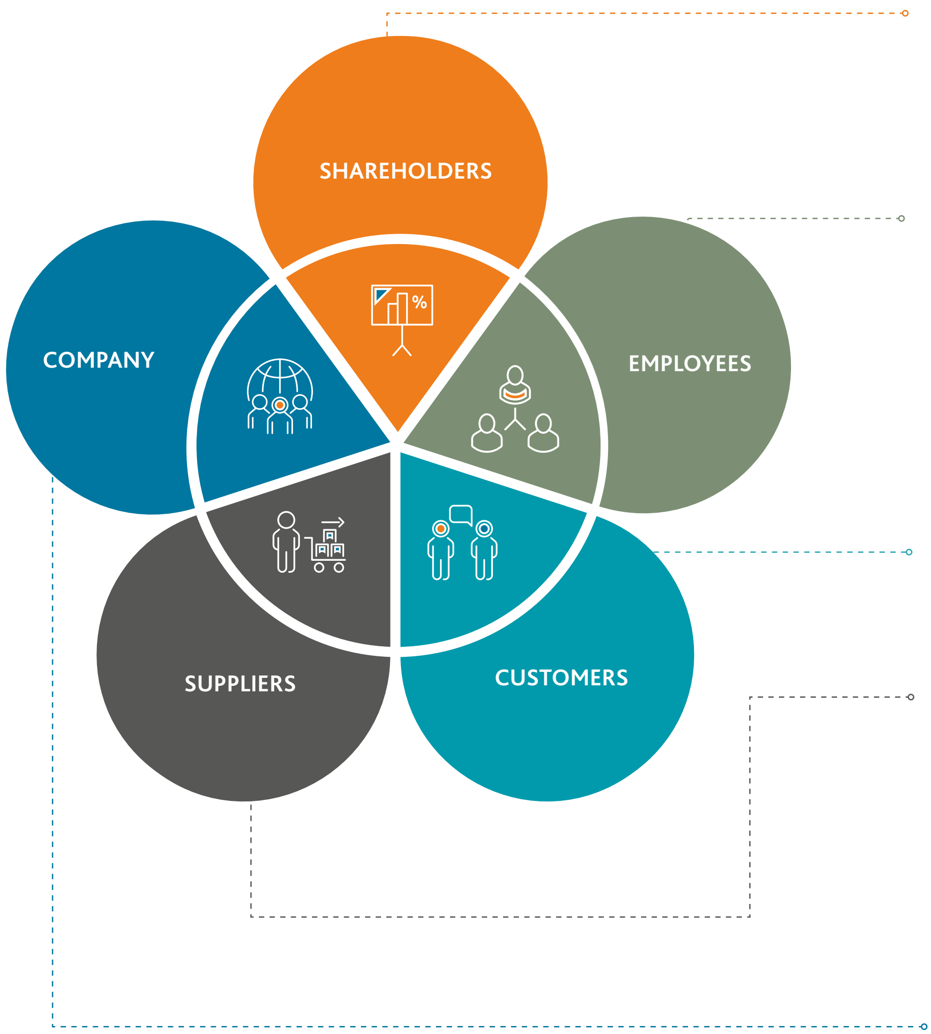
In accordance with the indications of the 102-55 content of the GRI Standard: 102 General Disclosures 2016. This report includes a GRI content index as a navigation tool.

RELATIONS WITH OUR STAKEHOLDERS

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

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

STAKEHOLDERS AND THE COMMUNICATION CHANNELS



Specific communication channels

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

VALUE PROPOSAL: Sustainable economic growth

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

VALUE PROPOSAL: Development of skills and talent

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

VALUE PROPOSAL: Preferred option in line with its needs to improve process efficiency and sustainability

Direct contact, collaboration agreements, training, assessments and audits

VALUE PROPOSAL: Alliance and respect in the search for the best solutions in the developtment of our activities

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

VALUE PROPOSAL: Economic growth, integration of the territory and development of the community

MATERIALITY

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.

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

Within the framework of the Sustainability Action Plan, in 2020, a new materiality analysis was carried out that identified the company's most significant economic, environmental, social and governance impacts that substantially influence its valuations and decisions.

For the preparation of the materiality analysis, 47 material aspects have been identified for the different stakeholders on the basis of the following:

- **Analysis of the reporting standards** used by benchmark companies 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), Task force on Climate-related Financial Disclosures (TCFD) and CDP.
- **Reporting standards (**Sustainability Accounting Standards Board or "SASB").
- **Requirement of analysts and institutions.**
- **Regulatory analysis**. Law 11/2018, of 28 December, which amends the 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.
- **Recommendations of the GRI Standards, specifically GRI 101**: Foundation 2016, which establishes materiality as one of the principles that determines the content of the reports disclosed under this standard.

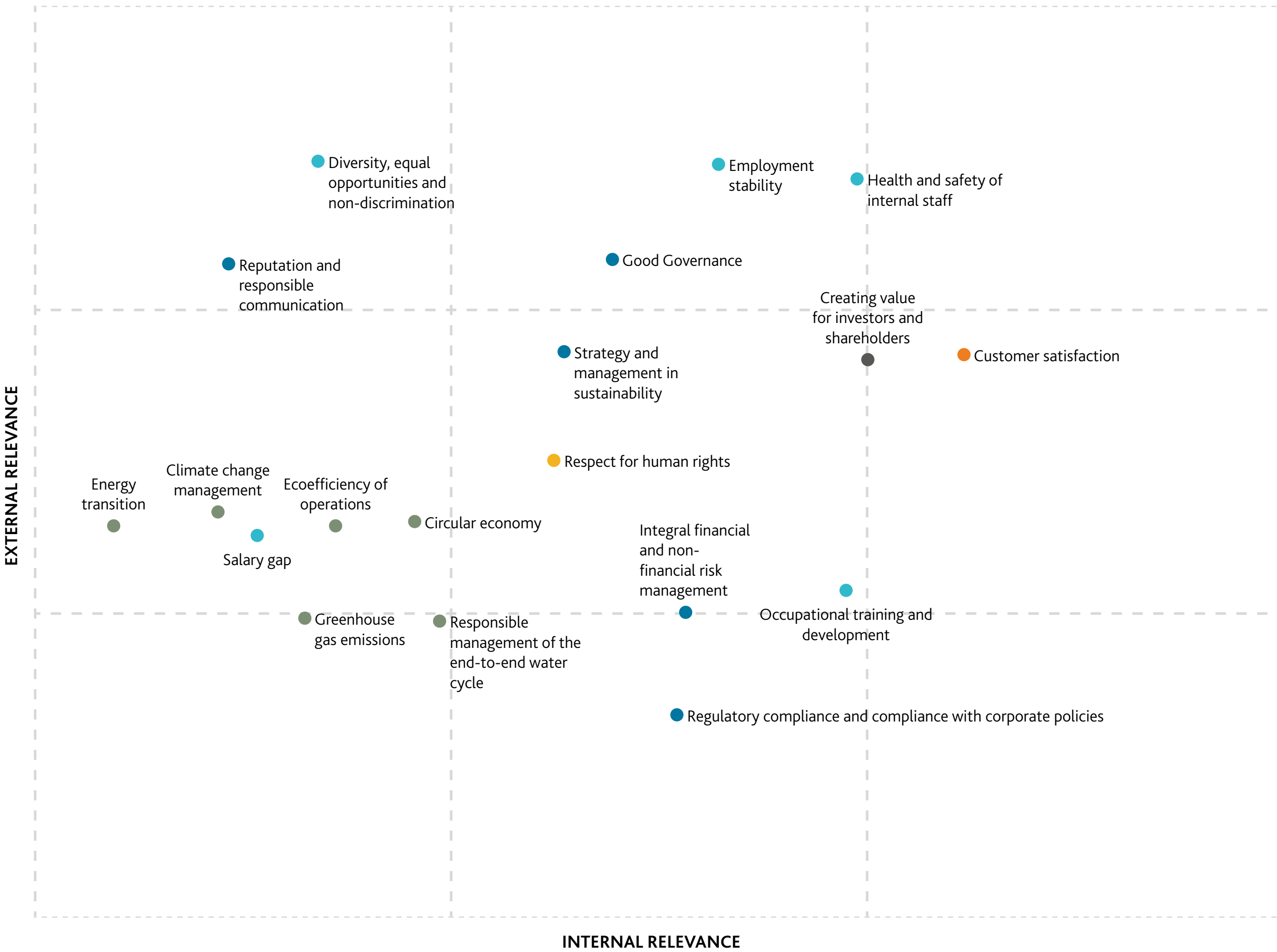
These significant issues were then presented to the heads of various areas of the Viscofan Group to assess their impact on the Group's operations and reputation and on the environment.

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

Of the 47 material aspects analysed, the positioning obtained enables 19 issues of greater external and internal significance to be focused on, based on the weighting higher than 2 of the matrix obtained, and which are disclosed in this Non-Financial Information Statement.

The result of this analysis has served to continue the follow-up of the Sustainability Action Plan approved by the Company's Board of Directors, in which the most significant aspects identified in the area of sustainability are aligned with the implementation established in the MORE TO BE Strategic Plan.

MATERIALITY MATRIX



CORPORATE GOVERNANCE	COMMERCIAL AND SUPPLY MANAGEMENT	EMPLOYMENT MANAGEMENT	ENVIRONMENTAL MANAGEMENT AND CLIMATE CHANGE	HUMAN RIGHTS AND IMPACT ON SOCIETY	ECONOMIC
Good Governance	Customer satisfaction	Creation of stable employment and quality	Greenhouse gas emissions	Respect for human rights	Creating value for investors and shareholders
Integral financial and non-financial risk management		Health. safety and well-being of in-house staff	Energy transition		
Regulatory compliance and compliance with corporate policies		Occupational training and development	Responsible management of the end-to-end water cycle		
Strategy and management in sustainability		Salary gap	Circular economy		
Reputation and responsible communication		Diversity. equal opportunities and non-discrimination	Climate change management		
			Ecoefficiency of operations		

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

Viscofan is committed to the Sustainable Development Goals of the 2030 Agenda through the United Nations Global Compact, of which it has been a signatory since 2015

Viscofan is committed to the Sustainable Development Goals of the 2030 Agenda through the United Nations Global Compact, of which it has been a signatory since 2015, and it publishes its annual progress report.

This commitment is formalised in the Viscofan's Sustainability Action Plan, which identifies the Sustainable Development Goals in which the Group can make a greater contribution and have influence.

Commitment that involves improving our leadership in casings and going beyond our technological frontiers, improving our contribution to global food, leading the change in the casing industry to contribute to reducing climate change, a greater sustainable use and protection of water and marine resources, to the transition towards a circular economy and promoting decent work and economic growth. The following are unwavering commitments to our sustainability:

UNWAVERING COMMITMENTS TO OUR SUSTAINABILITY

SDG 13. Climate action: The casing production process operates all year round and requires a lot of heat. However, in our fight against climate change, we are continually investing in improvements to reduce energy consumption and to make the most of the different forms in which energy is present in our processes, and introducing circular economy criteria into company activities focused on reducing global CO_2 emissions.

SDG 2. Zero hunger: Belonging to the food market carries with it a great responsibility: that of providing millions of people worldwide with access to basic nutrition. As a global leader in customized casings, the Viscofan Group contributes to the development of products that help to avoid food waste and it invests in R&D&i that enables more efficient and sustainable processes to manufacture cold meats. It also seeks to work with NGOs whose core business is based on reducing hunger and to develop specific products that combat malnutrition.

SDG 6. Clean water and sanitation: Viscofan's production process requires the use of water. Hence, the Group focuses on the sustainable management of water in its operations and at its factories, with a strict consumption and re-use policy, improving the quality of wastewater discharges and investing in the best available water management technologies.

SDG 12. Responsible consumption and production: Developing more sustainable activity requires incorporating environmental criteria throughout the value chain that minimises the impact of our business activity caused by the transformation of raw materials by mechanical and chemical means that leads to the generation of waste. The selection of raw materials begins and it continues with the reduction of waste generation and the optimisation of its management, prioritising recovery or recycling above other systems such as destruction or disposal.

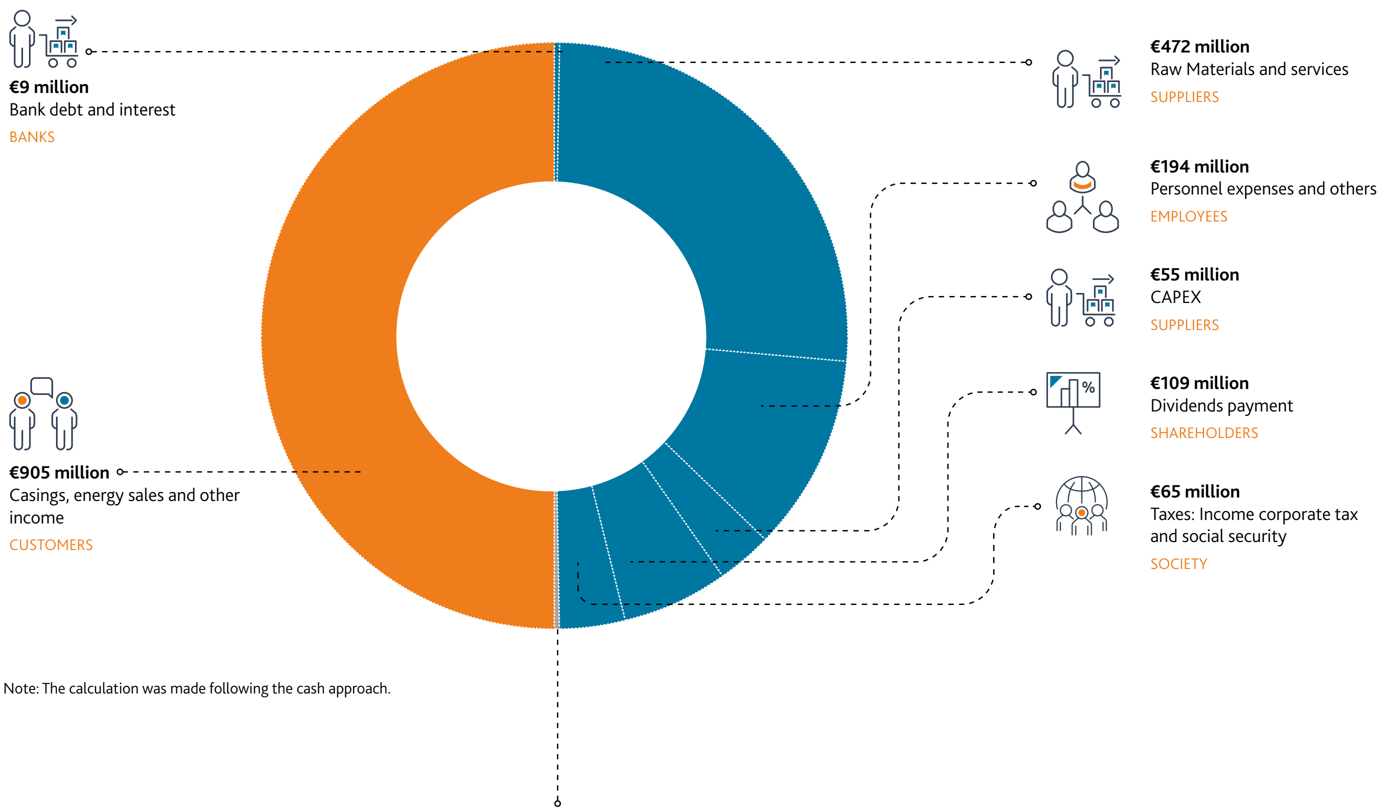
SDG 8. Decent work and economic growth: People are the differential value on which the future of Viscofan is built. Nearly 5,000 employees from 19 countries in which the Group has a presence constitute an extraordinary human wealth. People management is key to achieving our goals and that is why we want to attract and develop the best team in the industry, with maximum respect for human rights.

GENERATED AND DISTRIBUTED VALUE MATRIX

Based on the cash flows generated in 2020. the value matrix generated and distributed by stakeholders is as follows:

€905 million
ECONOMIC VALUE GENERATED

€904 million
ECONOMIC VALUE DISTRIBUTED



Note: The calculation was made following the cash approach.

€1 million
CASH INCREASE

2.2 OUR BUSINESS MODEL

MISSION

Meet global food industry needs

VALUES

- QUALITY
- PIONEERS
- TEAM WORK
- SERVICE
- FOCUS ON RESULTS

ETHICAL PRINCIPLES

- Respect and non-discrimination
- Integrity
- Responsibility
- Transparency
- Efficiency
- Loyalty
- Sustainability

STRATEGIC AXES

- COST
- SERVICE
- TECHNOLOGY

SDG

VISIÓN

to be and authentic global leader

MISSION

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

Viscofan aims to become The Casing Company, continuing to grow with the goal of achieving triple leadership in service, cost and technology in all casing 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 and pursued by our competitors.

• Being the benchmark of the sector in efficiency and productivity in all its casing technologies.

• Counting with the best market team, attracting and maintaining talent and developing its capacities.

• Focusing effort on creating value for shareholders sustainably.

VALUES

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 that deploys the main initiatives. To successfully realise this vision, our team relies on shared values (service, quality, team work, entrepeneurship 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, transparency, efficiency, loyalty, integrity and sustainability).

KEY FIGURES IN 2020 FINANCIAL

Stock market capitalisation. Year-end

€2,699 Mn

€2,190 Mn in 2019
€2,243Mn in 2018

Ordinary shareholder remuneration

€1.70

€1.62 in 2019
€1.60 in 2018

Revenue

€912.2 Mn

€849.7 Mn in 2019
€786.0 Mn in 2018

EBITDA

€234.4 Mn

€201.0 Mn in 2019
€208.8 Mn in 2018

EBITDA Margin

25.7%

23.7% in 2019
26.6% in 2018

Net Profit

€122.5 Mn

€105.6 Mn in 2019
€123.7 Mn in 2018

Investment

€56.9 Mn

€62.1 Mn in 2019
€71.6 Mn in 2018

Net bank debt

€38.2 Mn

€42.5 Mn in 2019
€79.6 Mn in 2018

KEY FIGURES ENVIRONMENTAL

CO_2 emissions. Scope 1 and 2
563,188
Tonnes
540,801 Tn in 2019
542,266 Tn in 2018

Emissions / Metres of casing extruded
94
Base 100 year 2018
101 in 2019
100 in 2018

Energy consumption
2,371
GWh
2,294 GWh in 2019
2,276 GWh in 2018

Energy consumption / Revenue
2.6
GWh / Mn €
2.7GWh / Mn € in 2019
2.9GWh / Mn € in 2018

Water withdrawal
10,378,646
m^3
9,440,345 m^3 in 2019
9,413,076 m^3 in 2018

Water withdrawal / Metres of casing extruded
100
Base 100 year 2018
101 in 2019
100 in 2018

Water discharged
8,271,176
m^3
7,760,813 m^3 in 2019
7,667,357 m^3 in 2018

Waste
57,344
Toneladas
49,307 Tns in 2019
53,423Tns in 2018

Of which recovered 47%
Of which landfill 36%

Landfill waste / Metres of casing extruded
90
Base 100 year 2018
91 in 2019
100 in 2018

KEY FIGURES SOCIAL

Average workforce

4,967 people

4,628 in 2019
4,641 in 2018

Women

29.1%

28.7% in 2019
29.0% in 2018

% Women in management positions

14.8%

15.4% in 2019
15.6% in 2018

Average number of training hours per employee

21.7 hours

28.2 h in 2019
24.8 h in 2018

Number of accidents per million hours worked

16.0

16.9 in 2019
18.4 in 2018

Hours lost per accident / Hours worked

0.33%

0.23% in 2019
0.38% in 2018

Hours of training on human rights

4,056 hours

2,163 h in 2019
2,247 h in 2018

KEY FIGURES GOVERNANCE

Percentage of independent directors

45%

40% in 2019

40% in 2018

Percentage of female directors

27%

20% in 2019

20% in 2018

Remuneration Board of Directors

3,490

Thousands of euros

2,995 thousands of euros in 2019

3,349 thousands of euros in 2018

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 45 years, making Viscofan the leader in the sector.

R+D and innovation

Viscofan's position in the constantly-evolving, 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 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 a sustainable competitive edge.

The manufacturing of casing is characterised by its ease of use and appearance, which contrasts with the high technological component underlying the manufacturing process and which only a few companies worldwide have developed.

The food industry and, more specifically, the cold meat production sector, increasingly demands more products with greater features, more sustainable and at highly competitive costs, in order to enable their large-scale manufacture. Providing a response to this demand implies an enormous technological and developmental challenge that is successfully met by Viscofan as the largest casing producer, and it is the only company in the industry that provides solutions in the main four casing families (cellulose, collagen, fibrous and plastic) and in other new families, such as edible vegetable and functional casings.

DIAGRAM OF THE VISCOFAN GROUP'S PRODUCTION PROCESS AND VALUE CHAIN

INNOVATION PRESENT THROUGHOUT THE WHOLE PROCESS

Development of new products and improvement of a propietary technology

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 bovines (flat casing)	The flat casing is converted 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 its 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

Viscofan has evolved naturally towards a technological improvement geared towards sustainability.

Viscofan has evolved naturally towards a technological improvement geared towards sustainability. Hence, on-going improvement work seeking greater efficiency and sustainability in process and product enhancement is essential to boost competitiveness and returns at long term. In this regard, Viscofan adapts a proactive approach in the search for sustainable solutions at technology and product level, boosting relevant aspects, such as the circular economy, the search for energy efficiency, the reduction of CO_2 emissions and the reduced need for water.

Innovation is an on-going process with strategic product and technological development projects in all casing families (cellulose, collagen, fibrous, plastic and vegetable), and in its final product applications (more than 14,700 items sold in 2020), also including other diversification products. Our products boost the innovation of the food sector, enabling applications to be developed aimed at providing Viscofan with the range of products required to reinforce its presence on the global market. In this regard, the main current Research, Development and Innovation projects under way are principally focused on the following areas:

AREA OF THE MAIN RESEARCH AND DEVELOPMENT PROCESSES

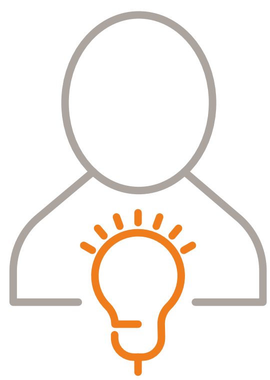
The development of **new products according to the target markets** defined in the expansion plan, and those required by our customers, and also new generation executions, designed and oriented towards offering tubular alternatives with differential performance and features.

The development of active **casings that are able to confer functionalities** to the product they contain, gaining in efficiency and preventing food waste.

Research aimed at extending the range of **adequate materials to manufacture casings and their features**, while also taking into account sustainability criteria such as their biodegradability or recyclability.

The **development of production alternatives and technological solutions** through radical breakthroughs that allow an increase in added value and efficiency levels or significantly reduce production costs for meat casings, through modernisation, streamlining and simplification, improving not only Viscofan's competitiveness, but also the sustainability of its products and processes.

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.



In collaboration with third parties, Viscofan's 4.0 industry team wishes to apply the solutions offered by new IT technologies to our operations.

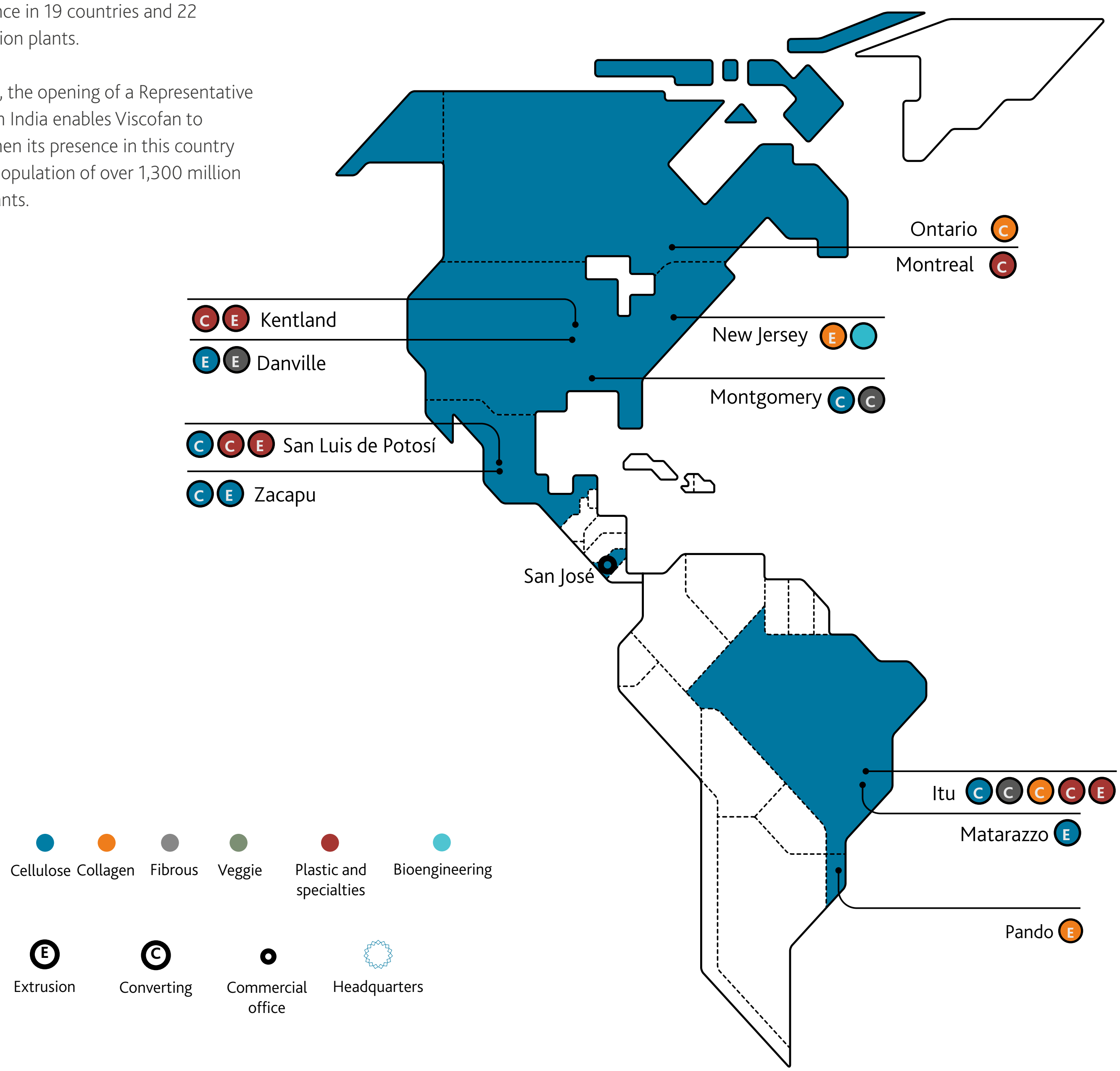
Progress in the field of digitalisation represents a new innovation opportunity that Viscofan wants to take advantage of to lead the industry's digital transformation. In collaboration with third parties, Viscofan's 4.0 industry team wishes to apply the solutions offered by new IT technologies to our operations. We are seeking to improve the quality of our products, obtain the best information possible to improve our production process, perform predictive maintenance, etc., through solutions based on artificial vision, the development of technological solutions with the digitalisation of the movement of materials within the facilities, and the development and implementation of a smart 4.0 industry management system.

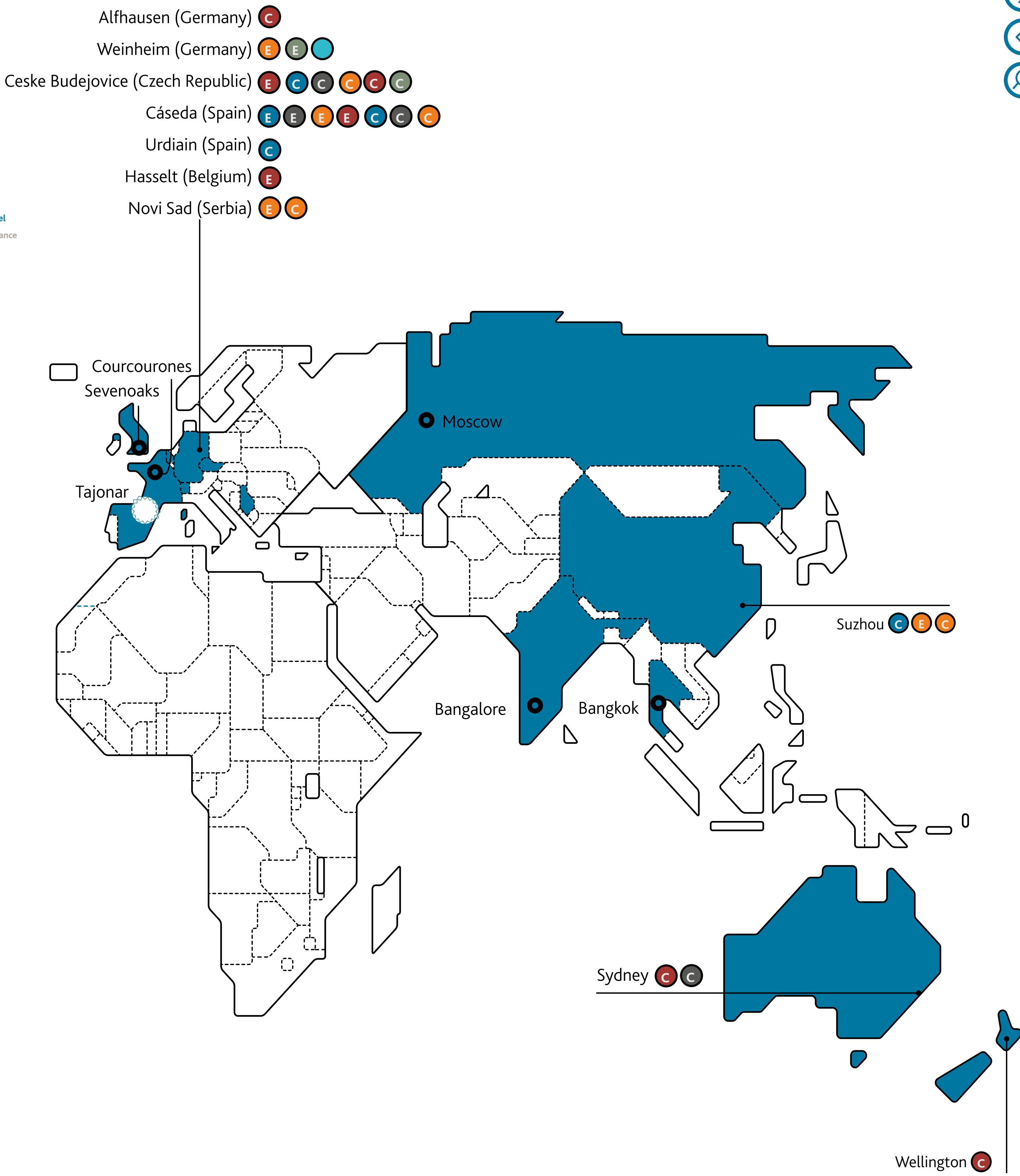
This activity is possible thanks to an innovation network and culture that extends to the whole organisation, and the corporate research and development centre coordinates, directs and supports the specific research and development activities conducted at each production plant and coordinates the multidisciplinary work teams. The corporate centre seeks to share the best practices, technological knowledge and the ideas between the different production centres. The Group has an R&D team of 140 people in 2020 compared with 135 in 2019.

Geographical presence

The casing market is global. Our customers are located in 110 countries around the world, so providing a quick response adapted to their needs is often a differential element of their purchase decision. To improve this response capacity we have the largest production and sales network in the market, with a presence in 19 countries and 22 production plants.

In 2020, the opening of a Representative Office in India enables Viscofan to strengthen its presence in this country with a population of over 1,300 million inhabitants.




Alfhausen (Germany) C
Weinheim (Germany) E E
Ceske Budejovice (Czech Republic) E C C C C C
Cáseda (Spain) E E E E C C C
Urdiain (Spain) C
Hasselt (Belgium) E
Novi Sad (Serbia) E C
Courcourones
Sevenoaks
Tajonar
Moscow
Suzhou C E C
Bangalore
Bangkok
Sydney C C
Wellington C

Diversification

Viscofan has its own division aimed at diversification, which actively pursues and develops avant-garde growth and innovation opportunities in materials and other activities other than the casing business. These opportunities are explored and developed directly by internal teams and through partnership agreements with third parties that stand out in specific areas (technological, industrial, medical, etc.). Activities related with health and sustainability constitute the fundamental pillars of the diversification activities.

Viscofan's ample knowledge in the processing, use and transformation of raw materials of a biopolymeric nature constitutes an innovation opportunity and, hence, a growth opportunity for Viscofan. A good example are the new solutions based on the technological knowledge of collagen.

Collagen is the most abundant protein of the human body and of animals but, in turn, it is a singular versatile material and, therefore, is used in various areas that are beneficial for people, such as regenerative medicine, nutrition, health and life sciences.

Viscofan applies technologies and extraction methods to process collagen from bovine skin for the industrial development and production of new collagen biomatrix in the medical and nutraceutical area.

The inclusion in December 2019 of the companies acquired from Nitta Gelatin Inc. -renamed as Viscofan Collagen USA Inc. and Viscofan Collagen Canada Inc.- aside from contributing the production of collagen casing in North America, they contribute to extending the range of Viscofan biomaterials with Collagen Gel, a collagen material which serves as a base for medical devices and biomedical research (coating of medical devices, products to heal injuries).

On the other hand, the COVID-19 pandemic led to a delay in the research phases of projects under way, such as the case of Cardiomesh, where the medical personnel involved therein interrupted his work in the project to collaborate on the front line in the fight against the virus. Likewise, the recruitment of patients required for the clinical trial phase has slowed down.

Bioengineering Area progress in 2020

In 2020, the Bioengineering Unit has continued to increase its revenue level while it has succeeded in extending its catalogue of research projects. The most significant progress in the year was:

- Viscofan **leads the European project "TRIANKLE",** a consortium of European research that will permit the 3D manufacture of personalised implants based on collagen and gelatine to regenerate injured tendons and cartilage, granted with €5.9 million, and which is formed by 12 partners from 5 countries, including most notably the world leader in bioprinting in 3D CELLINK, the sports innovation laboratory of Barcelona Football Club (Barça Innovation Hub) and the Osteoarthritis Foundation International OAFI, among others.

- Viscofan commenced its **participation in the European consortium Accelerating Research and Innovation for Advanced Therapies (ARDAT)** to develop advance therapy medication. Thirty-four expert organisations throughout the whole of Europe and the USA participate and it is led by the pharmaceutical company Pfizer and the University of Sheffield (United Kingdom). Viscofan, providing know-how in cell therapy in the area of tissue engineering wishes to contribute to standardising and accelerating the development of Advanced Therapy Medicinal Products.

CASING SECTOR

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

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

In 2020, the context has been marked by the COVID-19 pandemic, which among many aspects of our lives, has affected the food habits in many countries due to the measures to prevent the spread of the virus, with lockdowns, social distancing and mobility restrictions. This situation has generated a greater demand for products aimed at applications that generally lean towards a greater consumption at home, to the detriment of those that are generally consumed in the street or at restaurants and social events.

With this situation, casings have demonstrated that they are an essential ingredient for the production of basic foodstuffs for millions of homes around the world and, hence, the market has grown throughout the year, especially in those product families more suited to the production of cold cuts most destined for home consumption: cellulose and fibrous.

In 2020, the casings market exceeded 59 billion meters and has an estimated value of €4.4 billion. In order to meet the stuffing needs, a meat processor must choose among the different market alternatives, either with animal guts (47% of the market) or customized casings which, in turn, can be produced with different materials, depending on the desired production and product characteristics, combining a better range of casings with production savings.

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, hence the company has four main types of technology: cellulose casings (14% of the total market), fibrous casings (7%), collagen (22%) and plastic and others (10%).

The customized casing market, whose growth lies within the historical average range of 2-4% in volumes, thanks to strong foundations based on:

- **Population growth:** An average annual rate of 1%, with emerging areas driving this expansion

- **Eating habits:** Increased per capita demand for meat led by emerging areas thanks to the increased purchasing power of the middle classes, globalisation of eating habits and the 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 processorss:** Increased search for productivity, food safety and hygiene, and the development of new products drives the replacement of animal guts with customized casings (mainly collagen) as well as the development of new products.

LEADERSHIP AND MORE TO BE STRATEGY

The rapid response to the COVID-19 pandemic has been valued by customers in a context of high volatility and global uncertainty, enabling Viscofan to reinforce its leadership by gaining a market share.

37%
of the market trust our customized casings

30% in 2015

Viscofan is the market leader in casings thanks to a unique proposal regarding casing technologies and a highly diversified presence in many countries.

We feel as our own the responsibility to adapt ourselves and create value on this market and, specifically, in 2020, the reinforcement of the service and the rapid response to the COVID-19 pandemic, ensuring the supply of casings, has been valued by customers in a context of high volatility and global uncertainty, enabling Viscofan to reinforce its leadership by gaining a market share.

Hence, 19% of the market (including customized casings and animal guts) trust our customized casings, compared to 15% at the beginning of the strategic period. Moreover, if we take into account only market players with production of customized casings, the market share stands at 37% (30% at the end of 2015).

Major leadership, while the activities included in its MORE TO BE strategic plan have continued to be carried on, focused on leading in all the main casings market 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, which the Viscofan Group previously lacked. 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 has guided the Viscofan Group towards its new vision in the MORE TO BE strategic plan: 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. This commitment is formalised in the Sustainability Action Plan, which covers this strategic plan, and which was 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 suppliers, our employees and, of course, the society in which we operate.

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

Strategic Pillars

2020 was marked by the COVID-19 pandemic, with respect to which Viscofan focused on three main areas: protecting employee health, ensuring the supply of our products to the food chain and contributing to preventing and combating the spread of COVID-19 and its effects.

Moreover, Viscofan has continued to implement the projects envisaged for the year encompassed within the MORE TO BE Strategic Plan and, in certain cases, modifying their planning due to the restrictions caused by the pandemic or the changes in demand. Projects that aim to achieve triple leadership in service, cost and technology in the main markets:

SERVICE

This pillar groups together all projects aimed at offering solutions to meet market needs, which may comprise, among others, a larger range of products, greater proximity, better care, greater adaptability, etc. The main initiatives carried out in 2020 are:

In a context of high volatility and global uncertainty caused by the pandemic, Viscofan has ensured its supply to customers, at the same time extending capacity at its production centres and generating a safety inventory to face any possible contingencies deriving from mobility restrictions or the loss of capacity caused by the COVID-19 pandemic, while reinforcing the logistics and supply chain.

In the year, despite the difficulties of direct and face-to-face contact with customers caused by the pandemic, Viscofan has continued to improve its product offering. On one hand, new products were launched, highlighting a new multi-barrier casing manufactured through the advanced post-consumption recycling of plastic. Viscofan also boosted the marketing of the existing product portfolio, especially those launched in recent years, of particular note being the Marathon Line cellulose casing, the Natur casing aimed at replacing pig guts, new fibrous products, value-added plastics, the transference of spices and the "veggie casing" as a new proposal for a vegetable-based edible casing.

In December 2019, the Viscofan Group included the collagen casings companies in the United States and Canada acquired from Nitta Gelatin Inc. (renamed Viscofan Collagen USA Inc. and Viscofan Collagen Canada Inc.) enabling us to improve the time-to-market to customers and complete the production portfolio with this new technology in North America.

In fibrous products, the new production technology in Cáseda for this product family is enabling the proximity of European customers to be improved with an enhanced product, which led to double-digit growth in sales in this family in 2020, performance above expectations. As a result, and in order to continue improving the service, in 4Q20 Viscofan commenced its investment in Cáseda to install new fibrous lines using this technology, which will be available during the second half of 2021.

TECHNOLOGY

Viscofan's production process is continually improving and is based on proprietary technology where the know-how of people is essential.

At Viscofan Collagen USA Inc. collagen casing production technology is being installed with greater production speed, which enables production costs to be reduced with respect to the previous technology. This project has been delayed due to the mobility restrictions as a result of the pandemic, although it is envisaged that it will be completed in 2021, once the corporate process engineering technical staff have been able to travel to the operation site.

In 2019 and 2020, Viscofan promoted the inclusion of collagen casing "dry-tech" technology, which enables production with a reduced water supply. Production lines were installed in Cáseda (Spain) and Koteks (Serbia).

Also, thanks to a shared vision of sustainability and significant cooperation Viscofan, together with DSM, SABIC, Cepsa and Fibrant, created a multi-layer casing using recycled post-consumption plastic as materials.

This axis also includes digitalisation projects of the production process undertaken in the Czech Republic, Spain and Brazil, through the inclusion of artificial vision systems.

COST

In 2020, projects were consolidated to search for increased efficiency and automation at production plants carried out in previous years in a context of sales growth, a higher level of production and the use of installed capacity. In this regard, special mention should be made of the efficiency and savings obtained using the new cellulose and fibrous technology in Cáseda.

Likewise, in 2020, 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.

With respect to raw material costs, the pandemic caused a shortage of hides, increasing the cost of the main collagen raw material, offset by the lower cost of some auxiliary raw materials, such as caustic soda or glycerine, and the depreciation of the US$.

In addition, in line with this cost context, Viscofan has implemented a commercial discipline policy.

MORE TO BE Strategic Plan Extension

In the MORE TO BE Plan, the Group is making a significant leap in the areas of Service, Technology and Costs with a multitude of investment projects of an organic and inorganic nature

In the MORE TO BE Plan, the Group is making a significant leap in the areas of Service, Technology and Costs with a multitude of investment projects of an organic and inorganic nature, resulting in a greater market leadership. Thus, we face 2021 with a more competitive market value proposal, unique and different, to take advantage of expected market growth in the year.

The uncertainty and persistence of the COVID-19 pandemic, with a higher number of cases throughout the whole world, continues to be highly geared towards reducing the possible consequences of this crisis including, among others, the implementation by governments of measures to prevent its expansion, such as lockdowns, social distancing, mobility restrictions, and contagion risks that may affect the production of Viscofan, our customers or our suppliers.

Subsequently, the MORE TO BE Strategic Plan has been extended into 2021, to provide continuity to existing projects and as a driving force for others to continue to contribute to the company's growth and strength in the long term. Among these are projects, of particular significance is the increased fibrous capacity at the Cáseda plant using the new technology, and the termination of the process to update the technology at the collagen casings plant in the United States.

2.3 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.

MATERIAL ASPECTS

- ***Good Governance***
- ***Integral financial and non-financial risk management***
- ***Regulatory compliance and compliance with corporate policies***
- ***Sustainability Governance and Strategy***
- ***Reputation and responsible communication***

GOOD GOVERNANCE PRACTICES

Good corporate governance is a key factor to generate value, improve economic efficiency, integrate businesses and bolster the trust of its shareholders and other stakeholders, thanks to the appropriate division of functions, duties, and responsibilities, among all the Company's governing and management bodies.

In recent years, it has progressively reinforced its structure to ensure the incorporation of the principles and best practices of good corporate governance, both nationally and internationally, adapting them to the circumstances of the Viscofan Group, until reaching the best level of compliance.

The Viscofan Group's governance is governed by the general ethical principles and guidelines established by the Group's Code of Conduct.

In turn, the good governance commitment of the Company's Board of Directors is expressed in its General Sustainability Policy, approved in 2020 by the Board of Directors, which aims to set out the basic principles and commitments that should govern the Group's sustainable development strategy.

This strategy, expressed in the Sustainability Action Plan, seeks to favour a culture of best practices in sustainability, and contribute to improving people's well-being, boosting the economic, environmental and social development of the communities in which the Viscofan Group is present, and create value on a sustainable basis through ethical behaviour for all its stakeholders.

Alongside this, the General Sustainability Policy is organised into specific policies in the main axes of sustainability drives which, in 2020 were proposed or updated by the Board of Directors

- Policy against Climate Change
- Environmental Policy
- Diversity and Equal Opportunities Policy
- Tax Policy
- Policy of Respect for Human Rights
- Occupational Health and Safety Policy

Likewise, within Viscofan's commitment to Good Corporate Governance and, in particular, to promoting compliance with the recommendations of the Code of Good Governance for Listed Companies approved by the National Securities Market Commission (hereinafter the "CNMV"), updated in June 2020, modifications were made in the year to the Board of Directors, the Board Committees and their Regulations.

GOVERNING BODIES

The governance structure of Viscofan is based on two main bodies: the General Shareholders' Meeting and the Board of Directors.

Shareholders and the General Meeting

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.

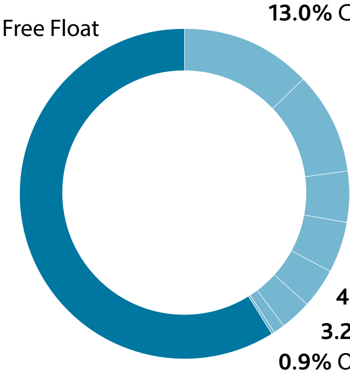
Viscofan has established the principle of "one share, one vote" which promotes equality among all of the company's shareholders. There is only one class of shares, giving the same rights and obligations to all of the Company's shareholders. There are no restrictions to voting and no limit to the number 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 per share, facilitating remote voting, electronic voting, electronic forum and a questionnaire to answer the most common questions regarding the General Meeting.

In 2020, under article 41 of Royal Decree-Law 8/2020 of 17 March, on extraordinary urgent measures to combat the social and economic impact of COVID-19, the General Shareholders' Meeting held on 24 April 2020 was exclusively attended by telematic means, and for this purpose it was broadcast on the corporate website, www.viscofan.com.

As a result of all these measures, and despite the changes caused by the COVID-19 pandemic, the General Shareholders' Meeting for the year was attended by 87.57% of the company's share capital, maintaining the high attendance percentage at the General Meetings of recent years, above the average for listed companies, which is especially significant taking into account the company's high free-float.

SIGNIFICANT HOLDINGS ON 31.12.2020



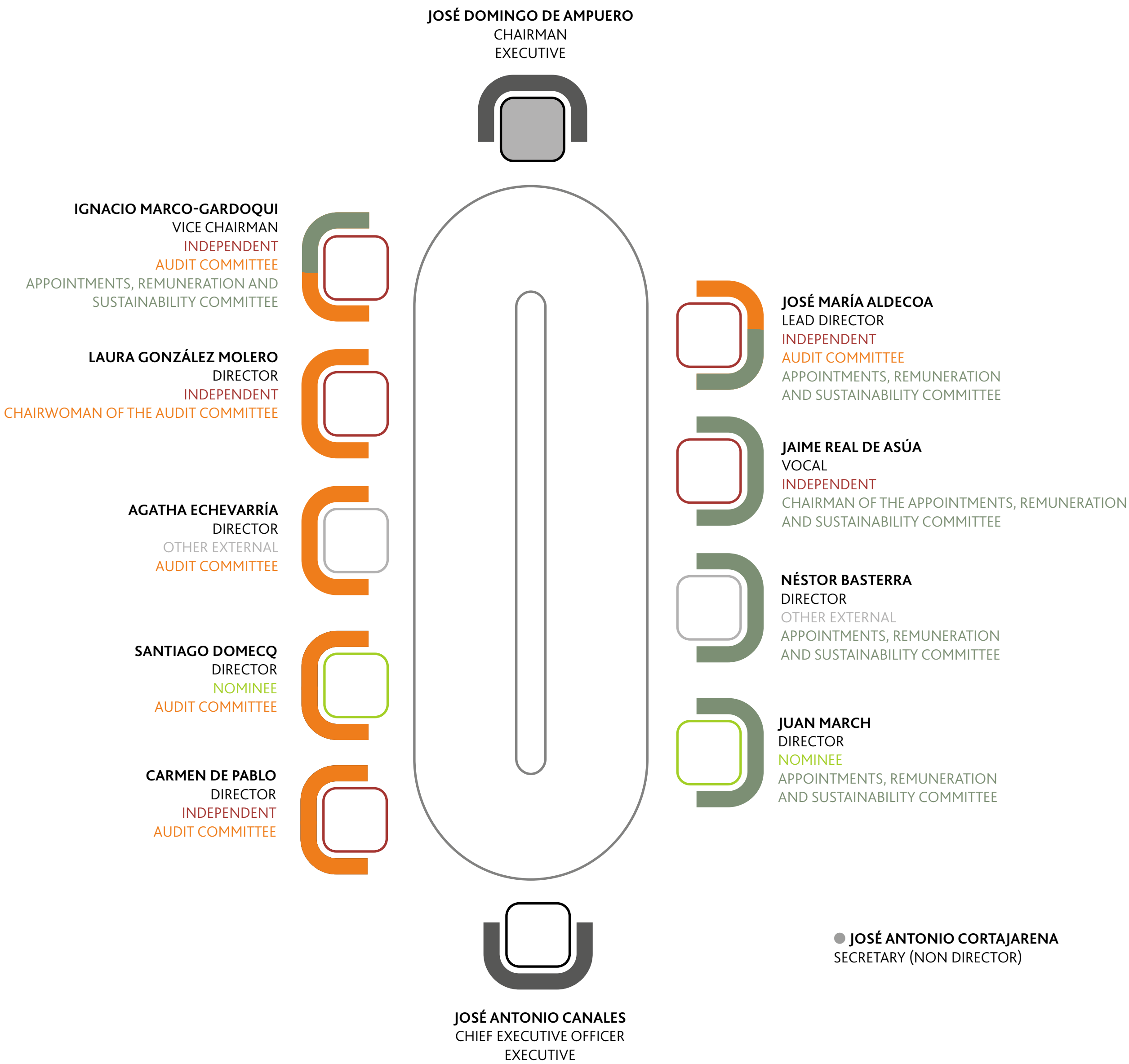
GENERAL SHAREHOLDERS MEETING PARTICIPATION

General Shareholders Meeting	24/4/20	12/4/19	25/5/18
% attending in person	19.2%	19.7%	18.2%
% proxy and remote voting	68.4%	62.8%	62.2%
Total attendance	**87.6%**	**82.5%**	**80.4%**

Board of Directors

The Board of Directors is the body in charge of representing and managing the Company. Its essential function is the approval of the strategy, the basic policies, the preparation of financial statements and, in short, the general supervision of all aspects forming part of Viscofan S.A. and, where appropriate, of the companies forming its group of companies guided by corporate interest.

BOARD MEMBERS



Board of directors

11 directors

- 2 executives
- 2 nominee
- 2 other external
- 5 independents

The curriculum and profiles of the members of the Board of Directors at 31 December 2020 are available on www.viscofan.com

The Board of Directors consists of eleven directors, of which two are executive, two are nominee, two are other external directors and the other five are independent, thus complying with the good corporate governance recommendations stating that the number of nominee and independent directors should constitute an ample majority on the Board of Directors. The Secretary to the Board of Directors is not a director.

In this year, the 2020 General Shareholders' Meeting approved the increase in the number of directors from 10 to 11, to strengthen the Board of Directors, increasing both the number of independent directors and the number of female directors, which is the least represented gender on the Board of Directors, hence, the percentage of female Board members in 2020 totalled 27.3%.

In this regard, the appointment of Mrs Carmen de Pablo Redondo as director was approved with the category of independent external director. She was also appointed as a member of the Audit Committee.

At the same Meeting, the directors Mr Ignacio Marco-Gardoqui Ibáñez and Mr Santiago Domecq Bohórquez were renewed as independent and nominee directors.

The selection of Directors is specifically regulated in the Policy on the Selection of Directors and Diversity on the Board of Directors, updated in 2020, to ensure that proposals for the appointment or re-election of directors are based on a prior analysis of the skills required by the Board of Directors and to encourage the diversity of knowledge, experience, age and gender required on the Board at all times, taking into account the vacancies to be covered and the structure and composition of the Board.

Curriculum and profiles of members of the Board of Directors

The curriculum and profiles of the members of the Board of Directors at 31 December 2020 are detailed in section C.1.3 of the Annual Corporate Governance Report forming part of this Management Report. They are also available on the Company's website, www.viscofan.com, in the Corporate Governance section.

Performance of functions

In order to perform their duties with the required rigor and efficiency, the Company's Board of Directors prepares an annual schedule of meetings and the annual work plan of the Board itself and of its various committees, so that the directors can better plan and to facilitate their commitment to and attendance of meetings. Directors receive the information they need well in advance, including, as appropriate, the minutes or reports of the different Board Committees.

The Board of Directors delegates to its Chairman and the General 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 of the foregoing.

Actions are still being carried out to guarantee the participation of the directors, facilitating their dedication and attendance to the meetings, to provide them with tools to give more in-depth knowledge of specific aspects of the activity and specific environments of the different production centres, thus improving the monitoring of the strategy of the Group and of each of its companies.

In this regard, in 2019, the Board of Directors drew up and implemented a programme to update the knowledge of the directors, a programme that continued in 2020 and is expected to continue in subsequent years.

In this regard, in 2019, the Board of Directors drew up and implemented a programme to update the knowledge of the directors, a programme that continued in 2020 and is expected to continue in subsequent years.

In addition, the annual plan included visits to some of the Group's production centres which, in 2020, could not be conducted due to the COVID-19 pandemic, and the participation of executives to enable greater 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 2020, and the Board Chairman attended all the meetings. All meetings were attended by all the directors. The percentage of meetings attended of the total votes during 2020 was 100% (in 2019, 98.33%).

Also, during the 2020, the Lead Director held three 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, Remuneration and Sustainability Committee, and coordinated by the Lead Director in the case of the evaluation of the Executive Chairman.

Every three years, the Board of Directors is assisted by an external consultant in the evaluation process, whose independence is verified by the Appointments, Remuneration and Sustainability Committee. In 2019, the Company received the advisory services of Korn Ferry to facilitate said assessment, whose conclusions were submitted and validated in the session of January 2020.

The performance assessment in 2020 was conducted internally, on the basis of a questionnaire whose purpose was to provide a specific vision for each director with regard to both strong and weak points, as well as any other suggestions they may have to improve the efficiency of the Board and of the Committees. The questionnaire is divided into various sections: Size and structure of the Board, Board mandate, team dynamic, mandate compliance, administrative support and training, evaluation of the Executive Chairman and functioning of the Committees.

The result of the questionnaire was analysed by the Appointments, Remuneration and Sustainability Committee of which the Lead Independent Director is a member, by the Audit Committee itself with regard to its own assessment, and the conclusions were presented to the Board of Directors, where the process was concluded and a plan of action approved to include the appropriate improvements.

The Action Plan arising from the assessment of the Board and its Committees promotes the training of directors to improve their competences. In this regard, in 2020, the Audit Committee received a training session on cybersecurity and, moreover, the Appointments, Remunerations and Sustainability Committee and the Audit Committee received a training session on the monitoring, novelties and updates of competences in the area of Sustainability and Sustainable Finance.

Likewise, the Appointments, Remuneration and Sustainability Committee has included a new member, Mr Ignacio Marco-Gardoqui, to contribute with its knowledge and experience to the new sustainability competences entrusted to the Committee.

The Board remuneration is regulated by the Remuneration policy related to the Directors, which is available on ***www.viscofan.com***

Remuneration

The Board of Directors' Remuneration is regulated in the directors' remuneration policy, approved at the 2018 General Shareholders' Meeting held on 25 May for a three-year period, and which is available on the company's web page in the Corporate Governance section. This policy establishes a remuneration system for directors based on (i) their capacity as such and (ii) specific executive or senior management functions.

It is envisaged to submit a new directors' remuneration policy to the 2021 General Shareholders' Meeting for 2021, 2022 and 2023.

In addition, the General Shareholders' Meeting held on 24 April 2020 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 with 94.5% of votes in its favour. 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.

In the short term, variable remuneration included specific CO_2 emissions and a reduction of land fill waste.

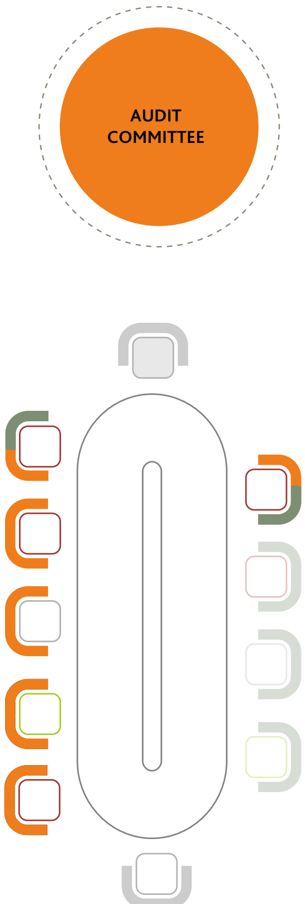
The remuneration of the Board of Directors in 2020 was €3,490 thousand (€2,995 thousand in 2019).

The Annual Remuneration Report for 2020 is available on the company's website in the Corporate Governance section.

The Annual Report on the Remuneration of Directors for 2019 was presented as a separate item on the agenda and in an advisory capacity to the General Meeting of Shareholders held on 24 April 2020, and was approved by 99.3% 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, Remuneration and Sustainability Committee.



AUDIT COMMITTEE

The Audit Committee consists of six members, all non-executive and a majority independent, appointed by the Board of Directors at the proposal of or pursuant to a report by the Appointments, Remuneration and Sustainability Committee, bearing in mind accounting, auditing and financial and non-financial risk management knowledge, skills and experience.

On 24 April 2020, the number of Committee members rose from 5 to 6, including Mrs Carmen de Pablo as a member to take advantage of her extensive knowledge and experience in the accounting and audit area.

On the same date, the independent director Laura González Molero was appointed as Committee Chairwoman, to substitute Mr Ignacio Marco-Gardoqui, chairman since 21 April 2016, once the legal period has expired for such position to form part of the Committee with a director function.

The composition, functions, rules of organisation and operation, as well as the responsibilities conferred upon the Committee are regulated in the Articles of Association, in the Regulations of the Board of Directors, and in the Regulations of the Committee itself. The Regulation governing the Committee was updated on 17 December 2020 to detail the functions and operations of the Committee more precisely and in accordance with the new wording of the Code of Good Governance for listed companies, notwithstanding other technical modifications that were deemed appropriate. In this regard, the new version of the Regulation includes the addition, among others, of competences such as supervision of the process for the preparation and integrity of non-financial information, and the supervisory function for financial and non-financial risk control and management systems.

The Committee functions are detailed in section C.2.1 of the Annual Corporate Governance Report of this Management Report.

Actions taken during the year:

The Audit Committee met on 13 occasions during the financial year and, whenever considered appropriate, the presence of senior management members was required.

With regard to its relationship with the external auditor (PricewaterhouseCoopers S.L.), the Audit Committee:

- Ensured that the annual accounts were presented without reservation or qualifications.
- Maintained its independence in the performance of its duties.
- Monitored the recommendations made by the external auditor arising from its review of the ICFR.
- Accepted the proposal for its appointment as account auditor for the financial year ended 31 December 2021.

In its relationship with the external auditor, the Committee was also informed of the work completed during the preliminary phase, which consisted in reviewing the pre-closure, and during the closure, in identifying and planning work that, because of its unusual nature or accounting impact, required special attention by the external auditor, such as the merger with Nanopack, the three-year plan based on shares, the implementation of the European Electronic Single Format (ESEF), COVID – 19, and the potential regulatory change with regard to the taxation of dividends.

The Committee reviewed the internal control systems established by the Group. In this area it supervised the monitoring of possible risks and impacts arising from COVID-19, and the measures implemented by the Viscofan Group.

During the 2020 financial year the Audit Committee met three times with the external auditor.

Prior to their presentation to the Board and communication to the CNMV and securities markets, the Audit Committee has reviewed and analysed the financial statements of Viscofan S.A. and its Group, 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 closure have been followed, for which it has had the necessary support from the Group's senior management, especially from the area in charge of Consolidation and Financial functions, as well as from the Group's internal and external auditors.

It has also supervised the Group's corporate performance, which is in full growth, while constantly aiming for simplification and efficiency. There has been corporate restructuring in this regard as below:

- In July 2020 the Representative Office in Thailand was closed, and all business activity is now performed through the Viscofan Thailand subsidiary.
- In September 2020, a Representative Office was opened in India.
- Effective from 1 October 2020, the merger by absorption of Nanopack Technology & Packaging, S.L.U. was performed by Viscofan, S.A. in Spain.
- In November 2020, the subsidiary Viscofan Spain S.L.U. was formed, which will benefit from business activity in Spain by means of an spin-off process, which will be subject to approval by the General Shareholders' Meeting in 2021.

The Committee analysed and approved the work plan for 2020 drawn up by internal audit. It 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, the Committee has monitored the reporting process of this Statement of Non-Financial Information.

The Committee reviewed the internal control systems established by the Group. In this area it supervised the monitoring of possible risks and impacts arising from COVID-19, and the measures implemented by the Viscofan Group.

The Committee supervised the activities undertaken by the Ethics and Compliance Committee. During this financial year actions included updating the Ethics and Compliance Manual and Internal Conduct Regulations regarding the Securities Market, as well as the preparation and approval of the Crime Prevention Policy. The training activity envisaged has also been undertaken with the collaboration and support of external consultants.

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.

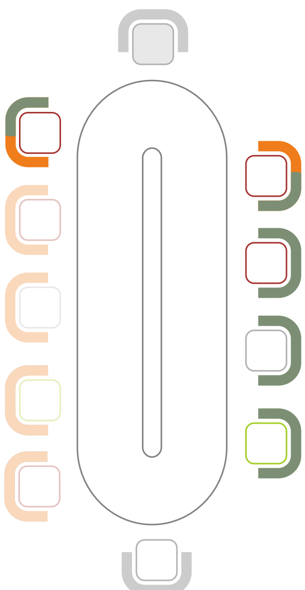
Finally, it informed the Board of Directors of all of its activities, also delivering all the minutes of its sessions to the directors, as well as the information related to the risk map and the tax issues.

APPOINTMENTS, REMUNERATION AND SUSTAINABILITY COMMITTEE

It is formed by five non-executive directors appointed by the Board of Directors: three independent directors, one other external director and one proprietary director. Its chairman has been the independent director Mr Jaime Real de Asúa since 21 April 2016.

On 29 October 2020, the Committee was renamed as the Appointments, Remuneration and Sustainability Committee (formerly Appointments and Remuneration), to reflect the

APPOINTMENTS, REMUNERATION AND SUSTAINABILITY COMMITTEE



actual scope of its functions following the assignment to the Committee in September 2019 of the functions relating to the supervision of corporate governance and sustainability.

Also, on 29 October 2020, the number of its members rose from four to five, and it was reinforced to better assume its functions and promote compliance with the recommendations of the CNMV's Code of Good Governance for Listed Companies. Consequently, Mr Ignacio Marco-Gardoqui Ibáñez was appointed for the position.

The composition, functions, rules of organisation and operation, as well as the responsibilities conferred upon the Committee are regulated in the Articles of Association, in the Regulations of the Board of Directors, and in the Regulations of the Committee itself.

The Regulation governing the Committee was updated on 17 December 2020 to detail the functions and operations of the Committee more precisely and in accordance with the new wording of the Code of Good Governance for listed companies, notwithstanding other technical modifications that were deemed appropriate. In this regard, the functions relating to corporate governance and sustainability were modified.

Additionally, they are outlined in section C.2.1 of the Annual Corporate Governance Report of this Management Report.

Actions taken during the year:

The Appointments, Remuneration and Sustainability Committee met on 7 occasions in 2020 and, whenever considered appropriate, the presence of the Chairman, Managing Director and senior management members was required.

In its function of contributing to ensuring that the Company maintains a high degree of monitoring of best corporate governance practices, the Committee conducted an analysis of the composition and structure of the Board and its Committees. Specifically:

- Proposals were made for the appointment and re-election of independent directors and a report was issued on the proposal to re-elect the proprietary director at the General Shareholders' Meeting.
- The Committee proposed and the Company agreed to an increase in the number of members of the Board of Directors from ten to eleven and that the new appointment should be a woman with the category of external independent director.
- The Audit Committee and the Appointments, Remuneration and Sustainability Committee increased the number of members by one and included external independent directors to take the positions created, resulting in a strengthening of the majority of independent directors in both Committees.

The Committee promoted and coordinated the evaluation process of the Board of Directors with regard to their actions in 2020, with the coordination of the Lead Director as far as the Executive Chairman is concerned.

The Committee contributed to updating the basic sustainability policies approved by the Board of Directors in 2020.

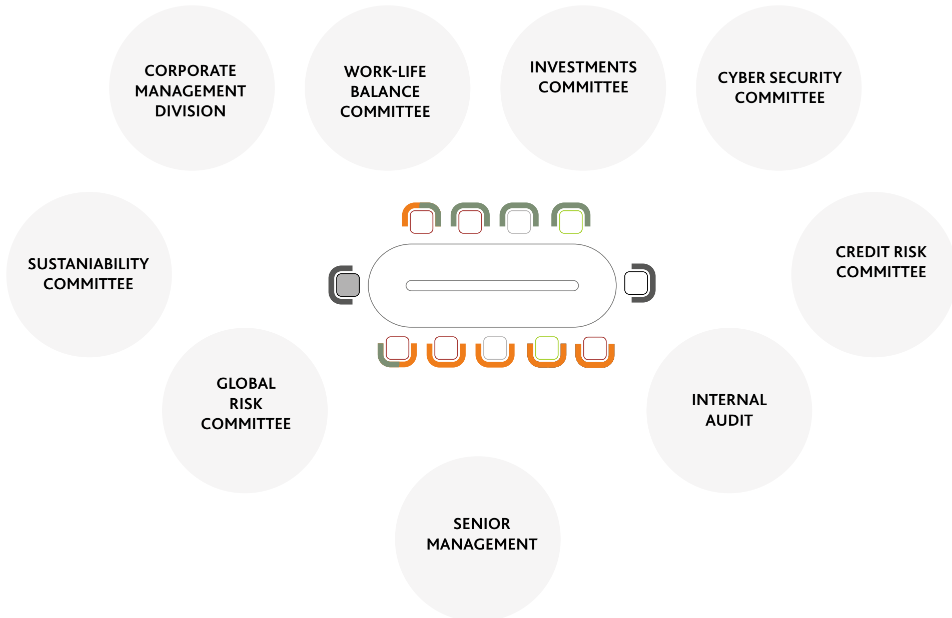
The Committee also met its commitment with regard to the preparation of the Annual Report on Directors' Remuneration, as well as the setting and reviewing of the objectives to which annual and long-term variable remuneration is subject. Also, in accordance with its obligation to periodically reviewing the remuneration policy for directors and senior management, the Committee, assessed by Korn Ferry, made a study of the remunerative framework for senior management and updated it.

The Committee concurrently undertook preparatory work on the new Remuneration Policy for Directors that will be submitted at the 2021 General Shareholders' Meeting, with assessment by Willis Towers Watson.

As part of its functions relating to sustainability during the financial year, the Committee supervised the Group's Sustainability Action Plan, as well as issues such as the management and promotion of talent and work/life balance.

The Committee also contributed to updating the basic sustainability policies approved by the Board of Directors in 2020, in accordance with the growing importance this area has on the Company's strategy.

TOP MANAGEMENT (31 DECEMBER 2020)



JOSÉ ANTONIO CANALES
General Manager Director

CORPORATE MANAGEMENT DIVISION

JOSÉ ÁNGEL ARRARÁS
R&D and Quality Chief Officer

ANDRÉS DÍAZ
Chief Operations Officer

GABRIEL LARREA
Chief Commercial Officer

MARÍA CARMEN PEÑA
Chief Financial Officer

ÓSCAR PONZ
Chief Plastic Business Unit Officer

CORPORATE SERVICE DIVISION

ARMANDO ARES
Chief IR & Corporate Communications Officer

CÉSAR ARRAIZA
Chief Strategy, Organization and IT Officer

ALEJANDRO BERGAZ
Internal Audit Manager

JOSÉ ANTONIO CORTAJARENA
Chief Legal Officer & Secretary of the Board of Directors

IÑAKI RECALDE
Chief Technology & Diversification Officer

JUAN JOSÉ ROTA
Chief Human Resources Officer

RICARDO ROYO
Chief European Business Officer

DIRECCIÓN DE GESTIÓN FILIALES

EDUARDO AGUIÑAGA
General Manager Mexico

LUIS BERTOLI
General Manager Brazil

JESÚS CALAVIA
General Manager Spain

BELÉN ALDAZ
Human Resources Manager Spain

GUILLERMO EGUIDAZU
General Manager USA

MILOSLAV KAMIS
General Manager Czech Republic

ÁNGEL MAESTRO
General Manager Uruguay

IÑIGO MARTíNEZ
General Manager Serbia

JUAN NEGRI
General Manager Asia Pacific

WILFRIED SCHOBEL
General Manager Germany

The remuneration of senior management in 2020 was €6,082 thousand, €4,587 thousand in 2019.

REGULATORY COMPLIANCE SYSTEM

Viscofan considers that integrity and transparency contribute directly to achieving its objectives and managing its business in a sustainable manner. To guarantee it, it establishes a system of regulatory compliance described in the Ethics and Compliance Manual, which must govern the ethical performance of 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. This system is crucial to be able to protect people and the organisation and avoid risks with a negative impact on the Group.

Code of Conduct

The Code of Conduct contains the ethical procedural principles and conduct guidelines summarised in the 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 rules governing the aforementioned bodies, supplemented by the applicable rules to ensure good corporate governance at the Viscofan Group, are available on the Company's website (www.viscofan.com) within the Corporate Governance section, as well as in compulsory publications and registration, on the website of the CNMV (www.cnmv.es) and in the Mercantile Registry of Navarre www.rmbmnavarra.com, respectively.

These internal regulations are mainly formed by the regulations of social bodies and committees:

- **Articles of Association:** These are the basic rules governing the Company and all its bodies. The articles set out the main features and operating principles of the General Shareholders' Meeting, the Board of Directors and its committees.
- **Regulations of the General Shareholders' Meeting:** Basic principles governing the General Shareholders' Meeting to ensure transparency and safeguard shareholders' rights and their access to Company information. The rules stipulate the formalities of calling, attending, holding and recording General Meetings of Shareholders and of access to prior and General Meeting information by shareholders.
- **Board of Directors' Regulations**: 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.
- **Audit Committee Regulations and Appointments, Remuneration and Sustainability Committee Regulations:** 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:** Regulations whose update was approved in September 2020, and which lay down the rules of conduct to ensure that the institutional and personal actions of the Viscofan Group's directors and employees strictly comply with current laws and regulations on transparency in the markets and to protect investors' interests at all times.

In 2020, the regulatory compliance system was reinforced with the application of more specific policies which will help to regulate the procedural framework. Hence, within the regulatory compliance system, the Viscofan Group has approved procedural policies in the following areas:

	Policy
GOOD GOVERNANCE	• General Sustainability Policy * • Climate change policy* • Risk Control and Management Policy* • Policy of Respect for Human Rights* • Anti-corruption policy • Crime Prevention Policy* • Policy of communication with shareholders, institutional investors, proxy advisors and of economic-financial and non-financial and corporate information.* • Board Remuneration Policy • Director selection and diversity policy of the Board of Directors* • Policy to encourage shareholders to take part in the General Meeting of Shareholders: attendance fee
COMMERCIAL	• Commercial Practices Manual • Policy of Business Courtesies • Policy to outsource commercial services: distributors, agents and other: • Export control protocol
FINANCIAL AND TAX RESOURCES	• Internal Control Policy for Financial and Non-Financial Information* • Tax Policy*
INFORMATION AND SYSTEMS	• Personal Data Protection Policy: • IT Security Policy: • IT access and profiles authorisation policy: • Password policy: • Computer systems and networks management policy: • Policy on audiovisual information control:
PRODUCTION	• Diversity and equal opportunities policy* • Policy on Staff Selection and Recruitment • Policy on welcoming of new recruits • Training policy • Staff leave procedure • Policy on Business Expenses • Code of conduct for trips and stays abroad:
PEOPLE	• Environmental policy* • Occupational health and safety policy* • Basic principles in safety, health and hygiene matters* • Food Regulation Policy • Control procedure instructions in the event of product recalls • Policy for the management of goods purchases and the arrangement of services • Transport Management Policy

• *Approved or updated in 2020

Supervision

The Viscofan Group has an ethical and compliance system, which aims to promote an ethical culture at the organisation, which reinforces its long-term competitiveness and sustainability, reputation and ensures compliance with the regulatory system

The Viscofan Group has an ethical and compliance system, which aims to promote an ethical culture at the organisation, which reinforces its long-term competitiveness and sustainability, reputation and ensures compliance with the regulatory system by all Group employees, together with prevention and response faced with the commission of offences and breaches of regulations.

To attain its objectives, the system has an extensive updated regulatory scheme, control procedures, training and communication items and a complaint's channel, among others.

It also has management bodies of the foregoing. Specifically, the Ethics and Regulatory Compliance Committee, responsible for supervising and ensuring the adequate implementation and follow-up of the Group's compliance system, defined by the Board of Directors.

Likewise, the Audit Committee supervises the effectiveness and operation of the Ethics and Regulatory Compliance Committee and, for this purpose, its receives regular information on compliance with the Internal Code of Conduct in matters relating to the Securities Market and the Code of Conduct, and in particular, regarding the whistleblowing channel.

The whistleblowing channel is a key element to the system. To facilitate supervision of compliance with Viscofan's Code and Ethics and regulations, employees and any person with a legitimate interest can access the Complaints Channel on Viscofan's web page under the Corporate Governance section, on the employee's Intranet to notify any sign of conduct that they deem to be a possible risk, or by email to officeofethics@viscofan.com or by post to the Ethics Committee at Viscofan's central offices in Navarre.

The Committee is the body responsible for commencing, on its own account or at the request of a third party, an investigation on events or practices that may give rise to a situation of risk for the Viscofan Group as a result of a breach of the Viscofan Group's Code of Conduct or prevailing regulations.

In 2020 the Ethics and Regulatory Compliance Committee met on 5 occasions and completed the investigation of 4 matters raised.

Training is an essential element to promote the ethical culture and prevent non-compliance. In 2020, in order to reinforce awareness and knowledge of Regulatory Compliance, specific training was provided in different areas:

- Training in Ethics and Values to 1,416 Group employees, with the target in 2021 being to train all staff in this area.
- Update of the Ethics and Compliance system for 4,123 employees.
- Training on the Internal Code of Conduct in stock market matters to all staff with access to insider information.
- Specific training to purchase and sales teams, reinforcing the Ethics and Compliance bases of their area.

RISK MANAGEMENT

The aim of Viscofan's risk management policy is to identify and assess risks as soon as possible, based on the Code of Conduct, the internal regulations and the MORE TO BE Strategic Plan, and to take adequate measures to reduce them and, in some cases, they can present opportunities.

In line with the sustainability policy, risk management aims to balance the desire for value creation for our stakeholders with the risks associated with business, commercial, operational, labour, financial and social initiatives.

Viscofan has approved a risk management control policy, whose purpose is to set the basic principles and the general action framework to identify, measure, prevent and mitigate risks of all types that may affect the attainment of the strategic objectives.

Viscofan seeks to reinforce the risk control system, promoting a solid business model enabling risks to be confronted in a controlled manner. The aim of Viscofan's risk management policy is to identify and assess risks as soon as possible, based on the Code of Conduct, the internal regulations and the MORE TO BE Strategic Plan, and to take adequate measures to reduce them and, in some cases, they can present opportunities.

The risk management system is the responsibility of the Board of Directors, which delegates its supervision and correct functioning to the Audit Committee. Likewise, the Viscofan Group has different bodies charged with the supervision and control of different risks that could arise in the course of Viscofan's activities with different level of occurrence and materiality:

- Internal audit
- Ethics and regulatory compliance committee
- Global Risk Committee
- Credit Risk Committee
- Investments Committee
- Cybersecurity Committee
- Sustainability Committee
- Senior management

Through the different risk control and supervision bodies, the Viscofan Group commissions the Risk Control Committee to prepare a risk map, which was updated in 2020. It encompasses risks of a diverse nature, which are classified in accordance with the COSO methodology into four main categories depending on the nature of the objectives they affect: strategic, operational, information and compliance.

In 2020, the comprehensive risk management and control system monitored these risks, identifying those that are most critical (by expected impact and probability of occurring), as well as considering new risks and assessing their tendency.

Moreover, the Viscofan Group monitored the values of the risk indicators and the defined thresholds, so that when these thresholds were exceeded the required management measures were taken to redirect the risks to the defined tolerance level.

The information in reference to risk management has been developed in greater detail 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, the level of tolerance and risks occurred in the year and the plans to respond to and supervise the main risks.

Below are the main risks faced by the company in 2020 and the response and supervision plan:

Risk	Materialisation in 2020	Response and supervision plan
COVID-19 PANDEMIC	1.a) COVID-19: Infection of Viscofan Group workers with the subsequent risk of production shutdowns due to outbreaks of COVID-19 in the workforce or due to a shortage of staff.	its employees, by strengthening prevention and hygiene measures, increasing the health personnel at factories so Viscofan can meet its responsibilities as an essential food company. Hence, none of our production plants have had to close down due to COVID-19. Supply to our customers throughout the world has been ensured and in some countries increased demand has been met.
	1.b) COVID-19: The lockdown measures imposed in some countries, together with a decreased demand for some products and the shutdown of production in non-essential industries affected the performance of some raw materials, especially collagen skins in Europe, causing an increase in prices and a shortage of raw materials that could have led to a risk of production stoppages.	To mitigate this risk, the Viscofan Group took corrective measures involving the diversification of suppliers, an increased safety stock, assurance of purchase volumes and the application of innovative solutions resulting from R&D. This risk has not led to shutdowns in production plants.
	1.c) COVID-19: Interruptions in the production of customers due to outbreaks of COVID-19 at their factories.	The diversification of the Viscofan Group's customer portfolio led the impact to be moderated and action was quickly taken to recover lost volumes.
	1.d) COVID-19: Limitations to the commercial activities of new products in the face of mobility restrictions	Remote meetings were held with customers and commercial activities have been maintained whenever possible.
	1.e) COVID-19: In some markets, demand for casings increased beyond the usual growth rates, sometimes leading to changes in planning, modifications to orders and stress on productive capacity.	To face these changes, Viscofan increased the capacity used at our production centres, with special mention for the greater capacity available as a result of new cellulose and fibrous technology installed in Cáseda.
	1.f) COVID-19: The pandemic has meant that a part of the workforce has had work from home, which could have resulted in connection problems to computer systems and difficulties in the performance of administrative activities	Viscofan has ensured access to computer equipment and connections to corporate programmes in the commercial, financial, purchasing and logistics areas. The security protocols were also strengthened in the Information Systems Master Plan, with the implementation and planning of specific actions in the area of cybersecurity.
	1.g) COVID-19: Mobility restrictions due to the pandemic have made it difficult to complete investment projects that require the mobility of specialist personnel.	Faced with this situation, Viscofan has had to make changes to its production, logistics and investment plans. These projects include those aimed at improving the production speed and efficiency of the collagen production assets in the United States and Canada. Since the mobility restrictions have been maintained, the MORE TO BE Strategic Plan has been extended into 2021, to provide continuity to existing projects and as a driving force for others to continue to contribute to the company's growth and strength in the long term.

Risk	Materialisation in 2020	Response and supervision plan
OCCUPATIONAL ACCIDENTS	In July 2020, Koteks Viscofan, d.o.o. (Serbia) suffered a blaze, which originated in the office area. It affected the auxiliary facilities of the plant and two workers died as a result.	Strengthening the action plans for occupational safety, increasing specific investment in safety to reduce the risk of accident and action in the area of training and internal communication.
EXCHANGE RATE VARIATIONS	Changes in exchange rates, mainly due to the depreciation of the BRL and the USD against the EUR, have had a negative impact on the group's results.	The impact arising from the fluctuations in the exchange rates of the Group's main currencies has been managed through the application of a policy involving hedging and commercial disciplinary measures.
ENVIRONMENTAL AND CLIMATE CHANGE RISKS	Significant increase in the price of CO_2 emission allowances.	A sustainability action plan has been deployed, together with the corresponding Policies approved by the Board of Directors and the creation of a committee to manage sustainability risks that include environmental risks and those resulting from climate change. The Group has continued with the implementation of the Environmental Policy, the renewal and extension of certifications in this sphere (mainly ISO 50.001 and ISO 14.001) and specific projects to improve management. There have also been active purchases in emission rights to cover future instalments.
CHANGES IN REGULATORY POLICIES. BREXIT	New commercial relationships within the market may be subject to new agreements between countries as opposed to the previous framework of free movement within the European Union.	Viscofan UK Ltd has increased its finished goods inventories in order to maintain a service to customers in the United Kingdom in the light of possible restrictions to the movement of goods between that country and the European Union.

CORRUPTION AND FRAUD PREVENTION

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.

As stated in Principle 10 of the United Nations Global Compact, of which Viscofan is a signatory, "Businesses should work against corruption in all its forms, including extortion and bribery".

This principle governs at Viscofan, being expressed in the Code of Conduct, and it has been enacted and reinforced in recent years with the approval by the Board of Directors of the Anti-corruption Policy (2019) and the Crime Prevention Policy (2020) which, encompassed within the Compliance System, demonstrate the Group's commitment to the permanent monitoring and sanctioning of fraudulent acts and conduct and the development of a business culture of ethics and honesty.

To avoid any type of corruption, the regulations establish a series of guidelines, and communication and training is encouraged in this area on forbidden procedures that may form the scope of corruption: bribery, extortion, facilitating payments and influence peddling, gifts, business courtesies, donations and sponsorships and relationships with third parties.

Further, the Global Risk Committee 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.

Specifically, to fight against money laundering, the Group had a reinforced control system in 2020 with financial, tax and commercial policies, and it was considered to be a low risk.

It should be noted that in 2020, 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 or revealed on which the Ethics and Regulatory Compliance Committee has had to take action.

2.4 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.

MATERIAL ASPECTS

- *Customer satisfaction*

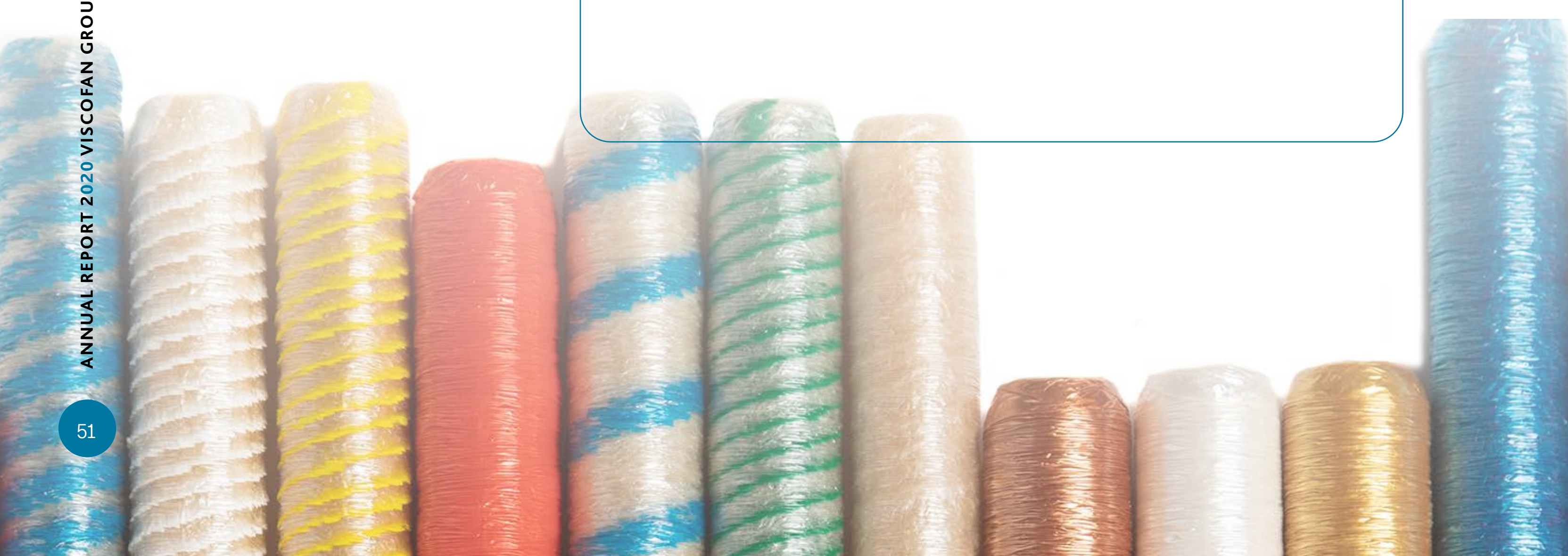
OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT GOALS

Zero hunger

- *We ensure the production and distribution of an essential ingredient for millions of households around the world, in a backdrop of huge restrictions and difficult movement due to COVID.*
- *Our portfolio includes products adapted to Islamic regulations (Halal) and Jewish regulations (Kosher), considering the specific cultural features of our customers.*
- *We also manufacture products of vegetable origin for vegans and vegetarians.*
- *We design sustainable products that help to avoid food waste.*
- *Through our products, we provide more efficient and sustainable cold meats manufacturing processes, contributing in the long term to meeting the growing demand for food.*

Responsible production and consumption

- *We promote energy efficiency throughout the value chain, developing packaging that minimises waste generation - such as gas emissions and wastewater generation, among others - during manufacturing and subsequent processing.*
- *We have food safety and quality certifications.*
- *Our production policy in proximity through a production presence of up to 22 factories, contributes to reducing the impact of transportation on the environment.*



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: Product range, Approval of suppliers, Renowned customer technical assistance service, Sound product safety and food hygiene system, 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 14,714 product lines were sold in 2020.

Viscofan, as the world leader in the production and distribution of casings, is the only company that manufactures products in the four main artificial casing technologies: cellulose, collagen, fibrous and plastic casings. In this regard, we take maximum care over the raw materials that we use, ensuring that we maintain the highest food health and safety standards in all production phases, carefully seeking a more sustainable solution in the transformation of our products, adding vegetable casings in 2019 to meet the demand for new areas of interest in vegan and vegetarian products.

In a context in which consumer habits may lead to the use of non-sustainable materials, at Viscofan over 84% of income originates from natural, biodegradable or recycled material casings. Likewise, helping our customers to achieve greater sustainability in their production processes, providing them with products with greater production efficiency leading to less food waste and which also enable the reduction of direct CO_2 emissions during their processing. Our product categories are as follows:

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 enables printing in a wide variety of colours. Casings can also be produced with colours or stripes to improve safety and, in general, their transparency and shine give the product a very appetising appearance.

They are used primarily in the production of industrially cooked sausages. They are especially used for traditional sausages such as frankfurters, Vienna sausages and hot-dogs. They can also be used in the production of 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 with the appropriate length 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 and FSC certification programme , which ensures that the cellulose they obtain comes from sustainably managed trees and forests and, therefore, does not contribute to the deforestation of the planet.

Collagen casings

It is an alternative to animal casing. 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 appetising 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 film (Coffi), and the shirred 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, NDX, 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
Our collagen casing is the best example of circular economy in the world of casings, since it takes advantage of bovine skin for its recovery in the food industry, all under strict controls and working with European skin suppliers that comply with animal well-being 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 attractive appearance.

Brands
Securex, Zip, PSX, Titanium

Main raw material: abaca paper
It is obtained from a herbaceous plant called Musa textilis. Paper made from its fibres has a high mechanical and moisture resistance, and is used at Viscofan to produce fibrous casings. 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 PFEC or FSC certified , ensuring that the paper they obtain comes from the sustainable management of trees and forests.

Casings, film, bags and other plastic products

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 useful life.

Within the plastics division 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 films 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 stop 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 (Reduce, Reuse, Recycle, Repair) to continue to make progress in the sustainability of our plastic.

Commitment to the sustainability of our plastic casings have materialised in these four areas of work: reduction in the thickness of our casing, bio-renewable and products made from recycled materials and biodegradable plastic casings.

- We have reduced the thickness of our multi-layer plastic casings, and at the factory in the Czech Republic we have generated 65% of production with this reduced thickness technique. In 2020, the first samples of bio-renewable plastics were manufactured and received well by customers.
- We have manufactured and tested the first bio casing samples , which have been received well by customers.
- We have extended the partnership agreements with raw material suppliers for the development of recycled plastic.
- We have been pioneers in the co-development of new materials for meat products, based on the advanced recycling of post-consumption plastic, together with other companies that include suppliers and customers which, otherwise, would be disposed of in landfills or lost due to incineration. With this project, Viscofan has formed part of an alliance that has mobilised knowledge, technology and shared financial resources to generate a new more sustainable material, in line with SDG 17, which promotes the creation of effective alliances in the public-private sphere to boost sustainability.

Functional solutions

Viscofan's functional casing and packaging solutions provide high value added, incorporating new colour, flavour and spice properties into foods.

Viscofan's functional solutions are also applicable to a wide range of foods, such as fresh produce (meat, vegetables, fish), processed meats, cheese and ready-to-eat products.

Brands
Vispice, Roast-E

Main raw material: plastic polymers
They can be made under different technologies, such as polymers, collagen or abaca paper.

Sustainability commitment
The process of transmitting colour, taste and spices in this type of casing is greatly optimised, since it allows the process to be performed in a single step without manual intervention. Hence, product waste is avoided, while ensuring homogeneous production with significant reductions in cost and waste generation (smoke emissions from smoking processes, significant reduction in the generation of wastewater during manufacture, etc.).

Vegetable casings

A new generation casing was launched in 2019, based on plants and specially developed for vegetarian and vegan recipes. In addition to being 100% vegetable, it is a gluten-free product, without GMOs (genetically modified organisms) and free of allergens. For all these reasons, its composition makes it ideal for covering certain growing market requirements, particular legal and labelling conditions, or demands of a 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.

Our brand
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.

SELECTION OF SUPPLIERS

At Viscofan, we are aware of the strategical importance and impact of an adequate supply of raw materials and services for the whole organisation, together with the optimum management of the supply chain.

The Viscofan Group is committed to its suppliers and establishes relationships with them based on respect and trust in the quality of products and services, and on a reciprocal growth and learning opportunity.

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.

The purchase of main (cellulose, collagen, abaca paper, polymers) and auxiliary raw materials (those used for chemical transformation, such as glycerine and caustic soda, among others) represents 39% of the Group's total consolidated raw material consumption cost (37% in 2019).

Viscofan uses raw materials requiring different types of containers. One part of them is reusable, such as containers that store collagen skins and another part is biodegradable and is recycled, such as the boxes that contain the cellulose paper and, to a lesser extent, other containers are of a synthetic origin, for which Viscofan promotes their recycling as far as possible.

Due to the production characteristics of our main raw materials, in terms of our supply chain, there is a low risk of trafficking in human beings or of slavery. However, Viscofan, as a signatory of the Global Compact, requests a series of conduct requirements from its suppliers, in line with our human rights policy and our commitment to decent work and the eradication of child labour.

In 2020, it was expected to implement a system to monitor suppliers, which could not be carried out due to the travel limitations and restrictions imposed as a result of the pandemic. At Viscofan, we are aware of the strategical importance and impact of an adequate supply of raw materials and services for the whole organisation, together with the optimum management of the supply chain. Thus, in the so-called "first wave" of the pandemic, one of the main challenges that it was necessary to face was that of salvaging deliveries: both of customers and suppliers. With respect to the latter, the main obstacle between April and June 2020 was the lack of availability of collagen, due to the stoppage of the car industry on a global basis, causing the tanneries to reduce their activity to a maximum and to cease to supply collagen. Faced with this difficulty, Viscofan's R&D teams succeeded in developing alternative channels to extract collagen from animal skins, which contributed enormously to avoiding that our production of casings with this raw material was affected.

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. In 2017, all companies of the Viscofan Group began to request this commitment in the area of human rights and environmental criteria from new suppliers of raw materials, and this commitment was ratified by all of them in 2020.

Specifically, all suppliers of raw materials, packaging and maintenance must approve an internal approval 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.

Likewise, Viscofan has the highest own production presence in the industry, enabling it to optimise the transportation of merchandise, both with respect to customers and suppliers. Through specialised transportation companies, it seeks the most optimum route to receive and distribute merchandise. Furthermore, Viscofan's products due not require special conservation conditions during the distribution process, leading the transportation expense of the whole Group to be less than 3% of sales.

In addition, the Viscofan Group's activities in the countries in which it operates are geared towards value creation for all stakeholders, including suppliers. Thus, in 2020, the company allocated €472 million as a reflection of the distribution of value to suppliers of goods and services, with 54% of purchases of raw materials from local suppliers (56% in 2019), which favours the economic development of the communities in which Viscofan is present. In line with its economic importance, Viscofan has a solid anti-corruption policy, which includes the company's commitment to fight against bribery and corruption, and establishes the dealings and commercial relationship with third parties.

In 2014, Law 31/2014 of December 3 entered into effect, which modifies Capital Companies Law with regards to corporate governance. It establishes that companies unable to present abridged income statements must mention their average payment periods to suppliers in their management report; these calculations must be based on criteria approved by the Ministry of Finance and Public Administrations, in accordance with guidelines established in the third section of the Second Final Provision of Organic Law 2/2012, of 27 April, on budget stability and sustainability.

In compliance with this information requirement, the payment period for the Viscofan Group during 2020 was 24 days (2019: 23 days), which is lower than the maximum established by payment arrears regulations.

The average payment period calculations were performed as indicated in the Resolution of 29 January 2016 was published, approved by the Spanish Accounting and Audit Institute, is applicable to the information concerning late payment to suppliers in commercial transactions.

1. A local supplier is deemed to be that whose tax domicile is in the same country in which Viscofan makes its purchases.

SALES TEAM AND TECHNICAL ASSISTANCE SERVICE

Viscofan offers customers a Technical Support service, which is a competitive advantage and of great help to customers when deciding, from the wide range of casings, which one is adequate for the needs of each product.

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 Support service, which is a competitive advantage and of great help to customers when deciding, from the wide range of casings, which one is adequate for the needs of each product. This work is of increasing importance because our customers are not divided by technology, but use various technologies for different products, depending on the degree of sophistication of the meat processor.

Some 49% of the income comes from customers that have bought products in the four main casing technologies.

In a continuous improvement model, through multidisciplinary teams representing sales, production, and research & development areas, the Viscofan Group identifies the issues that cause most concern to the meat industry and analyses, develops and implements the related improvements.

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 19 countries we are able to offer suitable casing solutions to more than 2,091 customers in 110 different countries.

PRODUCT SAFETY AND FOOD HYGIENE

In order to guarantee the excellence of products and services for both customers and for the end consumer at all times, Viscofan has a food safety system that covers all of these aspects: manufacturing facilities are built to food safety specifications, employees are trained in food hygiene and product safety, raw materials are tested for compliance with specifications previously agreed with certified suppliers, systems are in place to detect defective materials in the production system, pest control is implemented and policies are in place to monitor hazardous substances, personal hygiene and visitors.

These protocols configuring our product food safety and quality system are based on the following core principles:

RISK ANALYSIS AND CRITICAL POINT CONTROL

- Viscofan has a hazard analysis and critical control point (HACCP) system in place. Hence, an inter-disciplinary team assesses every step of the production process to detect possible hazards (physical, chemical and microbiological pollution, including allergens), identify critical control points, establish relevant controls and take any required corrective action. The system is annually updated in line with any changes in the production process.

COMPLIANCE WITH THE APPLICABLE LAWS

- Casings manufacturing is becoming more tightly regulated, in the area of food safety, by countries and supranational institutions, making up a growing and constantly changing battery of rules. This regulatory framework directly affects the activity of different production plants due to laws in the country of origin and requirements in the receiving countries, and internationally recognised standards. For this work it has a specific department of Patents and Regulatory Affairs.

PRODUCT TRACEABILITY AND CERTIFICATION

- Viscofan operates a product traceability system that enables us to identify, at any time and in full detail, the history of every unit and even sub-unit sold, from receipt of raw materials to product use by our customers. In Europe, Viscofan fully implements a food traceability system under Regulation (CE) 178/2002.

AUDIT AND CERTIFICATION

- To ensure that our product safety and food hygiene systems comply with requirements, our production processes are audited internally on a regular basis. Our production facilities are also continuously audited by the health authorities, numerous customers and certification authorities.

This year, due to the mobility restrictions linked to COVID-19, our teams of professionals – both corporate and local – have had to implement some of these processes by coordinating remotely, and to conduct most of their audits online.

What's more, Viscofan has internationally distributed certifications for meat processors to endorse their suppliers and market their products in the main distribution chains around the world.

This year, due to the mobility restrictions linked to COVID-19, our teams of professionals – both corporate and local – have had to implement some of these processes by coordinating remotely, and to conduct most of their audits online. These new circumstances have undoubtedly represented a challenge, which our teams have dealt with and managed superbly.

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:

CERTIFICATIONS OF THE VISCOFAN GROUP

Country	Plant	Certifications	
		Food safety	ISO 9001
Spain	Cáseda	BRC Pack BRC Food (Fibrosa previsto in 2021)	✔
	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	BRC Pack	✔
	Montgomery	BRC Pack BRC Food	
	Kentland	SQF Level 2	
	New Jersey	FSSC 22000	
Mexico	San Luis Zacapu	BRC Pack BRC Pack	✔
Uruguay	Pando	BRC Food	✔
Brazil	Itu	BRC Pack BRC Food	✔
	Ermelino	BRC Pack	
Australia/New Zealand	Sidney (Bankstown)	Expected in 2021	✔

The Viscofan Group also has Halal and Kosher certifications. These certifications, referring to food products, are based on regulations that are key to servicing different markets and exploring new growth opportunities. The Halal certification is specifically designed for products sold in Muslim countries and Islamic communities, while Kosher certification is a requirement for food consumption by the Jewish community.

CUSTOMER SATISFACTION

In 2020, a year of enormous global difficulty caused by the pandemic, we can say with gratitude and recognition towards all our professionals, that we have managed to maintain the excellent level of customer care and service that characterises Viscofan.

In 2020, a year of enormous global difficulty caused by the pandemic, we can say with gratitude and recognition towards all our professionals, that we have managed to maintain the excellent level of customer care and service that characterises Viscofan. The impossibility of travelling to our customers throughout the world has moved us to seek other ways of being present and of providing them with the care and service they require at all times. This has proved the company's ability to adapt and has earned us the trust of our customers. Customer satisfaction is, along with service quality and product safety, a fundamental objective for Viscofan. A commitment backed by what is reflected in an estimated 37% share of the artificial casing market that has placed their trust in our products in 2020.

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 348 questionnaires were sent out and a result reflecting an 82 per cent 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

In 2020, we received recognition for the Group's sustainability commitment from one of the largest global food group

is returned as a result of the complaints and compensations paid to customers.

In 2020, a total of 3,610* complaints were registered in our systems, including both service and administrative or product complaints, compared to 3,373 complaints in the previous year, and none were registered regarding customer data protection. A large part of the increase in complaints compared to 2019 is due to the increase in the volume and range of products and, also, to greater discipline and efficiency in the registration of complaints - especially those relating to technical and commercial management - which are more systematically registered and are added to those that are strictly speaking technical and for which the corporate management tool continues to be 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 procedural policies extend to all geographical areas where the Viscofan Group has a commercial presence. It must be highlighted that in 2020 no penalties or complaints were filed for breaches relating to marketing notices or to the labelling of products and services, nor were there any incidents related to violations of customer privacy or the loss of data.

In 2020, we received recognition for the Group's sustainability commitment from one of the largest global food groups, Sigma Alimentación which, following a process of assessment involving the management policies and systems of approximately 300 non-meat suppliers in six diMenions of sustainability, including health and safety in the workplace, anti-corruption, certifications, environment and the relationship with the community, Sigma wished to distinguish the "excellent performance" of Viscofan, awarding it the 2020 Excellence Prize for suppliers.

* Does not include those third-party products converted and distributed by Viscofan Globus Australia and New Zealand.

2.5 WORK MANAGEMENT

People are the differential value on which the future of Viscofan is built. Nearly 5,000 employees in 19 countries constitute an extraordinary human wealth. People management is key to achieving our goals and that is why we want to attract and develop the best team in the industry.

MATERIAL ASPECTS

- *Creation of stable employment and quality*
- *Health, safety and well-being of in-house staff*
- *Occupational training and development*
- *Diversity, equal opportunities and non-discrimination*
- *Salary gap*

OUR COMMITMENT TO SDG

8 DECENT WORK AND ECONOMIC GROWTH

Decent work and economic growth

- *Ensure decent working conditions for all company employees, with non-discriminative hiring. In a context of economic crisis, our commitment to create employment continues, with net growth of 7.3%.*
- *We back the promotion and professional development of our teams, especially among young people. We inform employees of the opportunities and processes that arise at the company so that they can opt for new goals and challenges.*
- *We guartantee freedom of association and collective bargaining*
- *We create a stable working environment, supporting full-time permanent contracts, in a climate of respect and non-discrimination. More than 90% of our workforce have permanent contracts.*
- *We encourage youth employment through recruitment and internship programmes. Almost a third of our workforce is under 35, while internship programmes have risen by 30% in 2020.*
- *We have occupational health and safety management systems at all the company's factories. We set the target of reducing the accident rate by 50% by 2030.*
- *We maintain public-private partnerships with universities to carry out projects that contribute to sustainable economic growth.*

HUMAN TEAM

Viscofan is made up of a large group of people who are spread across 19 countries in which the company has a presence and that reflect its marked international character. An 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.

People

The average workforce at December 2020 stood at 4,967 employees, up 7.3% (339 employees) if compared with the average workforce reported in the previous year. It must be stressed that 4.2 p.p. of this increase relates to the inclusion in the 2020 scope of the workforce of Viscofan Collagen USA Inc. and Viscofan Collagen Canada Inc., which were acquired effective from 31 December 2019 and which represent 196 employees, the remaining 3.1 p.p. (143 employees) relate to the increased workforce at the remaining subsidiaries.

At 2020 year-end, the workforce comprised 5,128 employees (up 8.8% on the workforce at 2019 year-end), of which 3,621 are men (3,332 in 2019) and 1,507 women (1,381 in 2019).

The breakdown of the average workforce by country and their coverage by collective agreements is as follows:

BREAKDOWN OF THE AVERAGE WORKFORCE BY COUNTRY AND THEIR COVERAGE BY COLLECTIVE AGREEMENTS

	2020				2019			
Average workforce by country	**Men**	**Female**	**TOTAL**	**% covered by collective agreement**	**Men**	**Female**	**TOTAL**	**% covered by collective agreement**
Spain	614	202	816	68%	586	185	771	66%
Czech Republic	365	279	644	100%	363	273	636	100%
Germany	371	204	575	100%	317	178	495	100%
Serbia	473	73	546	82%	487	74	561	84%
Belgium	202	138	340	0%	206	136	342	0%
United Kingdom	59	15	74	30%	63	15	78	40%
France	63	10	73	100%	64	10	74	100%
Russia	11	6	17	0%	12	6	18	0%
China	10	3	13	0%	10	3	13	0%
Thailand	5	8	13	0%	4	8	12	0%
Australia	5	7	12	100%	6	3	9	100%
New Zealand	4	2	6	0%	4	2	6	0%
Europe and Asia	**2,182**	**947**	**3,129**	**74%**	**2,122**	**893**	**3,015**	**74%**
Canada	428	210	638	52%	311	178	489	46%
United States	429	84	513	73%	420	84	504	72%
Mexico	65	39	104	0%	34	9	43	0%
North America	**922**	**333**	**1,255**	**56%**	**765**	**271**	**1,036**	**57%**
Brazil	340	144	484	100%	340	143	483	100%
Uruguay	71	15	86	95%	67	13	80	95%
Costa Rica	7	6	13	0%	7	7	14	0%
Latin America	**418**	**165**	**583**	**97%**	**414**	**163**	**577**	**97%**
TOTAL	**3,522**	**1,445**	**4,967**	**72%**	**3,301**	**1,327**	**4,628**	**73%**

As part of Viscofan's internationalisation strategy, each year different initiatives are implemented in the area of International Mobility to reinforce the transfer of the Group's 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.

In 2020, however, the tendency to travel, characteristic of Viscofan, was conditioned by the global situation. International mobility within the Group remained stable, with an average of 43 employees that participated in international projects and which were posted abroad for a long duration (39 in 2019). Most short trips, however, were suspended or postponed, in line with the travel guidelines and the travel restrictions set by the company.

Faced with this scenario, Viscofan reinforced investment in technology and new digital tools to overcome the travel restrictions and reduce the risk and the economic and environmental costs associated therewith. Connectivity and remote working suddenly imposed on many companies in the industry due to the pandemic were successfully extended in the case of Viscofan to a significant number of employees, where possible, facilitating business continuity and factory operations.

It should be noted that 83% of the members of the senior management team are recruited from the local community, that is to say, they were born in the country in which they hold their position.

Age

The potential of our team is based on young talent and experience. The average age of the workforce is 42 years, as in 2019. Of the total average workforce, 31% are people under 35 years old, 42% are between 35 and 50 years old, and 27% are over 50 years old.

Likewise, in line with the rules of the International Labour Organisation that appear in the Conventions 138 and 182 on child labour, Viscofan does not employ children under 14.

AVERAGE WORKFORCE BY AGE

	2020			2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Between 17 and 34 years	1,065	479	1,544	1,026	469	1,495
Between 35 and 50 years	1,440	642	2,082	1,341	569	1,910
More than 50 years	1,017	324	1,341	934	289	1,223
TOTAL	**3,522**	**1,445**	**4,967**	**3,301**	**1,327**	**4,628**

AVERAGE WORKFORCE BY AGE AND CONTRACT TYPE

	2020			2019		
	Perma-nent contract	Temporary contract	TOTAL	Perma-nent contract	Temporary contract	TOTAL
Between 17 and 34 years	1,273	271	1,544	1,278	217	1,495
Between 35 and 50 years	1,961	121	2,082	1,817	93	1,910
More than 50 years	1,312	29	1,341	1,202	21	1,223
TOTAL	**4,546**	**421**	**4,967**	**4,297**	**331**	**4,628**

Recruitment

Our business model has a marked industrial character: about 51% 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 92% of the workforce working on a permanent contract and over 98% on a full-time basis.

AVERAGE WORKFORCE. CONTRACT TYPE

	2020			2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Permanent contract	3,238	1,308	4,546	3,083	1,214	4,297
Temporary contract	284	137	421	218	113	331
TOTAL	**3,522**	**1,445**	**4,967**	**3,301**	**1,327**	**4,628**

AVERAGE WORKFORCE. WORKDAY TYPE

	2020			2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Full-time contract	3,480	1,407	4,887	3,255	1,300	4,555
Temporary contract	42	38	80	46	27	73
TOTAL	**3,522**	**1,445**	**4,967**	**3,301**	**1,327**	**4,628**

AVERAGE WORKFORCE BY CATHEGORY

	2020			2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Directors	104	18	122	99	18	117
Technicians and supervisors	875	333	1,208	824	299	1,123
Administratives	57	178	235	53	178	231
Specialists	670	216	886	637	209	846
Labourers	1,816	700	2,516	1,688	623	2,311
TOTAL	**3,522**	**1,445**	**4,967**	**3,301**	**1,327**	**4,628**

AVERAGE WORKFORCE BY CATEGORY AND CONTRACT TYPE

	2020			2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Directors	120	2	122	113	4	117
Technicians and supervisors	1,173	35	1,208	1,080	43	1,123
Administratives	223	12	235	217	14	231
Specialists	813	73	886	785	61	846
Labourers	2,217	299	2,516	2102	209	2,311
TOTAL	**4,546**	**421**	**4,967**	**4,297**	**331**	**4,628**

AVERAGE WORKFORCE BY CATHEGORY AND TEMPORARY WORKDAY

	2020			2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Directors	1	0	1	1	0	1
Technicians and supervisors	11	7	18	7	5	12
Administratives	2	9	11	1	5	6
Specialists	5	7	12	8	7	15
Labourers	23	15	38	29	10	39
TOTAL	**42**	**38**	**80**	**46**	**27**	**73**

AVERAGE WORKFORCE BY AGE AND TEMPORARY WORKDAY

	2020			2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Between 17 and 34 years	6	8	14	9	4	13
Between 35 and 50 years	11	15	26	11	12	23
More than 50 years	25	15	40	26	11	37
TOTAL	**42**	**38**	**80**	**46**	**27**	**73**

In a growing team, the policy on staff selection and recruitment is key to ensure continuity in leadership. In this regard, the development and recognition of the Viscofan Group's in-house staff is being stepped up by listing the company's job vacancies in internal information channels and on 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 985 employees with university degrees (959 in 2019), of which 42 had a doctorate (40 employees in 2019). A very high level of training that demonstrates Viscofan's rigorousness and the means used to achieve excellence in production and maintain the levels of innovation necessary in our activity.

EQUALITY AND WORK-LIFE BALANCE

Viscofan's employment environment enables the professional and personal development of all people that form part of the company, integrating them and allowing them to participate in the company's future regardless of their race, ethic group, gender, sexual orientation, age, religion or nationality, among others.

The high percentage of men (71%) compared to women (29%) continues to be significant. A similar percentage to that of companies in the sector, where the incorporation of new companies into Viscofan's scope 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.

% AVERAGE WORKFORCE BY GENDER AND CATEGORY

	2020		2019	
	Men	Female	Men	Female
Directors	85.2%	14.8%	84.6%	15.4%
Technicians and supervisors	72.4%	27.6%	73.4%	26.6%
Administratives	24.3%	75.7%	22.9%	77.1%
Specialists	75.6%	24.4%	75.3%	24.7%
Labourers	72.2%	27.8%	73.0%	27.0%
TOTAL	**70.9%**	**29.1%**	**71.3%**	**28.7%**

Commitment 2030

Promotion of female talent and professional development

Increasing the weight of the less represented gender is one of the challenges that we face, especially with respect to the retention, development and promotion of female talent. Accordingly, we set ourselves the objective of increasing the number of female directors to 30% by 2030.

Viscofan's work centres contribute to human development, basing themselves on a culture and shared values, and where they offer conditions that facilitate collective talent, the exchange of ideas, innovation, contrasted opinions and shared initiatives

The Viscofan Group has formed a Corporate Conciliation Committee, reporting to the Appointments, Remuneration and Sustainability Committee, which aims to analyse opportunities and follow up initiatives that facilitate a work-life balance. This Committee met twice in 2020 (twice in 2019), where it has analysed the tendency of the workforce by gender, monitoring the universal leave approved last year for the birth of children and the death of spouses and children, even in countries whose legislation does not provide for this and in which no policies for work disconnection were approved last year.

In this area, in 2020, the II Equality Plan was extended at Viscofan, S.A., with which improvements are proposed and the objectives to achieve equality and a work-life balance are set. Through the GEW (Gender Equality in the Workplace) process, the plan has centred on four main areas: Leadership; Policy and Strategy; People; Process management and Relationship with the environment, so that a specific action plan is in place for each of them to date. For the diagnosis prior to the III Equality Plan (2021-2024), since the end of 2020, unbundled data is being collected by gender, in line with the new Spanish legislation in force RD901 and RD902.

Viscofan's work centres contribute to human development, basing themselves on a culture and shared values, and where they offer conditions that facilitate collective talent, the exchange of ideas, innovation, contrasted opinions and shared initiatives. However, the pandemic has led to a rapid transformation to ensure health and an adequate work-life balance in a strict lockdown situation; accordingly, in many countries, Viscofan adopted extraordinary flexibilisation and work-life balance measures, reducing working hours and providing leave to take care of minors or dependent people, among others.

In Germany, the work-life balance measures of Naturin Viscofan GmbH, were recognised with the "Berufundfamilie" certificate, which acknowledges the best family work-life balance policies at companies in that country.

In addition, in order to promote and improve management in this area, the Viscofan Group participates as a Collaborating entity and a member of the Management Committee of the Observatory of Conciliation and Joint Responsibility at Comillas Pontifical University.

EMPLOYMENT AND REMUNERATION

Average workforce

+7.3%
in 2020

+339
people

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, due to the need to implement the new capacity and technology at 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. This year, in an adverse global context due to the impact of COVID-19 and an increased workforce following the company's latest acquisitions, company earnings remained stable.

AVERAGE WORKFORCE AND PRODUCTIVITY EVOLUTION

	2020	2019**	2018*
Average workforce	4,967	4,628	4,641
Revenue in Mn €	912	850	784
Revenue per employee (thousand €)	**183.6**	**183.6**	**169.0**

* Excludes Globus
** Excludes personnel of Viscofan Collagen USA Inc and Viscofan Collagen Canada Inc,

The average workforce increased by 7.3% in 2020 as opposed to 2019, situating the net variation in employment* at 339 people. The breakdown by category, age and gender in 2020 as opposed to 2019 is as follows:

AVERAGE WORKFORCE NET CHANGE

	2020			2019		
Breakdown by age	**Men**	**Female**	**TOTAL**	**Men**	**Female**	**TOTAL**
Between 17 and 34 years	39	10	49	-20	-45	-65
Between 35 and 50 years	99	73	172	6	18	24
More than 50 years	83	35	118	22	6	28
TOTAL	**221**	**118**	**339**	**8**	**-21**	**-13**

	2020			2019		
Breakdown by cathegory	**Men**	**Female**	**TOTAL**	**Men**	**Female**	**TOTAL**
Directors	5	0	5	7	1	8
Technicians and supervisors	51	34	85	-8	36	28
Administratives	4	0	4	-2	2	0
Specialists	33	7	40	26	-3	23
Labourers	128	77	205	-15	-57	-72
TOTAL	**221**	**118**	**339**	**8**	**-21**	**-13**

*The net variation in employment is calculated as the difference between the 2020 average work force and 2019 average work force

The importance of these stakeholders - the employees - can be seen in the generated and distributed resources table. In 2020, employees received €194 million of the total value generated by the Group (€180 million in 2019).

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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 2020, which stands at 2.9% (3.0% in 2019).

The Group's business activity requires adapting to various market needs in the different locations, under criteria of competitiveness and efficiency, which in some cases, requires workforce reductions. The breakdown of average dismissals by category, age and gender is as follows:

AVERAGE WORKFORCE DISMISSALS

Breakdown by cathegory	2020	2019
Directors	1	1
Technicians and supervisors	10	7
Administratives	4	5
Specialists	9	10
Labourers	44	33
TOTAL	**68**	**56**

Breakdown by age	2020	2019
Between 17 and 34 years	32	29
Between 35 and 50 years	25	18
More than 50 years	11	9
TOTAL	**68**	**56**

Breakdown by gender	2020	2019
Men	18	46
Female	50	10
TOTAL	**68**	**56**

Remuneration

The contracting policy of the Viscofan Group is based on objectivity, equal opportunities and training, and one of its aims is to favour gender diversity, among other aspects. This implies competitive remuneration, adapted to the capacities and competences of the different profiles required according to the industrial or commercial process, and also according to the realities of the multitude of countries in which Viscofan is present.

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, and one of its aims is to favour gender diversity, among other aspects.

AVERAGE COMPENSATION (€)

Breakdown by cathegory	2020	2019
Directors	134,992	134,636
Technicians and supervisors	44,547	42,414
Administratives	31,125	30,933
Specialists	24,924	23,358
Labourers	24,217	22,418
TOTAL	**32,338**	**30,712**

Breakdown by age	2020	2019
Between 17 and 34 years	21,845	19,571
Between 35 and 50 years	30,173	30,328
More than 50 years	48,282	43,929
TOTAL	**32,338**	**30,712**

Average remuneration increased by 5% over the previous year. This increase was due to a rise in the technical staff and workers in countries in which the Group has a presence that have a higher-than-average salary range, as is the case of Spain, Canada and the USA, from which 75% of the increase in the average workforce in 2020 originated.

Within the area of remuneration, about 72% 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 gross wage gap, understood as the difference between the average hourly remuneration for men and women and the average hourly remuneration for men stands at 28.7% (27.4% in 2019), with the average remuneration for the Group being €32,338 (€30,712 in 2019): €35,453 for men (€33,531 in 2019) and €24,887 for women (€23,688 in 2019).

This gross wage gap is similar to that of other industrial companies. The analysis of the reported gross wage gap identified a multitude of factors, from the gender composition of the Group, to its geographical presence, the different distribution among posts, 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.

COUNTRY MINIMUM WAGE VS. MINIMUM PAID IN COUNTRY (% DIFFERENCE OVER MINIMUM SALARY)

Spain	99%
Czech Republic	21%
Germany	82%
Serbia	6%
Belgium	50%
United Kingdom	49%
France	17%
Russia	1451%
China	51%
Tailand	168%
Australia	36%
New Zealand	7%
Canada	0%
USA	62%
Mexico	132%
Brazil	78%
Uruguay	10%
Costa Rica	34%

Viscofan's commitment to gender equality and to the development of female talent is backed by the objective of placing 30% of women into executive posts in 2030.

In 2020 Viscofan set up the adjusted wage gap spread KPI to monitor possible gender pay differences within the Group. This indicator is calculated as the weighted average of the mean of the difference in hourly wages received by men versus to the hourly wage received by women with respect to the hourly wage received by men in the different internal categories of the Viscofan Group in each of its companies, excluding those categories in which there is no representation of either of the two genders. This calculation places the Viscofan Group's adjusted wage gap at 10.9% in 2020.

Viscofan's commitment to gender equality and to the development of female talent is backed by the objective of placing 30% of women into executive posts in 2030. In this regard, it has a Talent Management Plan, which has defined a talent map by gender to take advantage of all opportunities to incorporate the less represented gender, both with internal and external candidates, in those positions that they expect to have in the future in terms of vacancies, growth opportunities or within a succession plan. In turn and in line with the new legislation in Spain, the calculation of the adjusted salary gap was developed considering equivalent posts. The expected process will conclude in mid-2021.

The individual remuneration of all members of the Board of Directors is detailed in note 23 of the company's consolidated financial statements, in accordance with the remuneration policy of the Board, as shown in the Remuneration Report available on the company's website, www.viscofan.com

The Group makes contributions to various different defined benefit plans. The significant information is set forth in note 14 of the consolidated financial statements.

Remuneration Report available on the company's website, www.viscofan.com

PROFESSIONAL DEVELOPMENT

Training

21.7
hours/employee

107,609
hours

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 team received more than 107,609 training hours in 2020 (130,668 hours in 2019), an average of 21.7 hours per employee (28.2 hours in 2019). A considerable amount of the training was provided through e-learning platforms, both at corporate and local level, which enabled training activities to be continued that could not be provided on a face-to-face basis. Despite this, the total number of hours dropped by 17.6% with respect to the previous year.

For this commitment to human capital training, the group has invested €2.3 million (€2.6 million in 2019), of which €0.5 million (€0.8 million in 2019) 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

	2020			2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Number of hours	68,751	38,858	107,609	90,170	40,498	130,668
Average number	19.5	26.9	21.7	27.3	30.5	28.2
% employees who have received training	91.0%	91.3%	91.4%	92.4%	92.9%	92.5%

Training in Human Rights

USE OF NON-SEXIST LANGUAGE, CORPORATE SOCIAL RESPONSIBILITY, GENDER EQUALITY AND SEXUAL HARASSMENT

4,056

hours

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 4,056 hours, compared to the 2,163 hours invested in 2019.

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.

TRAINING. NUMBER OF HOURS BY CATHEGORY

	VISCOFAN GROUP 2020		
	Men	Female	TOTAL
Directors	1,254	317	1,571
Technicians and supervisors	14,338	5,216	19,554
Administratives	615	2,412	3,027
Specialists	6,146	3,489	9,635
Labourers	46,398	27,424	73,822
TOTAL	**68,751**	**38,858**	**107,609**

In order to assist in the comparability of the information below, the number of training hours by category that have been carried out in Spain, the headquarters of the corporate group, is broken down as follows: It is observed that the fall in the number of training hours occurred in virtually all professional categories on a widespread basis due to the difficulties caused by the pandemic.

TRAINING. NUMBER OF HOURS BY CATHEGORY

	Viscofan Spain - 2020			Viscofan Spain - 2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Directors	597	208	805	760	154	914
Technicians and supervisors	5,431	3,038	8,469	6,136	2,876	9,012
Administratives	103	907	1,010	13	1,283	1,296
Specialists	1,009	304	1,313	1,112	345	1,457
Labourers	2,723	712	3,435	2,504	638	3,142
TOTAL	**9,863**	**5,169**	**15,032**	**10,525**	**5,296**	**15,821**

Looking towards promoting employment, the Group also fosters participation in the main universities of the countries in which it carries on its activities. in 2020 there were an average of

70

internships

Facilitating training is one of the most effective measures to encourage the employability of our people, both with regard to the development of their career and to opt for opportunities for professional development within the Group. The new processes and vacancies at Viscofan are notified internally so that the people that wish to can set themselves new challenges and goals at the company itself, strengthening and preserving the talent of the human team.

Looking towards promoting employment, the Group also fosters participation in the main universities of the countries in which it carries on its activities. Within the objective of attracting and developing talent, in 2020, there were an average of 70 internships (55 in 2019).

In line with the results from the Work Environment surveys, the purpose of the Viscofan Group is to forward development of a personal high-performing culture and evaluate the established objectives through a performance assessment process. In particular, performance assessment is an on-going process of planning, monitoring and evaluating the objectives that are defined by each head with each team member. This methodology improves the professional capacity of each person and aligns individual expectations with the strategy and objectives as a company.

In 2020, 41% of the Group's staff was subject to a performance assessment process, compared to 43% the previous year.

In line with the development of a high-performance culture, in 2020, Viscofan concluded the initial analysis within a project to define and implement a more digital and collaborative work space throughout the whole Group, Viscofan's "Modern Workplace". Through a global survey and multiple participative sessions, it was possible to identify a series of innovative solutions that adapt to the different user profiles at Viscofan (personnel at offices, at the factory or commuting), and which will enable the teams to work more effectively thanks to the adoption of new tools, platforms and work methodologies.

The Group promotes evaluation bilaterality through pluri-annual global opinion surveys (Viscofan Opinion Survey). In 2018, the third opinion poll of the Viscofan Group was conducted, 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.

PERFORMANCE ASSESSMENT

	2020				2019			
	Men	Female	TOTAL	% average workforce	Men	Female	TOTAL	% average workforce
Directors	80	13	93	76%	95	15	110	94%
Technicians and supervisors	497	191	689	57%	479	168	647	58%
Administratives	27	72	99	42%	27	76	103	45%
Specialists	215	109	324	37%	209	92	301	36%
Labourers	576	274	850	34%	527	283	810	35%
TOTAL	**1,395**	**660**	**2,055**	**41%**	**1,337**	**634**	**1,971**	**43%**

OCCUPATIONAL SAFETY

Viscofan works with the belief that it is possible to avoid occupational accidents. Hence, it not only ensures that its facilities are safer, but also that its staff throughout the whole Group are aware of the fundamental importance of safety issues. A reality that was doubly imposed in 2020, due to the urgent need to protect the teams at all locations at which Viscofan is present and to ensure strict compliance with the prevailing safety measures with respect to COVID-19.

Corporate workplace safety policies are the responsibility of the Environment Health and Safety (EHS) department, working in close partnership with the corporate and local Human Resource departments. To a large extent, this coordination has enabled the immediate application at all subsidiaries of the safety measures and protocols to prevent and minimise cases of COVID-19 among the workforce, and which has permitted Viscofan to maintain its production activities at its factories, without ceasing to supply the food industry in a moment of special need.

As a highlightable aspect, in 2020, a Crisis Management Committee was created at corporate level, led by Management, which was subsequently replicated at all the factories to guarantee the health and safety of workers and the continuity of the supply chain. In addition, measures and investments continued to be made to improve the employment conditions of our workers and to obtain reliable and consistent indicators to measure and compare performance in the various countries in which the Group operates. The best health and safety practices are thereby extended to the production centres.

For Viscofan, the material aspects that affect safety are essentially based on the characteristics of the position and the activities that are required. This explains the constant effort of Viscofan to standardise procedures and distribute them among the workforce with regard to the company's safety policy, providing workers in this regard with specific courses and information in their areas of work.

At the same time, the participation of workers in health and safety matters is guaranteed in all plants through health and safety committees - in which the company's actions in terms of risk prevention are regularly and periodically consulted - , suggestion boxes, as well as other established communication channels.

New occupational health and safety policy guidelines

- Provide employees with a **safe and healthy workplace**.
- **Identify and comply with applicable legislation and regulation in terms of Environment, Health and Safety (EHS)** in each of the locations where the group does business, and any other voluntarily-acquired commitments of Viscofan to improve these areas.
- **Ensure that management, employees** and all staff working for the organisation (or on its behalf) are **aware of this policy** and are trained, according to their responsibilities, to comply with it.

In 2020, two workers died in a blaze at an office area of our facilities in Novi Sad (Serbia). An investigation into the causes of the fire 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.

A reduction in the ratio of 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:

	2020	2019	2018
Hour lost per accident	31,257	20,682	32,864

HEALTH AND SAFETY INDICATORS OF THE VISCOFAN GROUP

	2020			2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Hour lost per accident	116	31	147	129	23	152
Number of professional diseases	5	1	6	2	2	4
Work-related accidents. Frequency [1]	17.3	12.3	16.0	19.7	9.5	16.9
Accident rate [2]	0.38%	0.18%	0.33%	0.23%	0.23%	0.23%
Absenteeism index[3]	4.2%	5.2%	4.5%	3.3%	5.2%	3.8%
Severity index[4]	0.47	0.23	0.41	0.29	0.29	0.29

1, Number of accidents occurred per million hours worked
2. Number of hours lost by accident divided by the total number of hours of work
3. Number of hours lost due to sick leave and accident divided by the total number of hours worked
4. Number of equivalent day lost per accident per thousand hours worked

The reduction in the accident rate is one of the priority objectives for Viscofan in the area of health and safety, for which measurable short- and medium-term objectives have been set: an initial reduction of 3% in 2021 and of 50% by 2030.

In the year, accidents and their frequency were reduced at the Group. However, these were more serious with respect to the previous year, placing the seriousness rate at 0.41, a ratio above the previous year but lower than the 0.96 benchmark reported by the industrial sector in Spain. Also, the growth in absenteeism is related to the incidence of COVID-19.

Training in accident prevention and about the importance of safe behaviour patterns is one of the cornerstones of health protection of our employees. This training includes basic prevention measures that have to be adopted in the workplace, or the importance of day-to-day heart-healthy habits, the role of middle-level management and the improvement of its leadership in safety.

The reduction in the accident rate is one of the priority objectives for Viscofan in the area of health and safety, for which measurable short- and medium-term objectives have been set: an initial reduction of 3% in 2021 and of 50% by 2030.

HEALTH AND SAFETY TRAINING

	2020			2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Number of hours	16,695	4,294	20,989	19,871	4,939	24,810
Average hours per employee	4.7	3.0	4.2	6.0	3.7	5.4
% of employees who have recived training	75%	64%	72%	75%	67%	73%

Within the improvements in the area of occupational health and safety, noteworthy in 2020 was the commencement of a fire protection project in Pando (Uruguay) for 2020-2022, as well as the continuation of investments at plants in Weinheim (Germany) and Cáseda (Spain).

Alongside this, the objectives of the MORE TO BE period were the inclusion of the OHSAS 18001 certification (or the most recent ISO45001 standard) at all production plants, an internationally accepted specification that defines the requirements to establish, implement and operate an effective Occupational Health and Safety Management System. The ISO 45001 is the new standard that substitutes the OHSAS and at Viscofan, within a period of scarcely two years, almost half of our factories have been certified in line with these new regulations.

The process of migration to ISO 45001 certification continued in 2020, highly conditioned by the global pandemic. The success of this process in at least five of the remaining eleven plants and at another two that are awaiting an audit assessment demonstrate the high degree of commitment and effort by the work teams in the different countries in which the Group has a presence. Migration at the remaining plants is expected to end in the first months of 2021, while the certification process continues at the plants included in the latest acquisitions, in Bankstown (Australia) and Bridgewater (USA).

The breakdown of the Group's plants that now have these certificates is as follows:

CERTIFICATIONS OF THE VISCOFAN GROUP

Country	Plant	Certification		
Spain	Cáseda	ISO 45001		✔
	Urdiáin	ISO 45001		✔
Czech Republic	Ceske Budejovice	ISO 45001		✔
Germany	Weinheim	ISO 45001		✔
Serbia	Novi Sad	ISO 45001		✔
Belgium	Hasselt	ISO 45001		✔
China	Suzhou	ISO 45001		✔
USA	Danville	ISO 45001*	Expected certification in the third quarter 2021	*
	Montgomery	ISO 45001*	Expected certification in the first quarter 2021	*
	Kentland	ISO 45001		✔
Mexico	San Luis	OHSAS 18001		✔
	Zacapu	OHSAS 18001		✔
Uruguay	Pando	ISO 45001		✔
Brazil	Itu	OHSAS 18001		✔
	Ermelino	OHSAS 18001		✔

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Alternative performance measures
GRI indicators table and contents of Law 11/2018

2.6 ENVIRONMENTAL MANAGEMENT AND CLIMATE CHANGE

We are acting in line with the Paris Agreement to avoid climate change and the consequences of a global increase in temperature above 2 degrees over pre-industrial levels.

This sustainable future means facing the challenges that range from the optimisation and purification of water used in the production process, a better use and reuse of raw materials and an efficient use of energy and renewable energy.

MATERIAL ASPECTS

- *Greenhouse gas emissions*
- *Energy transition*
- *Responsible management of the end-to-end water cycle*
- *Circular economy*
- *Ecoefficiency of operations*
- *Climate change management*

OUR COMMITMENT TO SDG

Climate action

- *We invest in technologies in the search for decarbonisation, such as the installation of energy equipment with the capacity to use green hydrogen at Cáseda.*

Responsible consumption and production

- *Viscofan invests in technologies that enable production with less production waste, and it also seeks to reduce the intensity of waste at landfills.*

Clean water and sanitation

- *We carry out a sustainable management of water by investing in technology with reduced water withdrawal requirements.*
- *We invest in water purification facilities to improve discharge quality.*

ENVIRONMENTAL MANAGEMENT AND CLIMATE CHANGE APPROACH

Environmental management

The Group has a Sustainability Action Plan for the period 2019-2021, which seeks to promote the development of a culture of best sustainability practices, especially in the area of environment, with commitments for 2030 to reduce waste and CO_2 emissions per metre produced.

Governance and strategy

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

The governance and management of climate change at Viscofan is the responsibility of the Board of Directors and, by extension, of the Appointments, Remunerations and Sustainability Committee of the Board itself.

This Committee promotes and supervises compliance with environmental sustainability policies, overseeing their improvement and that they take into account the legitimate interests of the stakeholders.

Viscofan has a Sustainability Committee responsible for coordinating and supervising the long-term objectives, initiatives and work plans established by it in the sustainability area. Likewise, the Committee is part of the Group's risk control system in the assessment and management of climate change risks and opportunities.

It is a mainstream committee comprising the Group's CEO, the General Manager of Spain, the Chief Operations Officer, the Chief Commercial Officer, the Chief Human Resources Officer, the Chief Legal Officer and the Chief Investor Relations and Communication Officer.

Moreover, 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.

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

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

In addition, the Group has a Sustainability Action Plan for the period 2019-2021, which seeks to promote the development of a culture of best sustainability practices, especially in the area of environment, with commitments for 2030 to reduce waste, water withdrawal and CO_2 emissions per metre produced.

To attain long-term goals and control climate-related matters, Viscofan has quarterly environment indicators and each Group factory reports its main environmental indicators to central headquarters, such as energy, water and raw materials consumption and waste production. This information is used to calculate the whole Group's carbon footprint and compliance with its environmental objectives.

Climate change risks

Climate change is a risk identified in the Global Risk Map, since its implications may hinder the achievement of long-term objectives and the creation of value for stakeholders.

The main climate change implications for Viscofan are as follows:

- Around 40% of the casing market is located in emerging countries, which have a huge dependence on agriculture, so climate change represents a risk that may cause economic crises and hunger, thereby hindering the development of Viscofan´s market.
- Meteorological or climate phenomena as a result of climate change, such as droughts or floods, which hinder access to water in our production process or to other resources, increase raw material prices or affect Viscofan's infrastructures, transportation and installations in the world.
- Water quality crisis, which reduces the potential economic growth in highly polluted areas, and endangers human and environmental well-being.
- For an energy-intensive company such as Viscofan, the measures implemented in the fight against climate change as regulatory changes, the increased price of CO_2 emission allowances, taxes or energy legislation may affect the Group's earnings. Also, the intensity of Viscofan's emissions may generate a negative perception and reduce the Group's appeal among stakeholders such as customers, investors and employees.

Climate change opportunities

Viscofan's integral risk management system assesses and monitors the risks and their tendency, taking the necessary management measures which, aside from mitigating the risk, may generate opportunities. The main opportunities identified are as follows:

- The development and promotion of a circular economy may make the use of natural or recycled casings preferable, in which Viscofan is the market leader with respect to other synthetic casings.
- Possibility of being pioneers in an energy optimisation process in the quest towards decarbonisation. In this vein, Viscofan, in collaboration with energy companies and public bodies in Spain, is promoting the development of green hydrogen as a source of sustainable renewable energy for the industry.
- Promotion of a more sustainable food industry. Processes enabling the extension of the useful life of products and energy efficiency that reduces CO_2 emissions at customers.
- Use of our know-how in the diversification of products based on biomaterials for uses beyond the casing market.

Viscofan's commitment to the fight against climate change is also revealed in its human, operating and financial dimensions.

Resources allocated

Viscofan's commitment to the fight against climate change is also revealed in its human, operating and financial dimensions.

Management systems

Environmental. ISO 14.001

We are working to attain this environmental management certification at all our production plants. 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 2020, the Danville and Montgomery plants in the United States made progress in the certification process of their environmental management systems with regard to such regulation, with said certificate expected to be obtained in the first half of 2021. Likewise, the process at the New Jersey plant, acquired in December 2019, is expected to be performed in 2021.

The breakdown of the Group's plants with ISO 14001 certificate is the following:

CERTIFICATIONS OF THE VISCOFAN GROUP

Country	Plant	ISO 14.001
Spain	Cáseda	✔
	Urdiain	✔
Germany	Weinheim	✔
Serbia	Novi Sad	✔
Czech Republic	Ceske Budejovice	✔
Belgium	Hasselt	✔
USA	Kentland	✔
	Danville	2021e
	Montgomery	2021e
Mexico	Zacapu	✔
	San Luis Potosi	✔
Brazil	Itu	✔
	Matarazzo	✔
Uruguay	Pando	✔
China	Suzhou (2 Plants)	✔
Australia	Sydney	✔
New Zealand	Wellington	✔

Environmental investment in 2020

9.2

million €

ISO 50.001 energy efficiency certificates

The Cáseda and Weinheim plants have an ISO 50.001 standard certificate, enabling the plants to improve their efficiency, energy costs and greenhouse emissions. In 2021, a project is envisaged at the Ceske Budejovice plant in the Czech Republic to obtain this certificate.

Other certificates

In 2020, the Ceske Budejovice plant in the Czech Republic obtained the ISCC Plus certificate for plastic casings. This certification system ensures the sustainability of raw materials and products for diverse markets.

Environmental investment

Part of Viscofan's industrial asset base relates to environmental management, seeking the best available technology in the management of water, energy and waste, among others. Hence, at the end of December 2020, the gross value of this type of asset was €57.3 million (€54.2 million at 31 December 2019).

Viscofan continues to improve environmental management and with this objective in mind, in 2020, it increased investment in this area with €9.2 million (€6.5 million in 2019), representing 16% of the Group's total investment. The most relevant investments in this area in 2020 are: the installation of co-generation engines with green hydrogen capacity in Cáseda (Spain), the improvement of water purification in Cáseda and Pando (Uruguay), and the installation of a system for improved energy management in Weinheim (Germany).

There is more information about the economic resources allocated to the protection of the environment in note 25 of the consolidated annual accounts.

Environmental training

Being more sustainable and reducing our impact on the environment is a commitment for all of us. In addition to allocating financial resources, measures are also promoted to further the Group's values and commitments with regard to environmental management among employees, with training courses standing as an essential element of the management approach.

RESPONSIBLE ENERGY MANAGEMENT

The fight against climate change is a global task. As an energy-intensive company, Viscofan is committed to energy efficiency and global climate protection. We seek to reduce the intensity of our atmospheric emissions by investing in and developing more efficient production technology, increasing the use of renewable energy and leading the change in the industry towards technology that helps to fight against climate change. We also wish to positively influence the value chain, through sustainable casings that help our customers to reduce their emissions.

Casing production is an on-going process all year round that requires a lot of heat, especially in the drying processes of casings. The main energy input used in the process is natural gas, electricity and steam. The reduction in energy consumption with new technologies and the availability of renewable energy sources are essential aspects of Viscofan's undertaking to contribute to climate change protection and, hence, Viscofan works on three main axes:

- **Development and investment in more efficient production technologies:** As far as possible, Viscofan invests in improvements to reduce energy consumption and to make the most of the different ways in which this energy is present in our processes. Viscofan's strategy for reducing overall CO_2 emissions includes a more efficiente heat use even in the effluents from our production processes, or replacing systems requiring high amounts of energy with more efficient systems. Specifically, the Viscofan Group has cogeneration plants that allow greater efficiency from an environmental point of view with savings in CO_2 emissions, cost savings and which ensure the continuity of the energy supply. These facilities are located in Cáseda (Spain), with an installed capacity of 48MW; in Weinheim (Germany), with 8.7MW and, in the case of Mexico, the 0.6MW turbine was withdrawn due to its reduced efficiency.

- **Fostering the development of technologies that help to combat climate change:** In the current technological state, the most efficient way to generate energy to produce casings is on the basis of natural gas combustion. Within its decarbonisation plan, Viscofan boosts collaboration with public bodies and companies in the energy sector to develop green hydrogen capacities as a source of energy in the future casing production process. In this vein, the first investments of energy equipment with the capacity to use this renewable energy have already been made at the Cáseda plant.

- **Viscofan promotes the use of renewable energy:** In 2020, 100% of acquired electricity in Spain (Cáseda, Tajonar and Urdian), 100% at the San Luis Potosi plant in Mexico, and 50% at the Zacapu plant in Mexico, come from renewable sources.

Energy efficiency management at the Viscofan Group is expressed in internal energy audits and its corresponding improvement plans are encompassed within the Sustainability Action Plan. Viscofan has its own energy management system to monitor, follow up and control energy consumption.

Energy consumption

The internal energy consumption expressed in Giga Wh and the energy intensity, with a 100 baseline year of 2018, is the following:

Energy consumption	2020	2019	2018
Gigavatt-hour (GWh)	2,371	2,294	2,276

Energy intensity. Base 100 year 2018	2020	2019	2018
Consumption in GWh /Meters produced	94	102	100

In 2020, internal energy consumption increased by 3.4% with respect to 2019 in a context of increased production activity. Viscofan's energy consumption in 2020 was broken down into:

However, the consolidation of energy optimisation projects in previous years and the implementation of new projects enables Viscofan to grow in terms of revenue and production, reducing its energy intensity. Noteworthy is the new fibrous and cellulose casing production technology in Cáseda.

FOSSIL FUELS
2,008 GWh,
100% NATURAL GAS

STEAM ACQUIRED
4 GWh

ELECTRICITY ACQUIRED
359 GWh, OF THIS 34% ORIGINATES FROM RENEWABLE ENERGY OR FROM THE CONSUMPTION OF IN-HOUSE COGENERATION PLANTS.

Emissions

The breakdown of direct and indirect CO_2 emissions and their intensity is as follows:

CO_2 Emissions Tn	2020	2019	2018
Direct	397,959	386,221	378,128
Indirect	165,228	154,580	164,138
TOTAL	**563,188**	**540,801**	**542,266**

Base 100 year 2018	2020	2019	2018
CO_2 Emissions intensity	94	101	100

Others Emissions Tn	2020	2019	2018
NOX	713	657	643
SOX	29	32	n.d.

In 2020, direct and indirect emissions increased due to the rise in production; however, their intensity on the extruded metres is reduced due to the consolidation of the energy optimisation

RELATIVE EMISSION INTENSITY ON REVENUES

Million €	2020	2019	2018
Revenue	912.2	849.7	786.0

	2020	2019	2018
CO_2 Emissions	617.4	636.5	689.9
NOX	0.78	0.77	0.82
SOX	0.03	0.04	n.d.

Absolute CO_2 emissions may be affected by the variation in the product family and geographical production mix, and the inclusion of new companies in the consolidation scope.

They may also feel the impact of the availability and production of electricity from cogeneration engines. As a whole, the engines enable the company to avoid CO_2 emissions, since they enable electricity to be produced in a more efficient fashion, and one part is used internally and another is sold in the grid.

In 2020, direct and indirect emissions increased due to the rise in production; however, their intensity on the extruded metres is reduced due to the consolidation of the energy optimisation projects carried out in previous years and the implementation of new projects. Noteworthy was the new fibrous and cellulose casing production technology in Cáseda.

Main projects in 2020

Within the commitment to reduce the intensity of CO_2 emissions and the on-going search for efficient operations, the following projects were carried out:

In 2020, two cogeneration engines were installed in Cáseda with increased efficiency from an energy and environmental standpoint. The new energy equipment replaces part of the existing equipment and has the ability to use green hydrogen, a renewable energy that still cannot be employed in an efficient on-going manner. However, within its commitment to fight against climate change, Viscofan wishes to boost its development with investments and is cooperating with government entities and energy sector companies.

New production lines are being installed at the Cáseda plant using new fibrous technology which, among other aspects, is a more efficient form of energy.

Viscofan is involved in talks with public entities in Spain to be able to include cellulose casings as a source of biomass, a category not regulated under current Spanish legislation.

At the converting plant in Suzhou (China), a new boiler was installed which works with electricity as opposed to the former boiler that required fossil fuel, thereby enabling the plant's energy requirements to be met with fewer CO_2 emissions.

Within the Group's objective is to promote the use of renewable energy - in 2020, in Mexico, all energy consumed at the San Luis Potosí plant and 50% of the energy consumed at the Zacapu plant was generated from renewable sources. Likewise in 2020, electricity from the centres located in Tajonar, Cáseda and Urdiain, was classified as green energy, which means that 100% of this energy was of a renewable origin and of high efficiency co-generation. Also, in 2020, solar panels began to be installed at the Urdiain converting plant (Spain). Hence, in total, 34% of the electricity acquired by Viscofan originates from renewable energy sources.

Emission savings:

Electricity production through co-generation

1 million CO_2 tonnes avoided in 10 years thanks to co-generation

In 2020, Viscofan avoided the emission of CO_2 into the atmosphere by using cogeneration compared to that theoretically emitted to produce the steam obtained in cogeneration using conventional boilers, at the plants in Cáseda (Spain) and Weinheim (Germany). Below is a detail of the equivalent tonnes of CO_2 avoided:

Thanks to co-generation installed, 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 CO_2 into the atmosphere.

	2020	2019	2018
CO_2 avoided by energy optimization	90,449	90,531	91,715

2030
Commitment

To reduce the intensity of CO_2 emissions

As signatory member of the United Nations Global Compact, Viscofan is committed to SDG 13. Climate action. This commitment has been materialized with a long term-target (2030) of a 30% reduction in scope 1 and 2 CO_2 emissions over a million extruded metres with respect to 2018.

The variations in the ratio on a baseline of 100 for 2018 are as follows:

Base 100 year 2018	Commitment 2030	2020	2019	2018
CO_2 emissions scope 1 and 2 / Extruded meters	70	94	101	100

RESPONSIBLE MANAGEMENT OF THE END-TO-END WATER CYCLE

Water is essential for life and also for the viability of Viscofan's business, since the casing production process and a large part of raw materials used depend on water. We acknowledge that it is a resource whose availability is affected by climate change and by a growing global demand.

Viscofan's production plants require water withdrawal for different phases of the process, such as the washing of casings, refrigeration, steam production and the moistening of said casings.

At Viscofan, during the production of casings, 20% of the water withdrawal is evaporated, is incorporated into the product or is consumed, while the remaining 80% is taken to purification plants installed at Viscofan's production plants to be processed before being returned to freshwater surfaces, or is discharged to municipal processing plants.

Viscofan's water management focuses its efforts two-fold. Firstly by seeking production technology with a lower water requirement, mainly in phases of the process that involve the washing of casings. Once the water has been used, Viscofan works to improve the quality of the water that we discharge even further and to understand the risks associated with the availability and use of water in the areas in which we operate

Withdrawal, responsible use of water

Intensity rate. Base 100 year 2018	2020	2019	2018
Water withdrawal in m³ / Meters extruded	100	101	100

WATER WITHDRAWED BY SOURCE. M³

	2020	2019	2018
Surface water	4,107,250	3,849,469	3,755,026
Ground water	2,756,290	2,643,301	2,636,088
Local water supply	3,515,107	2,947,574	3,021,961
Rainwater	0	0	0
Waste water	0	0	0
TOTAL	**10,378,646**	**9,440,345**	**9,413,076**

WATER WITHDRAWED BY SOURCE. IN%

	2020	2019	2018
Surface water	39.6%	40.8%	39.9%
Ground water	26.6%	28.0%	28.0%
Local water supply	33.9%	31.2%	32.1%
Rainwater	0.0%	0.0%	0.0%
Waste water	0.0%	0.0%	0.0%
TOTAL	**100.0%**	**100.0%**	**100.0%**

	2020	2019	2018
Water reused in m³	15,172	1,069	26,635

However, the water withdrawal intensity ratio per metre produced dropped by 1.6% in 2020 as opposed to 2019. The consolidation of projects to optimise the use of water and those performed in 2020 have helped to achieve this improvement

In 2020, Viscofan increased production activity to satisfy a greater demand in casings, requiring increased water withdrawal with 10.4 million metres3 as opposed to 9.4 million metres3 in 2019.

However, the water withdrawal intensity ratio per metre produced dropped by 1.6% in 2020 as opposed to 2019. The consolidation of projects to optimise the use of water and those performed in 2020 have helped to achieve this improvement. Of note:

- The installation of **dry-tech technology production lines** to produce collagen casings in Cáseda and in Serbia which require less water.
- The **new technology in Cáseda** which has a lower water requirement per metre produced.
- The commencement in 2020 of a **water re-use project at the Pando plant in Uruguay.**

To increase water optimisation, in 2018, a project was implemented to re-use water in Suzhou (China), although the outcome did not meet expectations and the project was cancelled due to the decision to improve the discharge quality at the plant. In 2020, a new project was commenced at the Pando plant (Uruguay), enabling the volume of water reused at the Group to be increased with respect to 2019.

All captures are strictly regulated by the public sector, which assign permits and determine the maximum permitted withdrawal volumes to preclude significant effects. Hence, there was no record in 2020 of the organisation's water collection activities significantly affecting any water sources.

According to the World Resources Institute list, the plants in Belgium and Mexico are located in areas of high or extremely high water stress, a risk that the Group has identified. They account for 7% of total water withdrawal and 8% of the Viscofan Group's total water discharge in 2020. In the year, problems of water supply were not declared in these areas.

Responsible discharge

Protecting the quality of the water that we discharge into the tributaries is one of Viscofan's commitments. Adequate water management also includes correctly purifying its wastewater and minimising the impact of its activities on the environment, thus, we apply the best available technologies in an on-going process such as that of the Group.

Accordingly, Cáseda's purification plant is an example of best practices within the Group. This facility allows the biological quality of the Aragón River as it passes by the plant to be improved. According to a study performed by a third party (Ekolur) in 2020, in June and August, the upstream waters (before the plant) of the river have the Class II rating or a good biological quality rating, and downstream (after the plant), the river improves its Class I or high biological rating.

Viscofan fosters investment in water treatment facilities. In 2020, a new ozone facility was implemented to reduce salt from discharges at its Cáseda plant (Spain). Likewise, the Group has water purification plants at its manufacturing facilities, where the 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).

Water discharge broken down by destination is as follows:

WATER DISCHARGE. M^3

	2020	2019	2018
Surface freshwater	4,588,313	4,354,863	4,279,567
Local treatment plant	3,682,863	3,405,950	3,387,789
TOTAL	**8,271,176**	**7,760,813**	**7,667,357**

WATER DISCHARGE. %

	2020	2019	2018
Surface freshwater	55.5%	56.1%	55.8%
Local treatment plant	44.5%	43.9%	44.2%
TOTAL	**100.0%**	**100.0%**	**100.0%**

2030 Commitment

Reduce the intensity of water collection

As signatory member of the United Nations Global Compact, Viscofan is committed to SDG 6. Clean water and sanitation. This commitment has been materialized with a long term-target (2030) of a 10% reduction in water collection over a million extruded metres with respect to 2018.

The variations in the ratio on a baseline of 100 for 2018 are as follows:

Base 100 year 2018	Commitment 2030	2020	2019	2018
Water withdrawal in m^3 / Meters Extruded	90	100	101	100

RESPONSIBLE MANAGEMENT OF THE USE OF RAW MATERIALS AND MINIMISATION OF WASTE. CIRCULAR ECONOMY

Population growth influences the availability of the planet's resources, and the efficient use of such resources and the quest for a circular economy are essential. A global challenge that requires environmental criteria to be included throughout the whole value chain to minimise the impact of Viscofan's activities

Population growth influences the availability of the planet's resources, and the efficient use of such resources and the quest for a circular economy are essential. A global challenge that requires environmental criteria to be included throughout the whole value chain to minimise the impact of Viscofan's activities. The customized casing production process transforms raw materials by mechanical and chemical means, leading to waste generation. Working in conjunction with the whole value chain, Viscofan promotes the sustainable use of resources. Firstly, through the selection, search and approval of raw materials, which are then transformed by mechanical and chemical means, producing millions of metres of casing per year. In this process, Viscofan is constantly searching for more efficient technology, which involves a reduced generation of waste, encouraging its circularisation. Lastly, Viscofan's product innovation helps and encourages the innovation of meat producers in the search for more sustainable products.

Management of raw materials

Over 84% of our revenue comes from natural, biodegradable or recycled material casings and the rest corresponds to plastic casings of a synthetic nature. In the selection of raw materials, we seek to reduce their environmental impact as much as possible:

- Celullose and abaca pulp: To avoid deforestation and its impact on climate change, all our suppliers of abaca paper and cellulose have PFEC or FSC certification that ensures 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.

- Collagen skin: By obtaining this material there is a better use of cattle and pig hides. It is extracted from the layer of the hidden mid dermis through the mechanical elimination of layers of epidermis and meat.

- Plastic: It represents a significant technological challenge in the search for sustainable solutions. In this line, we work with the 4R (Reduce, Reuse, Recycle, Repair) model in plastics technology, with different initiatives where, noteworthy in 2020, was the reduction in the thickness of certain plastic casings equivalent to a saving of 5.1% in tonnes of plastic, the development of plastic casing from recycled materials, the development of new bioplastic products and sustainable ISCC certification at our plastics plant in the Czech Republic.

- Efficient and circular waste management

Viscofan is constantly searching for more efficient production technology that will enable, inter alia, a reduction in production waste. Furthermore, as established by the Environmental Policy, the concept of circular economy is included in the decision-making processes on investments and in the planning and execution of activities.

In this regard, it must be stressed that in 2020, Cáseda's new technology contributed to reduce waste due to fewer remains in the production process in its first full year of production. Also, in the collagen casing business line acquired in 2019 in North America, Viscofan is installing a more efficient production

In 2020, the tonnes of waste rose in a context of increased production activity, although the percentage of composted waste improved with respect to the previous year.

technology which, among others, enables production with less waste.

In 2020, the tonnes of waste rose in a context of increased production activity, although the percentage of composted waste improved with respect to the previous year.

One of the goals established in the Sustainability Action Plan is to reduce the tonnes of waste at landfills, seeking circular alternatives. In this regard, in 2020, the landfill waste ratio fell with respect to production, and waste valorization improved with an increased percentage of composted discharges. In a context of improvement, different alternatives continue to be explored, especially in the area of waste valorization.

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.

Moreover, the Viscofan Group has implemented an environmental management system with a view to preventing leaks, in which it has established management mechanisms and technical control elements. There were no leaks at Viscofan Group facilities in 2020 that had to be reported to the competent authorities, understood to be those that cause damage to the external area of the facility and must be reported to the corresponding administration.

	2020	2019	2018
Waste in tonnes (tns)	57,344	49,307	53,423
Waste in tn./ Meters produced. Base 100, year 2018	97	93	100

WASTE AND BY-PRODUCT MANAGEMENT

	2020			2019		
	Non-hazardous	Hazardous	TOTAL	Non-hazardous	Hazardous	TOTAL
Reused	5.8%	0.0%	5.8%	5.9%	0.0%	6.0%
Recycled	8.6%	0.4%	9.0%	7.8%	2.5%	10.2%
Composted	29.9%	0.0%	29.9%	27.8%	0.0%	27.8%
Recovered	1.7%	0.0%	1.7%	1.8%	0.2%	2.0%
Incinerated	6.6%	0.4%	7.0%	7.7%	0.2%	7.9%
Landfill	34.5%	1.6%	36.1%	36.6%	1.3%	37.9%
Other	2.9%	7.5%	10.4%	1.6%	6.5%	8.2%
TOTAL	**90.1%**	**9.9%**	**100.0%**	**89.2%**	**10.8%**	**100.0%**

2030
Commitment

Reducing landfill waste

As signatory member of the United Nations Global Compact, Viscofan is committed to SDG 12. Responsible consumption and production. This commitment has been materialized with a long term-target (2030) of a 30% reduction in tonnes of landfill waste over a million extruded metres with respect to 2018.

The variations in the ratio on a baseline of 100 for 2018 are as follows:

Base 100 year 2018	Commitment 2030	2020	2019	2018
Landfill waste in tonnes / Extruded meters	70	90	91	100

Likewise, the reduction in the intensity of landfill waste was tied to the Long-Term Incentives Plan aimed at executive directors, executives and key personnel. It is proposed to apply 30% to the weighting ratio on attaining a minimum reduction in the indicator of 4 percentage points and to increase the weighting ratio up to 100% if the indicator is reduced to 10 percentage points in the measurement period.

ENVIRONMENTAL FINES AND PENALTIES

In 2020, the Viscofan Group had not received any environmental fines.

2.7 HUMAN RIGHTS AND IMPACT ON SOCIETY

In its Sustainability policy, the Viscofan Group undertakes a firm commitment to Human Rights, undertaking to carry out its activity in a responsible manner and to generate positive impacts on the communities in which it operates. In this regard, and faced with an unprecedented health crisis due to COVID-19, Viscofan has carried out charity work through aid to different bodies and institutions of the communities in which it is present, through the donation of sanitary and individual protection material and of contributions to organisations in the fight against hunger. In line with the United Nations Agenda 2030, Viscofan is following an international roadmap to achieve a more sustainable world in social and environmental terms, since we wish to contribute to enable these objectives to achieve all their transformative power and ensure a better world for future generations.

MATERIAL ASPECTS

- *Human rights and impact on society*

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT GOALS

Zero hunger

- *Donations to NGOs to fight hunger, especially in the context of the crisis generated by COVID-19*
- *Development of specific products to combat malnutrition.*

Health and well-being

- *Donation of sanitary equipment and individual protection material to fight against COVID-19 to hospitals, care homes for the elderly and public bodies, in the context of a health emergency .*

Decent work and economic growth :

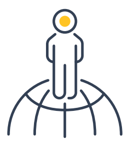
- *Working towards full, productive and decent employment for people with disabilities.*
- *Promote the formation and growth of microenterprises and SMEs for the creation of decent jobs.*
- *Support for public institutions in projects to promote local industry.*

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 non-discrimination, free association of workers, integration of the disabled, rejection of child exploitation, rejection of forced labour and compliance with the minimum wage in each country, among others - **fight against corruption and responsible management of the supply chain**.

SOME NOTEWORTHY MEASURES IN THE FIELD OF LABOUR LAW:

- **Promotion of the principle of non-discrimination.** The Code of Conduct stipulates that "the employees of the Viscofan Group, within their geographical compass and cultural diversity, will especially abstain from using any behaviour involving discrimination on the grounds of race, sex, nationality, language, religion, ideology or any other individual, social or personal circumstances (disability, economic position, trade union membership, etc.), and they will promote work in decent conditions, preventing any type of exploitation, with special care taken to prevent child labour".



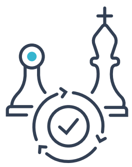
- **Prohibition of forced labour.** Further, Viscofan promotes work in decent conditions, as well as the prevention of forced labour and consequently, as a control and monitoring measure, this risk has been specifically included in the risk matrix of the Global Risk Committee in order to detect any violation.

- **Rejection of any form of child labour.** As stated in the section on labour management in this report, there are no staff under the age of 17 hired at Viscofan. Likewise, the Viscofan Group requires suppliers to have a similar commitment in accordance with our Code of Ethics.

- **Promotion of diversity**. Likewise, with regard to promoting employability among diverse people, Viscofan has 78 differently abled people among its workers - 67 men and 7 women - and has signed contracts with special employment centres - in Spain and in other countries - to carry out certain tasks that contribute to our production activity,

Letter from the Chairman
Statement of non-financial information
2.1 Foundation
2.2 Our business model
2.3 Corporate Governance
2.4 Comercial M.
2.5 Work M.
2.6 Environmental M.
2.7 Human rights
2.8 Stock Market
2020 Results
Alternative performance measures
GRI indicators table and contents of Law 11/2018

SOME NOTEWORTHY MEASURES IN THE FIELD OF LABOUR LAW



- **Protection of the free association of workers.** 72% of the company's employees are covered by general collective bargaining agreements that regulate their employment activities, therefore improving the minimum conditions set by different labour legislation. Employees located at plants in the countries listed below have availed themselves of the following collective bargaining agreements: Spain, Czech Republic, Germany, Serbia, Belgium, France, Australia, United States, Mexico, Brazil and Uruguay,

- **Compliance training.** CTo raise the awareness of all company employees in the importance of respect and integrity in all employment and professional relations, Viscofan has implemented the first phase of training in "regulatory compliance" for all company employees in eight languages. Training has been designed in an attractive and multi-format manner that effectively trains employees in ethical standards that must be complied with and, at the same time, empowers all employees to combat any type of conduct that attacks the dignity of people in the employment environment (sexual harassment or harassment at work, etc.) or any corrupt procedures within the company (fraud, bribery, etc.).

- **Site accessibility**, With regard to the accessibility of people with disabilities, Viscofan does not have a global standard that regulates the accessibility of disabled people at its offices and other in the countries in which it operates.

- **Salaries above the minimum wage of each country.** The minimum remuneration of employees is considered in accordance with the salary level and legal rules of each country where Viscofan carries out its activities. Given the training needs, the characteristics of the production process, and the internal policies of the Viscofan Group that respect the current legislation in each country, the minimum remuneration of the workforce is above the minimum wage established in the country.

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. Furthermore, this fight against corruption envisaged by our policy sets specific criteria with regard to donations and sponsorship, establishing the prohibition on using them "to conceal undue payments" or "to make donations to political parties or entities linked thereto".

Also, in line with the target of extending responsible management to the supply chain, Viscofan requests all its suppliers to commit to the defence of human rights, in line with United Nations guidelines. Viscofan SA forms part of Sedex, the largest collaborative platform for the responsible sharing of supply chain data.s

SUPERVISING COMPLIANCE

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.

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. Accordingly, the employees and any person with a legitimate interest can access the Complaints Channel on Viscofan's web page under the Corporate Governance section, on the employee's Intranet to notify any sign of conduct that they deem to be a possible risk, or by email to officeofethics@viscofan.com or by post to the Ethics Committee at Viscofan's central offices in Navarre. No cases of human rights violations were reported in 2020 and, specifically, nor has any case of forced labour or child exploitation been registered through the complaints 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 2020, 4,056 hours were devoted to human rights training (compared to 2,163 hours the previous year).

TRAINING IN HUMAN RIGHTS

	2020			2019		
	Men	Female	TOTAL	Men	Female	TOTAL
Training hours	3,034	1,022	4,056	1,588	575	2,163
% over total hours of training	4.4%	2.6%	3.8%	1.8%	1.4%	1.7%

ALLIANCES

We have a long history of collaboration with institutions or research centres in different countries, which ratifies the historical importance of SDG 17 (Partnerships for the Goals) at the company. In particular, Viscofan is part of and promotes various associations and groups seeking to find ways of collaboration in the industry to increase its contribution to society. These institutions include:

- **International Committee of Cellulose Film (CIPCEL).** Based in Brussels, it comprises the leading producers of regenerated cellulose film products.
- **Collagen Casing Trade Association (CCTA)**. Association of the main collagen casing producers throughout the world that offer a forum to their members to examine the enactment of legislation and actively promote the use of collagen casing.
- **Spanish Plastics Centre (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 gelatine producers.
- **AINIA**. Food Technological Centre based in Spain that supports the R&D activities 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 advise, 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 Technological Institute offers integral solutions to companies within the plastics sector, through the technical implementation of R&D&i projects.
- **NAITEC**. Multidisciplinary Technology Centre for the Industry.

Viscofan also collaborates with different universities and research centres:

- University of Navarre (Spain)
- Public University of Navarre (Spain)
- South Carolina University (USA)
- MORE Institute Research (Germany)
- Hochschule Manheim Fraunhofer Institute (Germany)
- Tübingen University (Germany)
- Sao Paulo University (Brazil)
- Universidad Tecnológica del Uruguay (UTEC)
- 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 Centre 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. Likewise, two regenerative biomedicine research consortiums have been approved during 2020– ARDAT and TriAnkle - in which Viscofan BioEngineering participates and leads, respectively, together with other leading bodies and public-private companies. The ARDAT consortium, backed by the Innovative Medicines Initiative (IMI), brings together 34 expert organisations throughout the whole of Europe and the USA, with the shared objective of helping to standardise and accelerate the development of Advanced Therapy Medicinal Products (ATMP) and contributing to ensuring that these transforming treatments reach patients as soon as possible. Also, the research consortium TriAnkle, led by Viscofan, will permit the 3D manufacture of personalised implants based on collagen and gelatine to regenerate injured tendons and cartilage, representing an innovative technique that will enable a greater and more rapid recovery of tissue.

RESPONSIBLE TAXATION

In 2020, income tax payments amounted to €35.9 million as a result of the Group´s business activities in different countries.

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 that it obtains from its activities at each of the different companies at which it operates (note 7.1 of Viscofan S.A.'s financial statements) for which it contributes through the corresponding taxes. In 2020, income tax payments amounted to €35.9 million as a result of the Group's business activities in different countries. There is more information about taxes in note 18 of the consolidated report. There is information about capital grants in note 13 of the consolidated annual accounts.

Likewise, at 31 December, the financial statements included loans with the CDTI and the Ministry of Economy and Competitiveness in Spain, amounting to €13 million, and a loan from COFIDES (Spanish Development Finance Company) for €0.8 million (note 16 to the consolidated financial statements).

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. Among them, 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.

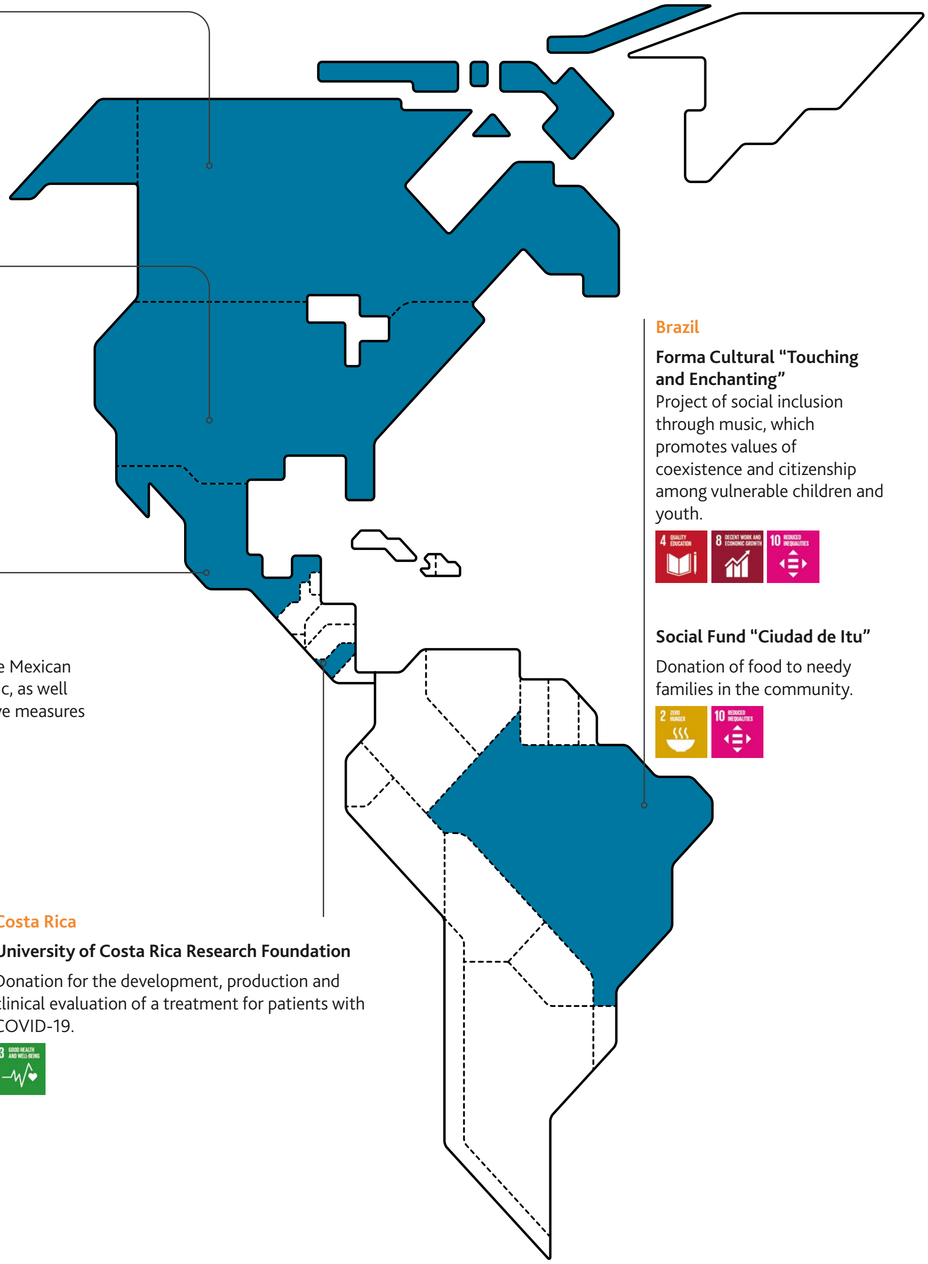
Throughout 2020, and due to the healthcare emergency throughout the world generated by COVID-19, the company has contributed to fighting against the pandemic by making contributions of sanitary and individual protection equipment to hospitals, health centres, care homes for the elderly and other public bodies, during the critical moments of the pandemic when there was a great scarcity of these materials to combat the virus, thereby contributing to SDG 3. Good health and well-being. Also, donations were made to various NGOs to fight against hunger and poverty, whose task in the communities most affected by the economic crisis as a result of the pandemic has been and continues to be essential.

These initiatives were carried out in various countries in which Viscofan has its own presence, thereby contributing to the achievement of these five priority SDGs and other closely related ones and, as a whole, the amount earmarked thereto is €426 thousand.

Hereafter, are some of the initiatives that most stand out by country:

GOALS IDENTIFIED BY THE COMPANY AS A PRIORITY

COMMITMENT TO OUR COMMUNITIES. SOCIAL PROJECTS AROUND THE WORLD



Canada

Canadian Frontline Healthcare Professionals

Helping a fund established by Canadian hospital foundations to provide additional support to frontline healthcare workers during the COVID-19 crisis.

USA

OSF Sacred Heart Medical Center of Danville

Donation of individual protection masks for the fight against covid-19.

PV Young Lives

Help children and young people at risk of social exclusion.

Mexico

IMSS Instituto Mexicano del Seguro Social

Donation of health and individual protection material to the Mexican Institute of Social Security for the fight against the pandemic, as well as support for making videos to raise awareness of protective measures against COVID-19.

Costa Rica

University of Costa Rica Research Foundation

Donation for the development, production and clinical evaluation of a treatment for patients with COVID-19.

Brazil

Forma Cultural "Touching and Enchanting"

Project of social inclusion through music, which promotes values of coexistence and citizenship among vulnerable children and youth.

Social Fund "Ciudad de Itu"

Donation of food to needy families in the community.

Spain

Donation of face masks

Donation of individual protection face masks to hospitals, nursing homes, health centers and other organizations for the fight against the pandemic. A large part of these donations were made during the most critical months of the fight against COVID-19 in Spain, in which said material was scarce due to lack of global supply.

Donation of medical equipment for vulnerable groups

Economic donation to finance the installation of medical gas equipment in the largest center-residence for the elderly in Pamplona *(Casa de la Misericordia)*, for the assistance of COVID patients.

Aid to NGOs that fight hunger and poverty

Economic and food donation to various associations to combat hunger and the effects of poverty, in the context of an economic crisis generated by COVID-19.

"Impulso Emprendedor"(Entrepeneurial Impulse) "Proyecto Orizont" (Orizont Project) "SciencEkaitza"

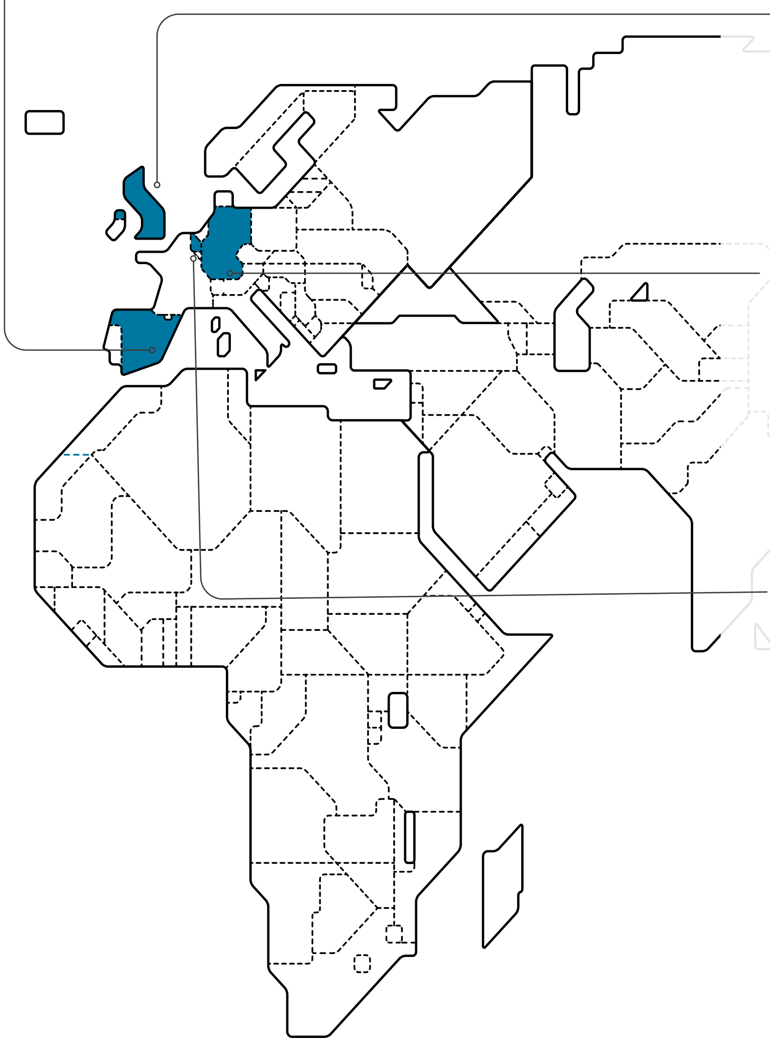
Providing support to different startups through mentoring, promotion and sponsoring of scientific projects in order to boost innovative companies within the region.

Promotion, conservation and dissemination of culture

Providing support to seminars for disseminating the culture and artistic heritage of Navarra, 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.



United Kingdom

Mind

Donation to associations to help the mentally ill, a particularly vulnerable group as a result of the crisis triggered by COVID.

Germany

Lern-Praxis-Werkstatt

Internship program for young people at risk of social exclusion.

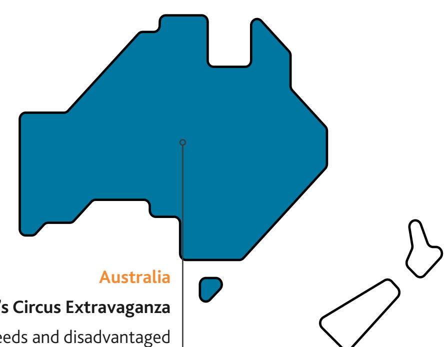
Zweiburgenstream

Sponsorship of cultural events with local artists for the promotion of culture among the community in times of pandemic.

Belgium

Hospital Sint Vincentius

Helps vulnerable families in poverty by donating food and basic resources.



Australia

Children's Circus Extravaganza

Help disabled, special needs and disadvantaged children and their caregivers.

2.8 VISCOFAN ON THE STOCK MARKET

STOCK MARKETS

In 2020, the stock markets faced a very uncertain volatile climate marked by the COVID-19 pandemic. The world entered an economic recession, due mainly to the activity stoppage in many sectors caused by the measures implemented by governments seeking to halt the extension of the virus. In this regard, the International Monetary Fund is projecting a fall in the global GDP of -3.5% for the whole of the year.

The virus, originating in China, and which extended throughout the whole world, triggered the decline of over -30% on the main stock market indexes, coinciding with the lockdown of a significant percentage of the global population.

Subsequently, the stock markets commenced a recovery phase faced with the historical economic stimulation measures implemented by government and central banks.

Alongside this, on a global level, the search for and development of a vaccine against the virus commenced, which yielded its fruits in the last months of the year with the approval of the first vaccines. This represented a turning point in the fight against the pandemic, causing significant rises on the stock markets which, in some cases, ended the year with a positive balance.

Of note in the United States is the S&P 500 index, which closed with an appreciation of +16.3% in 2020 and, in Europe, the German DAX rose by +3.5%, as compared with the decrease of -15.5% on the Ibex 35 in Spain, of -7.1% on the French CAC and of -4.0% on the Euro Stoxx 600.

Viscofan share
Year end 2020

€58.05

+23.2%

Stock market capitalisation
Year end 2020

€2,699

million

VISCOFAN SHARES

Viscofan shares are listed on the Spanish stock markets of Madrid, Barcelona and Bilbao. In addition, the shares that have traded on the continuous market since its flotation in December 1986 belong in Spain to the Ibex 35 index and to the Madrid Stock Exchange General Index (IGBM) and form part of the Consumer Goods segment of the food subsector, to the Ibex Top Dividendo index and, at European level, to the Euro Stoxx Food & Beverage index and to the Eurostoxx 600 index.

2020 performance

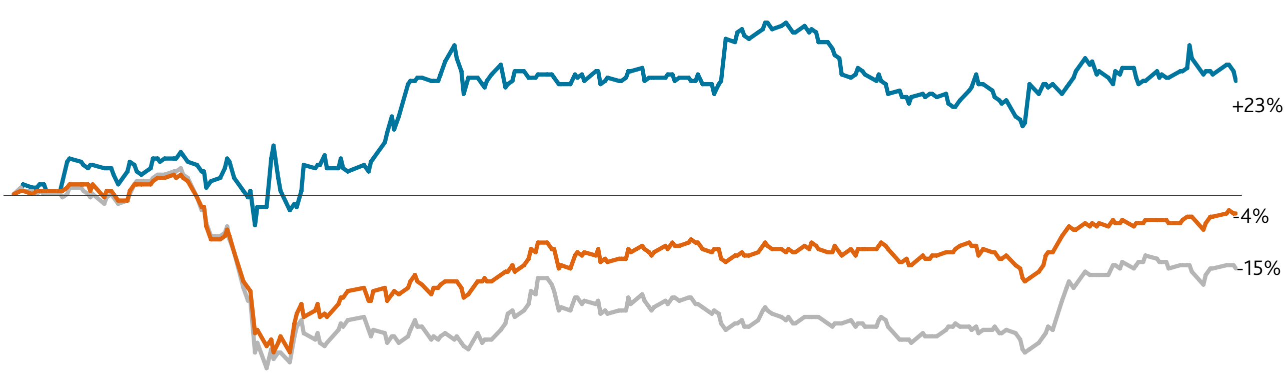
Viscofan shares closed 2020 at €58.05, an increase of 23.2%, which rose to 28.3% once the shareholder remuneration paid in the year was included. The securities market acknowledged the strength of the earnings published throughout the year in a climate of uncertainty caused by COVID-19.

Strong earnings in a year in which Viscofan enjoyed a significant level of commercial and operating activities. Since casings are an essential food item, Viscofan's rapid response of increasing the security measures of employees, maintaining the operating plants and ensuring supply was valued by customers, leading to a major leadership in a context of market growth. With this, the growth in sales was accompanied by improved profitability in all reported quarters with a higher level of production and use of installed capacity, together with improvements in plant efficiency.

The average daily market price in the year was €55.88 and Viscofan's market capitalisation stood at €2,699 million at the end of 2020.

Likewise, in the whole of the year, over 28.3 million shares in Viscofan were traded on the Spanish continuous market, with a trading volume of €1,562 million, which is equivalent to a daily average of €6.1 million.

EVOLUTION OF IBEX 35, EUROSTOXX 600 AND VISCOFAN IN 2020



*Graph on a baseline of 100 since 31 December 2019

Viscofan
Ibex 35
Euro Stoxx 600

CREATING SHAREHOLDER VALUE

Throughout the different strategic plans, the Viscofan Group has built a sound and flexible business model. This characteristic entails the creation of cash flows that allow investment projects to be carried out in order to improve value creation, which is shared with shareholders in cash and at the same time maintaining a sound balance sheet structure.

For example, in the period between 2016 and 2020, within the MORE TO BE Strategic Plan, Viscofan invested €384 million looking ahead in its value creation proposal, with the objective of leading the main casing markets in terms of service, technology and costs. It represents the greatest investment period in Viscofan's history, which was combined with increased remuneration to shareholders, rising from €1.35 in 2015 to the €1.70 per share proposed in 2020, and which represents a total distribution of €374 million in the MORE TO BE period.

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 7%, and 10% 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:

A shareholder that invested €1,000 in Viscofan shares at the end of December 2010, and held them at 31 December 2020, was worth €2,032, and in these 10 years this individual also received €490 in dividends, a combined return of 152%.

IBEX 35 PROFITABILITY COMPARED TO VISCOFAN

		Year of sale (31/12)										
Year of purchase (31/12)		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	TSR
2010	Viscofan	1.1%	51.0%	45.8%	55.4%	96.2%	65.2%	94.0%	69.7%	66.1%	104.7%	**7.4%**
2010	*Ibex 35*	*-13.1%*	*-17.2%*	*0.6%*	*4.3%*	*-3.2%*	*-5.1%*	*1.9%*	*-13.4%*	*-3.1%*	*-18.1%*	*-2.0%*
2011	Viscofan		49.4%	44.3%	53.8%	94.1%	63.5%	91.9%	67.9%	64.3%	102.5%	**8.2%**
2011	*Ibex 35*		*-4.7%*	*15.8%*	*20.0%*	*11.4%*	*9.2%*	*17.2%*	*-0.3%*	*11.5%*	*-5.8%*	*-0.7%*
2012	Viscofan			-3.4%	2.9%	30.0%	9.4%	28.5%	12.4%	10.0%	35.6%	**3.9%**
2012	*Ibex 35*			*21.4%*	*25.9%*	*16.9%*	*14.5%*	*23.0%*	*4.6%*	*16.9%*	*-1.1%*	*-0.1%*
2013	Viscofan				6.6%	34.6%	13.3%	33.0%	16.4%	13.9%	40.4%	**5.0%**
2013	*Ibex 35*				*3.7%*	*-3.8%*	*-5.7%*	*1.3%*	*-13.9%*	*-3.7%*	*-18.6%*	*-2.9%*
2014	Viscofan					26.3%	6.3%	24.8%	9.2%	6.9%	31.7%	**4.7%**
2014	*Ibex 35*					*-7.2%*	*-9.0%*	*-2.3%*	*-16.9%*	*-7.1%*	*-21.5%*	*-3.9%*
2015	Viscofan						-15.8%	-1.1%	-13.5%	-15.3%	4.3%	**0.9%**
2015	*Ibex 35*						*-2.0%*	*5.2%*	*-10.5%*	*0.1%*	*-15.4%*	*-3.3%*
2016	Viscofan							17.4%	2.7%	0.5%	23.9%	**5.5%**
2016	*Ibex 35*							*7.4%*	*-8.7%*	*2.1%*	*-13.7%*	*-3.6%*
2017	Viscofan								-12.5%	-14.4%	5.5%	**1.8%**
2017	*Ibex 35*								*-15.0%*	*-4.9%*	*-19.6%*	*-7.0%*
2018	Viscofan									*-2.1%*	*20.6%*	*9.8%*
2018	*Ibex 35*									*11.8%*	*-5.5%*	*-2.8%*
2019	Viscofan										*23.2%*	*23.2%*
2019	*Ibex 35*										*-15.5%*	*-15.5%*

2020 dividend

The proposed total shareholder remuneration with a charge to 2020 profit stood at €1.70 per share and exceeds, by 4.9%, the ordinary remuneration per share of €1.62 approved in the previous year. This proposal means distributing a total of €78.8 million, equivalent to the distribution of 64.3% of the Group's net profit.

In terms of profitability, the total dividend proposed for 2020 is 3.0% of the average share price during the year.

THE INTERIM DIVIDEND OF €1.40 per share (paid on 22 December 2020) was **UP ON THE €0.65** per share of the previous year, due to the Board of Director's decision to bring forward to December 2020, as an interim dividend, part of the amount which, in other circumstances, would have been distributed in complementary dividends in June 2021. For this decision, the Board of Directors considered, among other factors, the decline in savings which occurred throughout the world as a result of the COVID-19 pandemic, especially at minority shareholders.

A bonus for attending the General Meeting of €0.01 per share

The **PROPOSED FINAL DIVIDEND OF €0.29** per share (payable on 3 June 2021), which the Board of Directors has resolved to propose to the General Shareholders' Meeting. In 2019, the final dividend was €0.96 per share.

VISCOFAN, ITS SHAREHOLDERS AND INVESTORS

One of Viscofan's objectives, through its Department of Investor and Shareholder Relations, is to create value for the investor community by improving accessibility, the transparency of information and providing shareholders with relevant information of a financial and non-financial nature, on its strategy and on its operations to gain a better understanding of the company.

To ensure this information flow and to grant certainty to shareholders, markets and other stakeholders on the transparency and access to information, Viscofan has a Communication policy with shareholders, institutional investors, proxy advisors on voting and economic-financial, non-financial and corporate information, updated and approved by the Board of Directors in 2020, is defined in conformity with the good governance practices and recommendations applicable to listed companies

Communication channels

Viscofan provides the investment community with a multitude of communication channels: presentations at seminars and events organised by the financial community, road shows with institutional investors, whether they be promoted by the company or by brokers, earnings presentations, the General Shareholders' Meeting, organised visits to Viscofan's head office, telephone calls to a dedicated investor and shareholder helpline, a special e-mail address, the notifications and regular public information submitted to the CNMV, 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, reports and quarterly presentations of results, annual report, share price performance, among others.

Likewise, Viscofan maintains fluid communication with the financial markets, hence, at 2020 year-end, a total of 16 analysis companies, Spanish and international alike, covered Viscofan on a recurring basis.

At the same time, Viscofan encourages direct contact with face-to-face meetings with investors, both shareholders and non-shareholders interested in the company. However, since March 2020, mobility restrictions and social distancing as a result of the COVID-19 pandemic has led meetings to be held virtually.

Accordingly, in 2020, Viscofan held 214 face-to-face or video-call meetings with both shareholders and non-shareholders interested in the company, in the framework of seminars and events held by the financial community. In 2019, 223 face-to-face meetings were held.

The communication effort carried out throughout all these years has been recognised by the investment community. In 2020, the newspaper The Economist awarded Viscofan its "Value Creation for the Shareholder" prize. Also, in the XIX edition of the Business Transparency Prizes, the Spanish Accounting and Business Administration Association granted Viscofan the "Most significant improvement" award for Ibex 35 companies.

Previously in 2019, "Institutional Investor" in its "All European Executive Team" awarded the prize to Viscofan for the 1st Best investor Relations Programme for Sell-Side of the Paper & Packaging sector and, in 2016, the 1st CEO for Sell-Side and 2nd Best CEO combined, and the 3rd IR for Sell-Side of the Paper & Packaging sector, in 2015, the 2nd Best IR for Sell-Side and, in 2012, the 1st Best IR professional for the Sell-Side in the packaging and food sector.

Bidirectional communication is important, since the questions and concerns of the Financial Community are taken into account and transmitted within the company, such as financial, strategy, sustainability and corporate governance matters.

In 2020, the most frequently asked questions related to the management of the COVID-19 pandemic, its risk for the business, its impact on casing demand, the savings from the new technology installed at Cáseda, the strategy and sustainability projects at Viscofan, shareholder remuneration, the influence of the vegan and vegetarian trend on the business, the impact of exchange rate variations, the acquisition of Nitta Casings, among others.

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WEBSITE, INVESTOR RELATIONS SECTION
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EVOLUTION OF MAIN STOCK MARKET DATA

	Strategy MORE TO BE					Strategy Be MORE period				Strategy Be One Period		
Share price €	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Year-end price	58.05	47.10	48.12	55.01	46.85	55.64	44.07	41.35	42.81	28.66	28.36	17.76
Year high	64.35	56.55	66.20	56.33	56.06	60.93	48.36	43.70	42.81	30.59	29.65	18.20
Year low	43.28	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 2020	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
% annual change Viscofan	23.2%	-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	-15.4%	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	-15.5%	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	-4.0%	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 Caps	-9.7%	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	10.6%	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	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Market capitalization at year-end (millions of €)	2,699.3	2,699.3	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 €)	1,561.8	1,561.8	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 €)	6.1	6.1	6.5	7.8	10.5	12.3	12.6	9.8	5.6	5.0	3.6	2.6
Traded shares	28,338,888	28,338,888	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	110,268	110,268	116,891	151,600	212,022	225,210	304,931	247,892	161,566	183,787	162,766	165,798

Share ratios	Year end 2020	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	46,500,000	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)	2.635	2.273	2.658	2.620	2.684	2.575	2.284	2.178	2.254	2.172	1.745	1.379
Remuneration per share (2)	1.700	1.620	1.600	1.550	1.450	1.350	1.180	1.120	1.100	1.000	0.800	0.623

(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

3

2020 RESULTS

SELECTED FINANCIAL DATA

2020. SELECTED FIGURES. VISCOFAN GROUP INCOME STATEMENT. ('000 €)

	Jan-Dec' 20	Jan-Dec' 19	Change	Like-for-like*
Revenue	912,160	849,697	7.4%	8.3%
EBITDA	234,433	200,957	16.7%	27.7%
EBITDA Margin	*25.7%*	*23.7%*	*2.0 p.p.*	*4.2 p.p.*
Operating profit	162,907	130,283	25.0%	
Net Profit	122,513	105,577	16.0%	

*The like-for-like results exclude the impact of the fluctuations in the different exchange rates during 2020, and the non-recurring impacts the business recognised in 2019 on the operating profit €2.9 million euros for the 2019 financial year originating from the net amount of the business combinations due to the acquisition of Nitta Casings Inc. (USA) and Nitta Casings (Canada) Inc., legal and advisory expenses associated with the acquisition, the impairment of the goodwill of Nanopack Technology & Packaging S.L. and the impact of the strike in the United States.

IMPLICATIONS OF THE COVID-19 PANDEMIC IN VISCOFAN

The spread of COVID-19 during 2020 has created an environment of uncertainty, volatility, as well as a healthcare and economic crisis, which have affected practically every economy in the world, and having implications on the behaviour and eating habits of a multitude of countries. Within this context, in general terms this has resulted in an increase in the consumption of sausages and other cold meats with the subsequent increase in demand for casings on a global level.

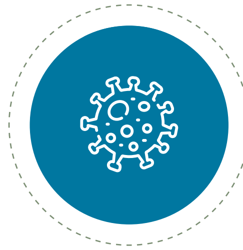
In light of the situation caused by the COVID-19 pandemic, the Viscofan Group has focused on three main areas: protecting the employee health, ensuring the supply of our products to the food chain and contributing to preventing and combating the spread of COVID-19 and its effects.

Protecting health:

- Hygiene measures have been reinforced, such as the mandatory use of masks, distancing measures and an increased frequency of cleaning and disinfection. Health services have been increased, with frequent temperature readings being taken, antigen and PCR tests being given in collaboration with the health services and protocols have been established on what to do in the event of detecting cases of COVID or symptoms compatible with the virus. From an organisational perspective we have implemented teleworking when possible, limited access to facilities, modified working hours and maintenance stoppages, maintained close communication with staff and carried out awareness campaigns to avoid contagion both at work and in the home, as well as other measures.

To ensure supply:

- Throughout the year, and particularly during the first months of the year, we activated our contingency plans by implementing new production plans, increasing the purchase of raw materials, accelerating the shipment of products to customers and intermediary warehouses, and we also carried out a proactive management of our human resources to ensure the availability of staff due to the risk of higher sick leave. These measures, along with the commitment of the professional team working at Viscofan, have allowed no production plant to stop as a result of COVID-19. Not only have we complied with our responsibility as an essential food company by guaranteeing the supply to all our customers, we have also been able to cover specific increases in demand that have occurred in some countries and help new customers.



With the aim of combating the spread of the virus and its effects:

- In addition to the acquisition of protection material for our employees around the world, during the months of greatest global shortage more than 200,000 masks were donated to various institutions to protect people who may be more exposed to this new virus and donations were made in order to acquire foodstuffs and medical equipment with the aim of helping the most vulnerable groups. Special bonuses and incentives have also been given to offset the costs associated with COVID-19 and the payment of the dividend was brought forward in order to facilitate liquidity and mitigate in so far as possible any decrease in savings that small investors may have suffered.

Letter from the Chairman
Statement of non-financial information
2020 Results
Alternative performance measures
GRI indicators table and contents of Law 11/2018

With regard to liquidity, the company has a positive working capital of €331 million as at 31 December 2020. No liquidity stress is anticipated for 2021 as a result of the forecast performance of the Group, which contemplates a positive generation of cash during 2021. For those bank borrowings where compliance with certain ratios is established, there have not been, nor are they expected to be, any breaches of these ratios in 2021.

No significant signs of impairment have been identified from the analysis of the fixed assets, intangible assets, property plant and equipment, customers or inventory.

As a result of the growth in the market and the measures implemented to mitigate and control risk, the COVID-19 pandemic has not resulted in any changes to the strategic direction, operations, financial results, economic situation and cash flows that have significantly affected the fulfilment of the objectives presented the market for the whole of 2020 and the plans for 2021.

BUSINESS PERFORMANCE

Market

2020 has been marked by the COVID pandemic, which among many aspects of our lives, it has affected the food habits in many countries due to the measures to prevent the spread of the virus, with home confinements, social distancing and mobility restrictions. This situation has generated a greater demand for products aimed at applications that generally have a greater consumption in the home, to the detriment of others that are generally consumed in the street, restaurants and social events.

In this environment, casings have demonstrated to be an essential ingredient for the production of basic foodstuffs for millions of homes around the world, and the market has grown throughout the year above the pace observed in recent years, especially in the case of cellulose and fibrous casings, which are greatly used in the production of sausages destined for home consumption.

During these years of the rollout of the MORE TO BE strategy, Viscofan has increased its production capacity, developed a new production technology, increased its range of products, launched innovative products and reached a more diversified geographic positioning that is closer to the end markets with the acquisition of companies in Germany, Australia, Belgium, Canada, United States and New Zealand.

This operational and financial strength has allowed us, within the context of this pandemic, to quickly attend to a higher market demand by increasing the capacity at our production centres (thus highlighting the greater available capacity thanks to the new cellulose and fibrous technology installed in Cáseda), while in parallel, the healthy balance sheet and the focus on service has allowed us to generate a safety inventory to tackle any possible contingencies deriving from mobility restrictions or capacity constraints caused by the pandemic. All this guaranteed the supply of casings during the most critical months of shortages and restrictions.

With this backdrop of global uncertainty, customers have reinforced their trust in Viscofan as their preferred option in the casings market, with an increase in sales volumes above the growth observed in the market. Part of this growth is also due to the success of the new products launched in recent years, of particular note being the Marathon Line cellulose casing, the Natur casing aimed at replacing pig gut casings, new fibrous products, added value plastics, the transference of spices and the “veggie casing” as a new proposal for a vegetable-based edible casing.

The improvement in the market share has been accompanied by the consolidation in 2020 of projects focusing on increased efficiency and automation in production plants. Thus, the growth in sales, greater production level and use of a higher installed capacity has driven the operating margins. In this regard, special mention should be made of the efficiencies and savings obtained using the new cellulose and fibrous technology at Cáseda in scarcely two years since its start-up.

With regard to raw material costs, the early months of the confinement in Europe caused a shortage of hides for their use as a raw material for collagen, thus increasing its cost. This increase tapered off throughout the year and has been offset by the low cost of some auxiliary raw materials, such as caustic soda or glycerine and the depreciation of the US$ against the €.

With a backdrop of global uncertainty, customers have reinforced their trust in Viscofan as their preferred option in the casings market, with an increase in sales volumes above the growth observed in the market.

Viscofan has adapted to the mobility restrictions of people and materials through changes to its production, logistics and investment plans. Among these projects are those aimed at improving the production speed and efficiency of the collagen production assets in the United States and Canada acquired in December 2019 from Nitta Gelatin Inc. -renamed Viscofan Collagen USA Inc. and Viscofan Collagen Canada Inc.-, which after the initial delays are proceeding favourably and currently expected to be concluded during 2021.

The new fibrous technology in Cáseda (Spain) is exceeding the initial expectations and reaching double-digit growth in sales for the year. As a result, in 4Q20 Viscofan commenced its investment in Cáseda to install new fibrous lines, an additional capacity that will be available during the second half of 2021.

Contribution to the results by the companies acquired in 2019

In December 2019, the Viscofan Group included the collagen casings companies in the United States and Canada acquired from Nitta Gelatin Inc. (renamed Viscofan Collagen USA Inc. and Viscofan Collagen Canada Inc.) thus improving customer proximity and completing the production portfolio with this new technology in the United States.

For the whole of 2020, the acquired companies contributed €29.8 million to revenue and €0.04 million to the consolidated EBITDA.

Main financial results

The results for 2020 demonstrate the robustness of Viscofan's business model during the year marked by the impact of the pandemic and the weakness of the main currencies against the Euro, with growth in the main financial figures, which reached new all-time highs in revenue and in EBITDA.

Revenue

€912.2

+7.4%

EBITDA

€234.4

+16.7%

Net profit

€122.5

+16.0%

Revenue stood at €912.2 million after growing 7.4% year-on-year, EBITDA totalled €234.4 million showing a growth of 16.7% compared to the previous year, and net profit was €122.5 million, 16.0% higher than the previous year.

These results are in line in revenue, and above in terms of EBITDA and Net Profit compared with the Guidance[3] for 2020 full year announced in February 2020.

Capex in 2020 totalled €56.9 million, 8.4% down on the €62.1 million invested in 2019. This amount includes the projects concluded during the last quarter of the year, of particular note being the installation of two cutting-edge co-generation engines with the capacity to use green hydrogen as a fuel and the first works for the installation of new fibrous production lines in Cáseda (Spain) with the aim of meeting the expected growth, which places capex in the year 5.3% higher than that initially planned.

A stronger balance sheet at the end of December 2020 thanks to the generation of cash flow from operations, with net bank debt of €38.2 million, a decrease of 10.2% compared to the €42.5million as at December 2019, even after a major dividend cash outflow in the year of €109.4 million in 2020 compared to €74.3 million in 2019.

The Board of Directors has approved to propose a final dividend of €0.29 per share payable in the month of June and to continue with a growing remuneration for shareholders. This proposal represents a total remuneration charged to profit for 2020 of €1.70 per share, 4.9% more than the total remuneration for 2019.

Revenue

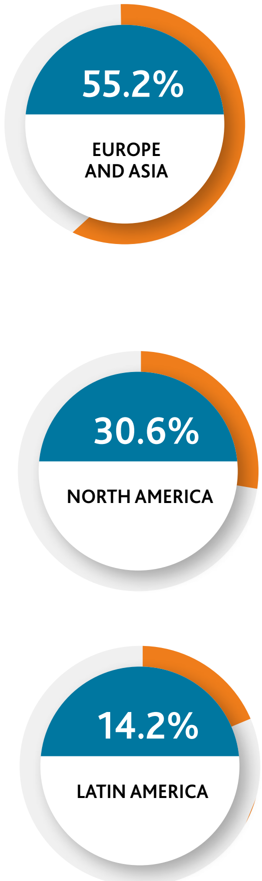
Viscofan has reinforced its global leadership by combining higher sales in all reporting geographic regions and in all product families.

Consequently, revenue in 2020 amounted to €912.2 million, a growth of 7.4% vs. 2019, +9.3 p.p. of which correspond to like-for-like[4] casings sales thanks to volume growth and the improvement in the sales price mix, and +3.5 p.p. are due to the incorporation of Nitta Casings, compared to a decrease of -1.0 p.p. due to lower comparable sales of co-generation and -4.4 p.p. due to the variation in exchange rates.

In like-for-like terms, revenue for 2020 was up 8.3% on 2019 once the change in the scope of consolidation and the variation in exchange rates was excluded.

Of the total revenue, €875.3 million correspond to casing sales, up +8.8% vs. 2019, and €36.9 million to revenues from the sale of co-generation energy, which decreased by -18.4% vs. 2019 due to the lower remuneration of energy in Spain and the lower electricity produced as a consequence of the engine shutdown carried out to install the new co-generation engines in Cáseda.

3, 2020 Guidance: Growth in revenue between 6% and 8%, in EBITDA between 7% and 9% and in Net Result between 6% and 9%, with a capex of € 54 million.
4. Like-for-like: Like-for-like growth excludes the impact of changes in the consolidation scope, fluctuations in exchange rates and the non-recurring gains of the business.



For the year as a whole, all reporting regions contributed positively to revenue growth. The geographical[5] breakdown of revenue in 2020 is as follows:

- Europe and Asia (55.2% of the total): Revenue reached €503.3 million, 4.8% higher than 2019 and 5.7% in like-for-like terms.
- North America (30.6% of the total): Revenue amounted to €279.5 million, revealing a growth of 15.0% on 2019 and of 4.9% in like-for-like terms.
- Latin America (14.2% of the total): Revenue totalled €129.4 million, a growth of 2.3% compared to 2019, with a growth of 24.8% in like-for-like terms

Operating expenses

For the year as a whole, cost of consumption[6] grew 0.3% to €272.5 million during a year in which the shortage of hide increased the cost of the main collagen raw material, offset by the lower cost of some auxiliary raw materials, such as caustic soda or glycerine, savings in production and the depreciation of the US$ giving rise to a gross margin of 70.1% (+2.1 p.p. vs. 2019). In the fourth quarter, cost of consumption grew by 0.9% to €77.0 million, placing the gross margin at 68.0% (+2.1 p.p. vs. 4Q19).

This improvement in the gross margin is due to the higher capacity utilization and production output in all technologies while at the same time obtaining high production efficiencies at the manufacturing centres. In turn, cellulose and fibrous production with the new technology installed in Plant 4 in Cáseda (Spain) has exceeded the €8 million in production savings forecast for the year during a period of high demand for these products.

The accumulated average workforce at December 2020 stood at 4,967 people, showing an increase of 7.3% compared to the previous year, mainly due to the incorporation of Nitta Casings staff in the United States and Canada. Without taking into account the Nitta Casings staff, the average workforce grew by 3.1% compared to the previous year.

Personnel expenses increased by 10.7% in 2020 vs. 2019 to €222.7 million including the extraordinary bonuses for attendance and COVID-19 grants; and by 10.0% in 4Q20 vs. 4Q19 to reach €55.1 million. This increase is mainly due to the incorporation of Nitta Casings personnel in the United States and Canada. Excluding Nitta Casings personnel in the United States and Canada, personnel expenses grew 3.7% in 2020 vs. 2019 and by 3.7% in 4Q20 vs. 4Q19.

Other operating expenses grew 0.2% in 2020 compared to 2019 to €190.4 million. Plant expenses have increased, including cleaning and other expenses, and transportation expenses, which have been largely offset by the 7.4% decrease in energy supply expenses, and lower travel expenses as a result of the restrictions imposed on the movement of people due to the pandemic.

In quarterly terms, Other operating expenses in 4Q20 stood at €45.5 million, 8.1% lower than in 4Q19, due to the fall in energy supply expenses (-4.0% vs. 4Q19), lower travel costs due to the mobility restrictions on people because of COVID-19, and a more favourable comparison due to the non-recurring expenses of €2.2 million corresponding to advisory and lawyer expenses for the acquisition of companies recognised in the fourth quarter of 2019.

Operating profit

Higher revenues in a context of high productive activity, the efficiencies achieved and the savings from the new cellulose and fibrous technology in

5. Revenue per origin of sales.
6. Cost of consumption = Net purchases +/- Changes in inventory of finished goods and work in progress.
7. Gross margin = (Revenue – Cost of consumption) / Revenue.

Operating profit

25.7%

EBITDA margin

PBT

€159.7

million

+22.8%

Spain translate into higher EBITDA and improved operating profitability in both reported and like-for-like terms.

The accumulated EBITDA in 2020 grew by 16.7% vs. 2019 to €234.4 million, resulting in a EBITDA margin of 25.7% (+2.0 p.p. vs. 2019). In like-for-like terms, the EBITDA for 2020 grew 27.7% compared to 2019, with a comparable EBITDA margin of 27.5% (+4.2 p.p. vs. 2019).

The amortisation and depreciation costs in 2020 were €71.5 million, 1.2% higher than in 2019. As a result, the Group obtained an accumulated annual operating profit of €162.9 million (+25.0% vs. 2019).

Net financial result

In the year to date at 2020, the net financial result was a negative -€3.3 million owing to the negative exchange differences of -€2.3 million, which compares with a negative net financial result of -€0.2 million in 2019, when exchange differences were positive in the amount of +€1.1 million.

Net profit

The accumulated profit before tax at December 2020 reached €159.7 million (+22.8% vs. 2019). From this figure, €37.1 million of corporate income tax is deducted, which increased by 51.7% compared to the same period of the previous year with an effective tax rate of 23.3% in 2020 compared to 18.8% in 2019.

The difference between the theoretical tax rate for 2020 (28%) and the effective tax rate (23.3%) 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.

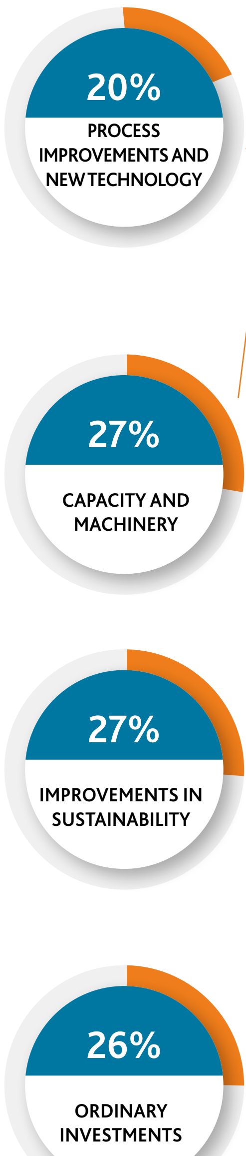
Finally, Net profit stands at €122.5 million, up 16.0% vs. 2019.

Non-recurring results

In 2020, there were no recurring results, however for a better comparison of the information the non-recurring impacts of the business recognised in the previous year are detailed below:

- 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 non-recurring costs related to the strike at the Danville plant (US) in June.

The net impact on non-recurring results after including the tax effect is a net profit of €4.1 million.



Investment

For the whole of the year, a total of €56.9 million have been invested, 8.4% less than the €62.1 million invested in 2019. The breakdown by type is as follows:

- 20% of the investment was earmarked for process improvements and new technology.
- 27% of the investment was earmarked for investments in capacity and machinery.
- 27% of the investment was earmarked for improvements in sustainability, including energy equipment and the optimisation of the installations in terms of security, hygiene, and environment.
- The remaining 26% was spent on ordinary investments.

Of the main projects, the most noteworthy are the initial works to increase the fibrous capacity in Cáseda and the installation of new co-generation engines prepared for the transition to green hydrogen as a main energy vector in Cáseda for 2030.

At the end of 2020, investment commitments amounted to €12.9 million (€1.6 million at the close of 2019).

Dividends and Shareholder 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 €0.29 per share, with an amount of €13.4 million to be paid out on 3 June 2021.

Thus, total shareholder remuneration for the 2020 financial year stand at €1.70 per share, equivalent to a distribution of 64.3% of net profit. This can be broken down as follows:

- An interim dividend of €1.40 per share (paid on 22 December, 2020).
- A proposed final dividend of €0.29 per share (to be paid on 3 June, 2021).
- A bonus of €0.01 per share for attending the General Shareholders' Meeting.

This proposed remuneration is 4.9% higher than the ordinary remuneration of €1.62 per share approved in the previous financial year, implying a total distribution of €78.8 million.

Equity

€736.2
million

Net Bank Debt

€38.2
million
-10.2%

Equity

The Group's net equity stood at €736.2 million at the end of 2020, down 6.1% year-on-year in spite of an increase in Net Profit. This change is due to a higher distribution of the interim dividend, €64.9 million in 2020 compared to €30.1 million in 2019, and to the increase in the negative translation differences from the consolidation of the subsidiaries whose currencies have depreciated significantly against the euro in 2020 (mainly Brazil and Mexico).

Treasury shares

During 2020, 10,558 treasury shares were delivered to Viscofan staff within the framework of the company's variable remuneration plans. Thus, on 31 December 2020, the company had 139,442 treasury shares representing 0.30% of the voting rights acquired at a total price of 6,031 thousand euros.

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. These shares were acquired within the framework of the Company's Incentives Plan under the authorisation granted by the General Shareholders' Meeting of 25 May 2018.

Financial liabilities

The net bank at the end of December 2020 stood at €38.2 million, a decrease of 10.2% compared to the €42.5 million as at December 2019. The results strength in the year has allowed us to continue reinforcing the balance sheet while the outflow of cash has increased due to dividends.

IFRS 16 update entered into force on 1 January of 2019, and stated that the majority of non-cancellable operating leases should be recorded in the balance sheet as a right-of-use asset and a liability for future payments to be made.

So, the breakdown for Net Financial Debt is as follows:

NET FINANCIAL DEBT

	Dec' 20	Dec' 19	Change
Net Bank Debt *	38,212	42,546	-10.2%
Debts related to right-of-use assets	15,685	19,295	-18.7%
Other net financial liabilities **	28,549	27,606	3.4%
Net Financial Debt	82,446	89,447	-7.8%

* Net bank Debt= Non-current bank borrowings + Current bank borrowings - Cash and cash equivalents.
** 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 debt with fixed asset suppliers netted by other current financial assets.

Revenue outlook

+3-4%

EBITDA outlook

+3-5%

Net Profit outlook

+4-6%

The net financial debt is the equivalent of 11.2% of the equity, with a leverage level that is sufficient to be able to attend to all Viscofan's liquidity needs.

Outlook for 2021

In the MORE TO BE Plan, the group is making a significant leap in the areas of Service, Technology and Costs with a multitude of investment projects of an organic and inorganic nature, resulting in a greater leadership in a resilient market.

The persistence of the COVID-19 pandemic continues to generate an uncertain environment in which governments and other institutions may continue to adopt confinement measures, social distancing, mobility restrictions and others aimed at mitigating its spread while preparing vaccination plans with different schedules, all of which may affect the consumption habits in different countries. Meanwhile, our plants, customers and suppliers are still at risk of contagion.

Subsequently, the MORE TO BE Strategic Plan has been extended into 2021, to provide continuity to existing projects and as a driving force for others that continue to foster the company's growth and strength in the long term. Among these are projects; of particular significance is the increased fibrous capacity at the Cáseda plant using the new technology, and the termination of the process to update the technology at the collagen casings plant in the United States.

The Viscofan Group faces 2021 with growth prospects in the main financial figures, accompanying the expected growth of the market with the boost in volumes, commercial discipline, and improvements in profitability without the need for large additional investments.

As such, the Viscofan Group expects to increase revenue by between 3% and 4%, EBITDA by between 3% and 5%, and Net Profit by between 4% and 6%, based on an investment of €70 million and despite a worse forex scenario considering an average exchange rate of US$/€ 1.20 vs. 1.14 in 2020.

POINT OF CONTACT FOR REPORT-RELATED QUERIES:

For questions regarding this report, please contact the Department of Investment Relations and Communication:

INVESTOR AND SHAREHOLDER PHONE NUMBER:
+34948198436

INVESTOR RELATIONS EMAIL:
info-inv@viscofan.com

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ALTERNATIVE PERFORMANCE MEASURES

The Viscofan Group has included in this report various Alternative Performance Measures (hereinafter APMs), as established in APM Guidelines published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es) and adopted by the National Securities Market Commission (the CNMV).

This involves a series of measures designed using the financial information of Viscofan, S.A. and its subsidiary companies, and they are complementary to the financial information drawn up in agreement with International Financial Reporting Standards (IFRS). Under no circumstance should they be assessed separately or considered a substitute.

These measures are used internally in decision-making processes, 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 casing industry. The Viscofan Group uses this measure to monitor the business' development and to establish operational and strategic objectives in Group companies. However, it is not a defined indicator in IFRS and, therefore, it may not be compared with other similar indicators employed by other companies in their reports.

- Consumption costs: This is calculated as the net amount of supplies plus the change in finished and unfinished products. Management monitors consumption costs as one of the main cost components for Viscofan. The weight of 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, the effect of the change in the consolidation scope, 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.

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GLOBAL REPORTING INITIATIVE CONTENT INDEX (GRI)

Global Reporting Initiative content index (GRI)

GRI 102: General Disclosures

GRI Standard	Content	Section-Comments	Page
1. Profile of the organisation (2016)			
102-1	Name of the organisation	Viscofan Group	
102-2	Activities, brands, products and services	Our business model: Competitive advantages	21
		Commercial and supply management: Product range	52
102-3	Location of the headquarters	Berroa Industrial Park C/Berroa, 15 – 4ª planta 31192 Tajonar (Navarre) - Spain	
102-4	Location of the operations	Our business model: Competitive advantages	21
102-5	Property and legal status	Corporate Governance: Governing Bodies	34
102-6	Markets served	Our business model	15
102-7	Size of the organisation	2020 results	114
102-8	Information about employees and other workers	Employment management	63
102-9	Supply chain	Commercial and supply management	51
102-10	Significant changes in the organisation and its supply chain	Letter from the Chairman	4
		Foundation	8
		2020 results	114
102-11	Precautionary principle or approach	Commercial and supply management: Product safety and food hygiene	59
		Environmental management and climate change: Management approach	82
102-12	External initiatives	Letter from the Chairman	4
		Foundation	8
		Corporate Governance: Good Governance practices	33
102-13	Affiliation to associations	Human rights and impact on society: Alliances	101
2. Strategy (2016)			
102-14	Statement of senior management responsible for decision-making	Letter from the Chairman	4
102-15	Key impacts, risks and opportunities	Risk management	47
3. Ethics and integrity (2016)			
102-16	Values, principles, standards and rules of conduct	Our business model: Mission, vision and values	16
		Corporate Governance: Good Governance Practices; Regulatory compliance system and Corruption and fraud prevention	33
		Human rights and impact on society: Our main lines of action and Supervision of compliance	97
102-17	Mechanisms of advice and ethical concerns	Corporate Governance: Regulatory compliance system	44
		Human rights and impact on society: Supervising compliance	100

Letter from the Chairman
Statement of non-financial information
2020 Results
Alternative performance measures
GRI indicators table and contents of Law 11/2018

GRI Standard	Content	Section-Comments	Page
4. Governance (2016)			
102-18	Governance structure	Corporate Governance: Governing bodies and Risk management	33
102-19	Delegation of authority	Corporate Governance: Governing Bodies	34
102-20	Executive responsibility regarding financial, environmental and social issues	Our business model: More To Be strategy	28
		Corporate Governance: Governing bodies; Corruption and fraud prevention and Risk management	33
		Environmental management and climate change: Management approach	82
		Human rights and impact on society: Supervising compliance	100
102-21	Consultation with stakeholders regarding financial, environmental and social issues	Foundation: Materiality	10
102-22	Composition of the senior governance body and its committees	Corporate Governance: Governing Bodies	34
120-23	Chairman of the senior governance body and its committees	Corporate Governance: Governing Bodies	34
120-24	Appointment and selection of the senior governance body	Corporate Governance: Governing Bodies	34
102-25	Conflicts of interest	Corporate Governance: Corruption and fraud prevention	50
102-26	Function of the senior governance body in the selection of objectives, values and strategy	Our business model: More To Be strategy	28
		Corporate Governance	33
102-27	Collective knowledge of the senior governance body	Corporate Governance: Governing Bodies	34
102-28	Performance assessment of the senior governance body	Corporate Governance: Governing Bodies	34
102-29	Identification and management of economic, environmental and social impacts	Foundation: Materiality	10
		Corporate Governance: Good Governance Practices; Governing Bodies, Regulatory compliance system, Corruption and fraud prevention and Risk management	33
		Environmental management and climate change: Management approach	82
		Human rights and impact on society: Supervising compliance	100
102-30	Efficacy of the risk management processes	Corporate Governance: Risk management	47
102-31	Assessment of financial, environmental and social issues	Corporate Governance: Governing Bodies	34
102-32	Function of the senior governance body in the preparation of sustainability reports	Corporate Governance: Good Governance Practices and Governing Bodies.	33
102-33	Communication of critical concerns	Foundation: Relations with our stakeholders	9
		Corporate Governance: Regulatory compliance system	44
		Human rights and impact on society: Supervising compliance	100
		Viscofan on the stock market: Viscofan, its shareholders and investors	110

GRI Standard	Content	Section-Comments	Page
102-34	Nature and total number of critical concerns	Corporate Governance: Regulatory compliance system	44
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	34
102-37	Involvement of stakeholders in the remuneration	The Board of Directors' annual remuneration report is available at www.viscofan.com	
5. Participation of stakeholders (2016)			
102-40	List of stakeholders	Foundation: Relations with our stakeholders	9
102-41	Collective bargaining agreements	Employment management: Employment and remuneration	70
		Human rights and impact on society: Procedural axis	98
102-42	Identification and selection of stakeholders	Foundation: Relations with our stakeholders	9
102-43	Approach for the participation of stakeholders	Foundation: Relations with our stakeholders	9
102-44	Key issues and concerns mentioned	Foundation	8
6. Practices for preparing reports (2016)			
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	Foundation	8
102-47	List of material issues	Foundation: Materiality	10
102-48	Re-expression of the information	No significant re-expressions in the period	
102-49	Changes in the preparation of reports	Foundation	8
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 2020.	
102-51	Date of last report	2019 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	Investor Relations and Communication Department. Info-inv@viscofan.com +34 948198436	
102-54	Declaration of preparation of the report in accordance with GRI standards	Foundation	8
102-55	GRI content index	Table of GRI indicators	130
102-56	External verification		

GRI Standard	Content	Section-Comments	Page
GRI 103: Management approach			
GRI. 103: Management approach (2016)			
103-1	Explanation of the material issue and its coverage	Foundation: Materiality	10
103-2	The management approach and its components	Foundation	8
		See sections: Corporate Governance; Commercial and supply management; Employment management; Environmental management and climate change; Human rights and impact on society; Viscofan on the stock market.	
		The policies of the different areas are detailed in the Regulatory Compliance System, within the Corporate Governance section.	44
103-3	Evaluation of the management approach	Foundation	8
GRI 200: Economic			
GRI 201: Financial performance (2016)			
201-1	Direct generated and distributed financial value	Foundation: Generated and distributed value matrix:	14
		Commercial and supply management	51
		Employment management	63
		Environmental management and climate change	81
		Human rights and impact on society	97
		Viscofan on the stock market	106
201-3	Obligations of the benefits plan and other retirement plans	Employment and remuneration	70
201-4	Financial aid received from the government	Human rights and impact on society: Responsible taxation	102
GRI 202: Presence in the market (2016)			
202-1	Ratio of standard initial category salary by gender compared to the local minimum wage	Human rights and impact on society: Our main lines of action in human rights	98
202-2	Proportion of senior management hired from the local community	Employment management: Human team	64
GRI 203: Indirect economic impacts (2016)			
203-1	Inversiones en infraestructuras y servicios apoyados	Letter from the Chairman	4
		Employment management: Occupational safety	77
		Environmental management and climate change	81
203-2	Significant indirect economic impacts	2020 results	114
GRI 204: Purchase practices (2016)			
204-1	Proportion of expense with local suppliers.	Commercial and supply management: Selection of suppliers	56
GRI 205: Anti-corruption (2016)			
205-1	Transactions assessed for corruption-related risks	Corporate Governance: Corruption and fraud prevention	50
205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance: Regulatory compliance system; Corruption and fraud prevention	33
		Employment management: Professional development	74
		Human rights and impact on society: Supervising compliance	100

GRI Standard	Content	Section-Comments	Page
205-3	Confirmed cases of corruption and measures taken	Corporate Governance: Corruption and fraud prevention	50
GRI 206: Unfair competition (2016)			
206-1	Legal actions related to unfair competition, monopolistic practices and against free competition	Corporate Governance: Corruption and fraud prevention	
GRI 207: Taxation (2019)			
207-1	Tax focus	Corporate Governance	33
207-2	Tax governance, Risk control and management	Corporate Governance	33
207-4	Presentation of reports country by country	Human rights and impact on society: Responsible taxation	102
GRI 300: ENVIRONMENTAL			
GRI 302: Energy (2016)			
302-1	Energy consumption within the organisation	Environmental management and climate change: Responsible energy management	86
302-3	Energy intensity	Environmental management and climate change: Responsible energy management	86
302-4	Reduction of energy consumption	Environmental management and climate change: Responsible energy management	86
GRI 303: Water and effluents (2018)			
303-1	Interaction with water as a shared resource	Environmental management and climate change: Responsible management of the end-to-end water cycle	91
303-3	Water extraction	Environmental management and climate change: Responsible management of the end-to-end water cycle	91
303-4	Water discharges	Environmental management and climate change: Responsible management of the end-to-end water cycle	91
303-5	Water consumption	Environmental management and climate change: Responsible management of the end-to-end water cycle	91
GRI 305: Emissions (2016)			
305-1	Direct emissions of GHG (scope 1)	Environmental management and climate change: Responsible energy management	86
305-2	Indirect emissions of GHG from generating energy (scope 2)	Environmental management and climate change: Responsible energy management	86
305-4	Intensity of GHG emissions	Environmental management and climate change: Responsible energy management	86
305-5	Reduction of GHG emissions	Environmental management and climate change: Responsible energy management	86
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions significant air emissions	Environmental management and climate change: Responsible energy management	86
GRI 306: Effluents and waste (2016)			
306-1	Wastewater according to its quality and destination	Environmental management and climate change: Responsible management of the end-to-end water cycle	91
306-2	Waste by type and disposal method	Environmental management and climate change: Responsible management of the use of raw materials and minimisation of waste. Circular economy	94
306-3	Significant spills/leaks	Environmental management and climate change: Responsible management of the use of raw materials and minimisation of waste. Circular economy	94

GRI Standard	Content	Section-Comments	Page
GRI 307: Environmental compliance (2016)			
307-1	Non-compliance with environmental legislation and regulations	Environmental management and climate change In Brazil, an environmental administrative file was under way in 2010, for which no decision had been handed down, although at 2020 year-end, it is considered that a favourable resolution is possible.	81
GRI 308: Environmental evaluation of suppliers (2016)			
308-1	New suppliers that have passed screening filters according to environmental criteria	Commercial and supply management: Range of products and Selection of suppliers	51
		Environmental management and climate change: Responsible management of the use of raw materials and minimisation of waste. Circular economy	94
GRI 400: SOCIAL			
GRI 401: Employment (2016)			
401-1	New employee hiring and staff rotation	Employment management: Employment and remuneration	70
GRI 402: Worker-company relations (2016)			
402-1	Minimum warning periods for operational changes	Human rights and impact on society: Our main lines of action in human rights	98
GRI 403: Health and safety in the workplace (2018)			
403-1	Occupational health and safety management system	Employment management: Occupational safety	77
403-2	Hazard identification, risk assessment and incident investigation	Employment management: Occupational safety	77
403-4	Participation of workers, queries and notifications on health and safety in the workplace	Employment management: Occupational safety	77
403-5	Worker training on occupational health and safety	Employment management: Occupational safety	77
403-8	Workers covered by an occupational health and safety management system	Employment management: Occupational safety	77
403-9	Work-related injuries	Employment management: Occupational safety	77
403-10	Professional diseases and illnesses	Employment management: Occupational safety	77
GRI 404: Training and teaching (2016)			
404-1	Average number of training hours per employee	Employment management: Professional development	74
404-2	Programmes to improve employee skills and transition assistance programmes	Employment management: Professional development	74
404-3	Percentage of employees who receive periodic performance and professional development assessments	Employment management: Professional development	74
GRI 405: Diversity and equal opportunities (2016)			
405-1	Diversity in governing bodies and employees	Governing Bodies	34
		Employment management: Equality and work-life balance	68
405-2	Ratio of base salary and remuneration of women to men	Employment management: Employment and remuneration	70

GRI Standard	Content	Section-Comments	Page
GRI 406: No-Discriminación (año 2016)			
406-1	Cases of discrimination and corrective actions undertaken	Human rights and impact on society: Supervising compliance	100
GRI 407: Freedom of association and collective bargaining (2016)			
407-1	Operations and suppliers whose right to freedom of association and collective bargaining could be at risk	Human rights and impact on society: Our main lines of action in human rights	98
		Commercial and supply management: Selection of suppliers	56
GRI 408: Child labour (2016)			
408-1	Operations and suppliers with significant risk of cases of child labour	Human rights and impact on society: Our main lines of action in human rights	98
		Commercial and supply management: Selection of suppliers	56
GRI 409: Forced or compulsory labour (2016)			
409-1	Operations and suppliers with significant risk of cases of forced or compulsory labour	Human rights and impact on society: Our main lines of action in human rights	98
		Commercial and supply management: Selection of suppliers	56
GRI 412: Assessment of human rights (2016)			
412-2	Training of employees in human rights policies or procedures	Employment management: Professional development	74
		Human rights and impact on society: Supervising compliance	100
GRI 413: Local communities (2016)			
413-1	Operations with local community participation, impact assessments and development programmes	Human rights and impact on society: Commitment to our communities	103
		Environmental management and climate change	81
GRI 414: Social assessment of suppliers (2016)			
414-1	New suppliers that have passed screening filters according to social criteria	Commercial and supply management: Selection of suppliers	56
		Human rights and impact on society: Our main lines of action in human rights	98
GRI 416: Health and safety of customers (2016)			
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	59
GRI 417: Marketing and labelling (2016)			
417-1	Requirements for information and labelling of products and services	Commercial and supply management: Customer satisfaction	61
GRI 418: Customer privacy (2016)			
418-1	Complaints based on violations of the customer's privacy and loss of the customer's data	Commercial and supply management: Customer satisfaction	61

Content index of Law 11/2018 on Non-financial and diversity reporting

Contents of Law 11/2018 on Non-financial and diversity reporting			Standard used
Business Model	Description of the group's business model	Brief description of the Group's business model, which will include its business environment, organisation and structure, the markets in which it operates, its objectives and strategies and the main factors and tendencies that may affect its future performance.	GRI 102-2 Activities, brands, products and services
			GRI 102-4 Localisation of the activities
			GRI 102-6 Markets served
			GRI 102-15 Key impacts, risks and opportunities
			GRI 102-7 Size of the organisation
Information on environmental issues	Policies	Policies that apply to the Group, which include the due diligence procedures applied in the identification, assessment, prevention and reduction of significant risks and impacts, and of verification and control, together with the measures that have been adopted.	GRI103-2 The management approach and its components
			GRI 103-3 Evaluation of the management approach
	Key risks	Main risks related with these matters linked to Group activities, among them, when they are pertinent and proportioned, their commercial relations, products or services that may have negative effects on these areas, and on how the Group manages these risks, explaining the procedures used to detect and assess them, in accordance with the benchmark national, European or international frameworks for each area. Information must be included on the impacts detected, offering a breakdown of them, in particular, on the main short-, medium- and long-term risks.	GRI 102-15 Key impacts, risks and opportunities
			GRI 102-11 Precautionary principle or approach
			GRI 102-30 Efficacy of the risk management processes
	General	Current and foreseeable effects of company activities on environment issues and, where appropriate, health and safety,	GRI 102-15 Key impacts, risks and opportunities
			GRI 102-29 Identifying and managing economic, environmental and social impacts
			GRI 102-31 Review of economic, environmental and social topics
		Environmental assessment or certification procedures	GRI 102-11 Precautionary principle or approach
			GRI 102-29 Identifying and managing economic, environmental and social impacts
			GRI 102-30 Efficacy of the risk management processes
		Resources aimed at preventing environmental risks	GRI 102-29 Identifying and managing economic, environmental and social impacts
		Application of precautionary principle	GRI 102-11 Precautionary principle or approach
		Provisions and guarantees for environmental risks	GRI 307-1 Non-compliance with environmental laws and regulations (Autonomous Communities)

Contents of Law 11/2018 on Non-financial and diversity reporting			Standard used
Información sobre cuestiones medioambientales	Contamination	Measures to prevent, reduce or repair the carbon emissions that seriously affect the environment, taking into account any form of specific atmospheric pollution from an activity, including noise and light pollution	GRI 103-2 Management Approach (with a view to GRI 302 and 305)
			GRI 302-4 Reduction of energy consumption
			GRI 305-5 Reduction of GHG emissions
			GRI 305-7 NOx, SOx and other significant atmospheric emissions
	Circular Economy and prevention and waste management	Measures of prevention, recycling, reuse and other forms of recovery and elimination of waste. Action to combat food waste	GRI 103-2 Management Approach
			GRI 303 Water and effluents
			GRI 306-1 Water discharge by quality and destination
			GRI 306-2 Waste by type and disposal method
	Sustainable use of resources	Water consumption and water supply in accordance with local limitations	GRI 303-1 Interactions with water as a shared resource
			GRI 303-3 Water withdrawal
			GRI 303-5 Water consumption
		Consumption of raw materials and the measures adopted to improve efficiency of use	Confidential
		Energy: Direct and indirect consumption; Measures taken to improve energy efficiency. Use of renewable energy	GRI 103-2 Management approach (Energy)
			GRI 302-1 Energy consumption within the organisation
			GRI 302-3 Energy intensity
			GRI 302-4 Reduction of energy consumption
	Climate Change	Greenhouse gas emissions	GRI 305-1 Direct (scope 1) GHG emissions
			GRI 305-2 Energy indirect (Scope 2) GHG emissions
			GRI 305-4 GHG emissions intensity
		The measures adopted to adapt to the consequences of climate change	GRI 102-15 Key impacts, risks and opportunities
			GRI103-2 The management approach and its components
			GRI 305-5 Reduction of GHG emissions
		Reduction goals established voluntarily at medium and long term to reduce GHG emissions and means implemented for this purpose.	GRI 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
Information on social and staff-related issues	Policies	Policies that apply to the Group, which include the due diligence procedures applied in the identification, assessment, prevention and reduction of significant risks and impacts, and of verification and control, together with the measures that have been adopted.	GRI103-2 The management approach and its components
			GRI 103-3 Evaluation of the management approach
			GRI 102-35 Remuneration policies
	Key risks	Main risks related with these matters linked to Group activities, among them, when they are pertinent and proportioned, their commercial relations, products or services that may have negative effects on these areas, and on how the Group manages these risks, explaining the procedures used to detect and assess them, in accordance with the benchmark national, European or international frameworks for each area. Information must be included on the impacts detected, offering a breakdown of them, in particular, on the main short-, medium- and long-term risks.	GRI 102-15 Key impacts, risks and opportunities
			GRI 102-30 Efficacy of the risk management processes

Contents of Law 11/2018 on Non-financial and diversity reporting			Standard used
Información sobre cuestiones sociales y relativas al personal	Employment	Total number and distribution of employees by gender, age, country and professional classification	GRI 102-7 Size of the organisation
			GRI 102-8 Information on 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
		Total number and distribution of employment contract types	GRI 102-8 Information on employees and other workers
		Annual average of permanent, temporary and part-time contracts by gender, age and professional classification	GRI 102-8 Information on employees and other workers
		Number of dismissals by gender, 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 tendency broken down by gender, age and professional classification or equal value	GRI 405-2: Ratio of base salary and remuneration of women to men for each job category
		Salary gap	GRI 405-2: Ratio of base salary and remuneration of women to men for each job category.
		Remuneration of equal or average work posts of the company	GRI 405-2 Ratios of standard entry level wage by gender compared to local minimum wage
		The average remuneration of directors and executives, including variable remuneration, attendance fees, indemnity payments, payments to long-term savings insurance schemes and any other benefit broken down by gender	GRI 102-35 Remuneration policies
			GRI 102-36 Process for determining remuneration (for the management approach)
			GRI 201-3 Obligations derived from social benefit plans and other retirement plans
		Implementation of employment disconnection measures	GRI 103-2 Management Approach (work disconnection)
		Disabled employees	GRI 405-1. b) Percentage of employees by employment category for each of the following diversity categories (iii. Vulnerable groups).
	Work organisation	Organisation 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)
		Number of hours of absenteeism	GRI 403-2 Types of accidents and ratios of occupational accidents, occupational diseases, lost days, and absenteeism, and number of related deaths (section a)
		Measures aimed at facilitating a work-life balance and promoting co-responsible care by both parents.	GRI 103-2 Management approach
	Health and safety	Occupational health and safety conditions	GRI 103-2 Management Approach (Health and Safety)
			GRI 403-1 Occupational health and safety management system
			GRI 403-2 GRI 403-2 Hazard identification, risk assessment, and incident investigation
			GRI 403-5 Worker training on occupational health and safety

Contents of Law 11/2018 on Non-financial and diversity reporting			Standard used
Information on social and staff-related issues	Health and safety	Occupational accidents (frequency and seriousness) broken down by gender	GRI 403-9 a) Work-related injuries
		Occupational accidents (frequency and seriousness) broken down by gender	GRI 403-10 a) Work-related ill health
	Social Relations	Organisation of social dialogue, including the procedures to inform on and consult employees and negotiate with them	GRI 102-43 Approach for the participation of stakeholders (regarding unions and collective bargaining)
			GRI 402-1 Minimum notice periods regarding operational changes
			GRI 403-4 Participation of workers, consultations and communication on health and safety at work
		Percentage of employees covered by a collective bargaining agreement by country	GRI 102-41 Collective bargaining agreements
		Balance of collective bargaining agreements, especially in the area of occupational health and safety	GRI 403-8 Occupational health and safety management system coverage
	Training	Policies implemented in the training area	GRI 103-2 Management Approach (Training and Teaching)
		Total number of training hours by professional category	GRI 404-1 Average training hours per employee per year
	Accessibility	Universal accessibility of the disabled	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
	Equality	Measures adopted to promote equal treatment and opportunities between men and women	GRI 103-2 Management Approach (Diversity and equal opportunities)
		Equality plans	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
		Measures adopted to promote employment	GRI 103-2 Management approach (Employment)
		Protocols to counter sexual harassment due to gender	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
		Universal integration and accessibility of the disabled	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
		Policy against all type of discrimination and, where appropriate, to manage diversity	GRI 103-2 Management Approach (Diversity and equal opportunities and Non-discrimination)
			GRI 406-1 Incidents of discrimination and corrective actions taken
Information on respect for human rights	Policies	Policies that apply to the Group, which include the due diligence procedures applied in the identification, assessment, prevention and reduction of significant risks and impacts, and of verification and control, together with the measures that have been adopted.	GRI103-2 The management approach and its components
			GRI 103-3 Evaluation of the management approach
			GRI 412-2 Employee training on human rights policies or procedures
	Key risks	Main risks related with these matters linked to Group activities, among them, when they are pertinent and proportioned, their commercial relations, products or services that may have negative effects on these areas, and on how the Group manages these risks, explaining the procedures used to detect and assess them, in accordance with the benchmark national, European or international frameworks for each area. Information must be included on the impacts detected, offering a breakdown of them, in particular, on the main short-, medium- and long-term risks.	GRI 102-15 Key impacts, risks and opportunities
			GRI 102-30 Efficacy of the risk management processes

Contents of Law 11/2018 on Non-financial and diversity reporting			Standard used
Information on respect for human rights	Human Rights	Application of due diligence procedures to human rights	GRI 103-2 Management Approach (Assessment of Human Rights)
		Prevention of the risks of breaching human rights and, where appropriate, measures to reduce, manage and repair possible abuse committed	GRI 103-2 Management Approach (Assessment of Human Rights)
			GRI 412-1 Operations that have been subject to human rights reviews or impact assessments
		Complaints regarding human rights breaches	GRI 102-17 Mechanisms for advice and concerns about ethics
			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 of and compliance with the provisions of the ILO's fundamental agreements related with respect for freedom of association and the right to collective bargaining, the elimination of employment discrimination and occupation, the elimination of forced and obligatory labour and the effective abolition of child labour	GRI 103-2 Management Approach (Non-discrimination, Freedom of association and collective bargaining, Child Labour, Forced or compulsory labour and Human Rights)
Information related to the fight against corruption and bribery	Policies	Policies that apply to the Group, which include the due diligence procedures applied in the identification, assessment, prevention and reduction of significant risks and impacts, and of verification and control, together with the measures that have been adopted.	GRI103-2 The management approach and its components
			GRI 103-3 Evaluation of the management approach
			GRI 205-2 Communication and training about anti-corruption policies and procedures
	Key risks	Main risks related with these matters linked to Group activities, among them, when they are pertinent and proportioned, their commercial relations, products or services that may have negative effects on these areas, and on how the Group manages these risks, explaining the procedures used to detect and assess them, in accordance with the benchmark national, European or international frameworks for each area. Information must be included on the impacts detected, offering a breakdown of them, in particular, on the main short-, medium- and long-term risks.	GRI 102-15 Key impacts, risks and opportunities
			GRI 102-30 Efficacy of the risk management processes
			GRI 205-1 Transactions assessed in relation to corruption-related risks
	Corruption and bribery	Measures adopted 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
		Measures to combat money laundering	GRI 103-2 Management Approach (Anti-corruption)
		Contributions to foundations and non-profit organisations	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 economic impacts

Contents of Law 11/2018 on Non-financial and diversity reporting			Standard used
Company information	Policies	Policies that apply to the Group, which include the due diligence procedures applied in the identification, assessment, prevention and reduction of significant risks and impacts, and of verification and control, together with the measures that have been adopted.	GRI103-2 The management approach and its components
			GRI 103-3 Evaluation of the management approach
	Key risks	Main risks related with these matters linked to Group activities, among them, when they are pertinent and proportioned, their commercial relations, products or services that may have negative effects on these areas, and on how the Group manages these risks, explaining the procedures used to detect and assess them, in accordance with the benchmark national, European or international frameworks for each area. Information must be included on the impacts detected, offering a breakdown of them, in particular, on the main short-, medium- and long-term risks.	GRI 102-15 Key impacts, risks and opportunities
			GRI 102-30 Efficacy of the risk management processes
	Commitment of the company to sustainable development	Impact of the company's activity on employment and local development	GRI 203-2 Significant indirect economic impacts
			GRI 204-1 Proportion of spending on local suppliers.
			GRI 413-1 Operations with local community engagement, impact assessments and development programmes
		Impact of the company's activity on local towns and on territory	GRI 203-2 Significant indirect economic impacts
			GRI 413-1 Operations with local community engagement, impact assessments and development programmes
		Relationships with local community players and dialogue systems with them	GRI 102-43 Approach for the participation of stakeholders (regarding the community)
			GRI 413-1 Operations with local community engagement, impact assessments and development programmes
		Association or sponsorship actions	GRI 102-13 Membership of associations
			GRI 201-1 Direct economic value generated and distributed (Investments in the Community)
	Outsourcing and suppliers	Inclusion in the purchasing policy of social, gender equality and environmental issues	GRI 103-3 Management Approach (Environmental and social assessment of suppliers)
		Consideration in relationships with suppliers and subcontractors in their social and environmental responsibility	GRI 102-9 Supply chain
			GRI 103-3 Management Approach (Environmental and social assessment of suppliers)
			GRI 308-1 New suppliers that have passed assessment and screening filters according to environmental criteria
			GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
			GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour
		Supervision and audit systems and their outcome	GRI308-1 New suppliers that have been assessed according to environmental criteria

Contents of Law 11/2018 on Non-financial and diversity reporting			Standard used
Company information	Consumers	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 products or service categories
			GRI 417-1 Requirements for product and service information and labelling
		Systems to process claims, complaints received and their resolution	GRI 102-17 Mechanisms of advice and ethical concerns (complaints received and resolution
			GRI 103-2 Management Approach (Health and Safety of Customers)
	Tax information	Profits obtained by country	GRI 207-4 Country-by-country reporting
		Income tax paid	GRI 207-4 Country-by-country reporting
		Public grants received	GRI 201-4 Financial assistance received from government

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS ('000 €). ASSETS

	Dec'20	Dec '19	Change
Intangible assets	19,268	19,635	-1.9%
Goodwill	2,638	2,671	-1.2%
Others intangible asset	16,630	16,964	-2.0%
Tangible assets	475,293	514,326	-7.6%
Real state investments	0	0	n.s.
Investment accounting using the equity method	0	0	n.s.
Non-current financial assets	1,940	2,376	-18.4%
a) At fair value through profit and loss	633	633	0.0%
Of which "Designated upon initial recognition"	633	633	0.0%
b) At fair value with changes in other comprehensive income	0	0	n.s.
Of which "Designated upon initial recognition"	0	0	n.s.
c) At amortized cost	1,307	1,743	-25.0%
Non-current derivatives	326	96	239.6%
Cash flow hedges	326	96	239.6%
Others	0	0	n.s.
Deferred tax assets	26,966	28,432	-5.2%
Other non-current assets	0	0	n.s.
NON-CURRENT ASSETS	**523,793**	**564,865**	**-7.3%**
Non-current assets held for sale	0	0	n.s.
Inventories	273,193	277,390	-1.5%
Trade and other receivables	183,473	184,347	-0.5%
Trade debtors	166,079	167,341	-0.8%
Other debtors	16,629	15,484	7.4%
Current tax assets	765	1,522	-49.7%
Current financial assets	840	815	3.1%
a) At fair value through profit and loss	751	746	0.7%
Of which "Designated upon initial recognition"	751	746	0.7%
b) At fair value with changes in other comprehensive income	0	0	n.s.
Of which "Designated upon initial recognition"	0	0	n.s.
c) At amortized cost	89	69	29.0%
Current derivatives	4,708	2,768	70.1%
Cash flow hedges	3,088	2,721	13.5%
Others	1,620	47	3346.8%
Other current assets	2,435	3,454	-29.5%
Cash and cash equivalents	51,990	51,370	1.2%
CURRENT ASSETS	**516,639**	**520,144**	**-0.7%**
TOTAL ASSETS	**1,040,432**	**1,085,009**	**-4.1%**

EQUITY AND LIABILITIES

	Jan-Dec' 20	Jan-Dec' 19	Change
Share capital	32,550	32,550	0.0%
Share issue premium	12	12	0.0%
Reserves	767,960	737,899	4.1%
Treasury shares	-6,031	-6,487	-7.0%
Profit for previous years	0	0	n.s.
Received from associates	0	0	n.s.
Net profit of the period attributable to the parent company	122,513	105,577	16.0%
Less: Interim dividend	-64,905	-30,127	115.4%
Other equity instruments	1,747	262	566.8%
SHAREHOLDER´S FUNDS	**853,846**	**839,686**	**1.7%**
Items that are not reclassified to profit or loss for the period	0	0	n.s.
Equity instruments through other comprehensive income	0	0	n.s.
Others	0	0	n.s.
Items that may subsequently be reclassified to profit or loss for the period	-117,600	-55,320	112.6%
Hedge transactions	1,031	1,662	-38.0%
Currency translation differences	-118,631	-56,982	108.2%
Share in other comprehensive income for investments in joint ventures and others	0	0	n.s.
Debt instruments at fair value through other comprehensive income	0	0	n.s.
Others	0	0	n.s.
ACCUMULATED OTHER COMPREHENSIVE INCOME	**-117,600**	**-55,320**	**112.6%**
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY	**736,246**	**784,366**	**-6.1%**
Non-controlling interests	0	0	n.s.
EQUITY	**736,246**	**784,366**	**-6.1%**
Grants	1,189	1,551	-23.3%
Non-current provision	38,520	33,602	14.6%
Non-current financial liabilities	59,473	86,301	-31.1%
Bank debt	32,644	55,234	-40.9%
Other financial liabilities	26,829	31,067	-13.6%
Deferred tax liabilities	19,274	23,669	-18.6%
Non-current derivatives	107	0	n.s.
Cash flow hedges	107	0	n.s.
Others	0	0	n.s.
Other non-current liabilities	0	0	n.s.
NON-CURRENT LIABILITIES	**118,563**	**145,123**	**-18.3%**
Liabilities linked to non-current assets held for sale	0	0	n.s.
Current provisions	11,204	8,959	25.1%
Current financial liabilities	75,803	55,331	37.0%
Bank debt	57,563	38,677	48.8%
Other financial liabilities	18,240	16,654	9.5%
Trade and other payable accounts	96,240	90,893	5.9%
Trade creditors	53,768	58,393	-7.9%
Other creditors	33,389	27,342	22.1%
Current tax liabilities	9,083	5,158	76.1%
Current derivatives	2,159	125	1627.2%
Cash flow hedges	2,159	40	5297.5%
Others	0	85	n.s.
Other current liabilities	217	212	2.4%
CURRENT LIABILITIES	**185,623**	**155,520**	**19.4%**
TOTAL EQUITY AND LIABILITIES	**1,040,432**	**1,085,009**	**-4.1%**

VISCOFAN GROUP PROFIT AND LOSS ACCOUNT. 2020 ('000 €)

	Jan-Dec' 20	Jan-Dec' 19	Change
Revenues	**912,160**	**849,697**	**7.4%**
Other operating income	7,713	5,400	42.8%
Self-constructed assets	297	958	-69.0%
Variation in stocks of finished products and work-in-progress	3,140	-9,041	c.s.
Net purchases	-275,671	-262,623	5.0%
Personnel expenses	-222,731	-201,278	10.7%
Other operating expenses	-190,401	-190,023	0.2%
Capital grants	512	590	-13.2%
Impairments	-170	-192	-11.5%
Results coming from disposals of non-current assets	-416	100	c.s.
Other results	0	7,369	n.s.
Recurring EBITDA	**234,433**	**198,046**	**18.4%**
Recurring EBITDA margin	25.7%	23.3%	2.4 p,p,
Non-recurring results	0	2,911	n.s.
EBITDA	**234,433**	**200,957**	**16.7%**
EBITDA margin	25.7%	23.7%	2.0 p,p,
Amortization and depreciation	-71,526	-70,674	1.2%
Operating profit	**162,907**	**130,283**	**25.0%**
Operating profit margin	17.9%	15.3%	2.6 p,p,
Financial incomes	524	597	-12.2%
Financial expenditures	-1,475	-1,966	-25.0%
Changes in reasonable value of financial instruments	0	0	n.s.
Exchange differences	-2,305	1,135	c.s.
"Impairment and results coming from disposals of financials assets"	5	15	-66.7%
Financial results	**-3,251**	**-219**	**1384.5%**
Profit from associated companies	0	0	n.s.
Profit before taxes	**159,656**	**130,064**	**22.8%**
Taxes	-37,143	-24,487	51.7%
Profit after taxes from continued operations	**122,513**	**105,577**	**16.0%**
Profit after taxes from interrupted operations	0	0	n.s.
Net profit	**122,513**	**105,577**	**16.0%**
a) Net profit attributable to the parent comany	122,513	105,577	16.0%
b) Net profit attributable to minority interests	0	0	n.s.

Letter from the Chairman
Statement of non-financial information
2020 Results
Alternative performance measures
GRI indicators table and contents of Law 11/2018

CASH FLOW STATEMENT ('000 €)

	Jan-Dec' 20	Jan-Dec' 19	Change
Cash flows from operating activities	**178,341**	**177,931**	**0.2%**
Profit for the year before tax	159,656	130,064	22.8%
Adjustments in results	82,171	69,039	19.0%
Amortisation and depreciation	71,526	70,674	1.2%
Others adjustments in results(net)	10,645	-1,635	c.s.,
Changes in working capital	-25,178	6,135	c.s.,
Other cash flows from operating activities	-38,308	-27,307	40.3%
Interest paid	0	0	n.s.
Dividend paid and other payments from others equity instruments	0	0	n.s.
Dividends received	0	0	n.s.
Interests received	0	0	n.s.
Proceeds/ (payments) from income tax	-35,893	-26,742	34.2%
Proceeds/(payments) from operating activities	-2,415	-565	327.4%
Cash flows from investing activities	**-53,576**	**-62,642**	**-14.5%**
Investment payments	-55,320	-64,299	-14.0%
Group companies, associated & business units	0	-1,544	n.s.
Acquisition of property, plant and equipment and intangible assets	-55,320	-62,755	-11.8%
Other financial assets	0	0	n.s.
Other assets	0	0	n.s.
Cash from disposals	605	766	-21.0%
Group companies, associated & business units	0	0	n.s.
Disposal of property, plant and equipment and intangible assets	605	766	-21.0%
Other financial assets	0	0	n.s.
Other assets	0	0	n.s.
Other cash flows from investing activities	1,139	891	27.8%
Dividends received	0	0	n.s.
Interest received	1,139	891	27.8%
Proceeds/(Payments) from interrupted operations	0	0	n.s.
Cash flows from financing activities	**-119,960**	**-95,325**	**25.8%**
Proceeds and payments from equity instruments	0	-6,487	n.s.
Proceeds from issue of stock	0	0	n.s.
Cancellation and payments	0	0	n.s.
Acquisition	0	-6,487	n.s.
Disposal	0	0	n.s.
Proceeds and payments from financial liabilities instruments	-2,918	-16,989	-82.8%
Proceeds from issue of financial liabilities instruments	35,345	49,366	-28.4%
Refund, cancellation and payments	-38,263	-66,355	-42.3%
Dividends paid and others payments from others equities instruments	-109,411	-74,302	47.3%
Others cash flows from financing activities	-7,631	2,453	c.s.,
Interest paid	-1,800	-1,909	-5.7%
Others proceeds /(payments) from financing activities	-5,831	4,362	c.s.,
Effect of foreign exchange rate changes on collections and payments	**-4,185**	**356**	**c.s.,**
Net increase (decrease) in cash and cash equivalents	**620**	**20,320**	**-96.9%**
Cash and cash equivalents at the begining of the period	**51,370**	**31,050**	**65.4%**
Cash and cash equivalent at the end of the period	**51,990**	**51,370**	**1.2%**

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER IDENTIFICATION

Financial year end: 31/12/2020

TAXID NO. A-31065501

Registered Name:

VISCOFAN, S.A.

Registered address:

POLÍGONO INDUSTRIAL BERROA. CALLE BERROA, 15 4th FLOOR, 31192, TAJONAR, NAVARRA, ESPAÑA

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

CNMV
COMISIÓN NACIONAL DEL MERCADO DE VALORES

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

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 different classes of shares with different rights 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 corporate name of the shareholder	% voting rights attributed to the shares		% voting rights via financial instruments		% total voting rights
	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
MARATHON ASSET MANAGEMENT, LLP	0.00	4.94	0.00	0.00	4.94
SETANTA ASSET MANAGEMENT LIMITED	0.00	3.96	0.00	0.00	3.96
WELLINGTON MANAGEMENT GROUP LLP	0.00	3.22	0.00	0.00	3.22

Details of the indirect investment:

Name (person or company) of the indirect holder	Name (person or company) of the direct holder	% voting rights attributed to the shares	% voting rights via financial instruments	% total voting rights
SETANTA ASSET MANAGEMENT LIMITED	OTHER COMPANY SHAREHOLDERS	3.96	0.00	3.96
WELLINGTON MANAGEMENT GROUP LLP	OTHER COMPANY SHAREHOLDERS	3.22	0.00	3.22
MARATHON ASSET MANAGEMENT, LLP	OTHER COMPANY SHAREHOLDERS	4.94	0.00	4.94

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

Most significant movements

- Norges Bank decreased its shareholding to less than 3% of the share capital on 18 February 2020.
- Setanta Asset Management decreased its shareholding to less than 4% of the share capital on 26 March 2020.

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	% voting rights that may be transferred via 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	0.05	0.02	0.00	0.00	0.07	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 JAIME REAL DE ASUA Y ARTECHE	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Name of director (person or company)	% voting rights attributed to the shares		% of voting rights from financial instruments		% total voting rights	% voting rights that may be transferred via financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MS LAURA GONZÁLEZ MOLERO	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
MS. AGATHA ECHEVARRÍA CANALES	0.09	0.00	0.00	0.00	0.09	0.00	0.00
MR JUAN MARCH DE LA LASTRA	0.00	0.03	0.00	0.00	0.03	0.00	0.00
MR SANTIAGO DOMECQ BOHORQUEZ	0.00	5.02	0.00	0.00	5.02	0.00	0.00
MS CARMEN DE PABLO REDONDO	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total % of voting rights of the Board of Directors:	5.87

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	% voting rights that may be transferred via 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.	0.03	0.00	0.03	0.00

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	% voting rights that may be transferred via financial instruments
MR SANTIAGO DOMECQ BOHORQUEZ	ANGUSTIAS Y SOL S.L.	5.02	0.00	5.02	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. Especially and where applicable, details will be given of the identity and position of members of the board or representatives of directors of the listed company who are also members of the administrative body, or their representatives, in companies that have a significant shareholding in the listed company or in group entities of these significant shareholders:

Name of director (person or company) or representative associated	Name or company name of the significant shareholder associated	Name of the Group Company of the significant shareholder	Relationship/position description
MR JOSE DOMINGO DE AMPUERO Y OSMA	CORPORACIÓN FINANCIERA ALBA S.A.	CORPORACIÓN FINANCIERA ALBA S.A.	Corporate. Mr. José Domingo de Ampuero y Osma is a Lead Director

Name of director (person or company) or representative associated	Name or company name of the significant shareholder associated	Name of the Group Company of the significant shareholder	Relationship/position description
			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. Mr 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.
MR SANTIAGO DOMECQ BOHÓRQUEZ	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.

A.7. Indicate whether the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

[ ] Yes
[√] No

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

[ ] Yes
[√] No

Expressly indicate whether any of such agreements, arrangements or concerted actions have been modified or terminated during the fiscal year:

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A.8. Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 5 of the Securities Exchange Act. If so, identify names:

[ ] 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
139,442		0.30

(*) Via:

Name or company name of the direct holder of the shareholding:	Number of direct shares
N/D	

Explain the significant changes that occurred during the year:

Explain the significant changes

On 28 February 2020 10,558 treasury shares were delivered to Viscofan staff within the framework of the company's variable remuneration plans. Thus, at 31 December 2020, the company had 139,442 treasury shares representing 0.30% of the voting rights acquired valued at 6,031 thousand euros.

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.

In the General Shareholders Meeting held on 25 May 2018 on second call, the following resolution regarding treasury shares 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 will be valid for the maximum as established by law, from the date of the resolution and is granted to the Board of Directors 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.

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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 stated that this acquisition of treasury shares is also in accordance with the provisions established in current legislation with the possibility that the purpose of the acquisition, in addition to that indicated in the preceding paragraphs, is that they are to be delivered directly to the Company's employees and/or Directors, or as a consequence of the option rights they hold, and therefore this resolution of the General Meeting states that the authorisation is also granted for this purpose, in accordance with the provisions of article 146.1.a), third paragraph of the aforementioned legal text.

A.11. Estimated floating capital:

	%
Estimated floating capital	58.60

A.12. Indicate whether 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 General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant 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 quorum needed to hold a valid General Shareholders' Meeting.

[ ] Yes
[√] No

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

[ ] 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.

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

The requirements for passing resolutions to modify company bylaws set forth in article 20 of the Bylaws and articles 18 and 22 of the Regulations of the General Shareholders' Meeting match those stated above.

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

	Attendance information				
General Shareholders Meeting Date	% shareholders present	% Attending by proxy	% voting remotely: Electronic vote	% voting remotely: Other	Total
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
24/04/2020	19.19	24.69	0.00	43.69	87.57
Of floating capital	2.31	24.69	0.00	33.62	60.62

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

B.6. 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 shares necessary to attend the General Shareholders' meeting:	100
Number of shares necessary to vote remotely	1

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 Governance tab, which can be found at the top of the website homepage.

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 and 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	11

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
MR JOSE DOMINGO DE AMPUERO Y OSMA		Executive	CHAIRMAN	27/02/2009	12/04/2019	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 IGNACIO MARCO - GARDOQUI IBAÑEZ		Independent	VICE CHAIRMAN	01/01/2010	24/04/2020	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
MR JAIME REAL DE ASUA Y ARTECHE		Independent	DIRECTOR	11/04/2014	25/05/2018	VOTE AT THE GENERAL SHAREHOLDERS' MEETING
MS LAURA GONZÁLEZ MOLERO		Independent	DIRECTOR	25/05/2018	25/05/2018	VOTE AT THE GENERAL SHAREHOLDERS' MEETING

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Name of director (person or company)	Representative	Type of directorship	Position on the board	Date first elected	Date of last election	Election procedure
MR. NESTOR BASTERRA LARROUDÉ		Other external	DIRECTOR	29/07/1997	25/05/2018	VOTE AT THE GENERAL SHAREHOLDERS' MEETING
MS. AGATHA ECHEVARRÍA CANALES		Other external	DIRECTOR	24/06/1998	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 SANTIAGO DOMECQ BOHÓRQUEZ		Nominee	DIRECTOR	21/04/2016	24/04/2020	VOTE AT THE GENERAL SHAREHOLDERS' MEETING
MS CARMEN DE PABLO REDONDO		Independent	DIRECTOR	24/04/2020	24/04/2020	VOTE AT THE GENERAL SHAREHOLDERS' MEETING

Total number of Directors	11

Indicate any dismissals that have occurred on the Board of Directors as a result of resignation or by agreement at the General Shareholders' Meeting 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 committees of which he/she was a member	Indicate whether the dismissal occurred 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. Los Angeles. USA. His extensive professional career

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EXECUTIVE BOARD MEMBERS		
Name of director (person or company)	Position within company organisation	Profile
		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. and Director of Tubacex S.A. 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. His business activities include being 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 is a member of the advisory board of ABE capital partners and Board Member representing Viscofan Group in Fundación Cetena (CEMITEC). He was a director of Maxam Corporation Holding, S.L. until 2019. 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 of Executive Directors	2
% of total directors	18.18

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EXTERNAL NOMINEE DIRECTORS		
Name of director (person or company)	Name or company name of the significant shareholder he/she represents or who proposed his/her appointment	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 has been the Managing Director and Chairman of March Gestión de Fondos SGIIC, Madrid. He is currently Executive Chairman of Banca March S.A., Vice-Chairman of Corporación Financiera Alba 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, Remuneration and Sustainability Committee.
MR SANTIAGO DOMECQ BOHÓRQUEZ	ANGUSTIAS Y SOL S.L.	He studied at the School of Economic and Business Sciences of the 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). In his broad professional experience as an entrepreneur, his appointments include 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. He was also a Director of Algar Aguas de Cádiz, S.A. Currently he is Member of the Provincial Board of Cádiz, in the Los Alcornocales Nature Reserve 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. Proprietary Director of Viscofan representing Angustias y Sol S.L., and member of the Audit Committee.

Total number of nominee directors	2
% of total directors	18.18

EXTERNAL INDEPENDENT DIRECTORS	
Name of director (person or company)	Profile
MS LAURA GONZÁLEZ MOLERO	Holds a Degree in Pharmacy, specialising in industry, from the Universidad Complutense de Madrid, an Executive MBA from the IE Business School awarded in 1999 and has taken advanced courses in prestigious international academic institutions such as Insead, IMD and Harvard. She has held senior executive positions in major international corporations in the Healthcare and Chemical sectors in Europe and America. 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 from 2010 to 2016 and a member of the Appointments and Remuneration Committee where she undertook the important task of promoting and consolidating the functions of this Committee, as well as contributing diversity to the Board's decision-making process through her participation in numerous debates and deliberations in which her criteria and opinion contributed to the development of the Viscofan Group until the end of her term as an independent director in 2016, when her professional commitments prevented her from renewing her position as a director. She is currently an independent director of Acerinox SA, Ezentis SA and Bankia SA, Chairwoman of the Asociación para el Progreso de la Dirección (APD), member of the Advisory Council of ISS in Spain, member of Women Corporate Directors and the International Women Forum, among others. She is member of the Board of Directors of Viscofan S.A. and a member of the Audit Committee of which she is Chairwoman.
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 is renowned for his active contribution as an economic expert and columnist for the Vocento Group. He has also had wide experience in several industrial companies and plays an active role on numerous Boards of Directors. Currently he is a Director of Minerales y Productos Derivados S.A. He has previously been a member of other Boards of Directors including Tubacex, Técnicas Reunidas, Progénika Biopharma, Banco del Comercio, IBV, Banco de Crédito Local, Schneider Electric España, Teknia Group, Iberdrola Ingeniería y Construcción (Iberinco SA) and he was Chairman of Naturgás. He is Vice-Chairman of the Board of Directors of Viscofan, S.A, a member of its Audit Committee and of the Appointments, Remuneration and Sustainability Committee.
MR 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 the Executive Committee and member and secretary of the Appointments and Remuneration Committee. He is also Chairman of the Board of Elecnor Infraestructuras and Director of Enerfín Sociedad de Energía, S.L., belonging to the Elecnor Group. Vice-Chairman of Cantiles XXI, S.L., Director of Tasdey S.A. and a member of the Advisory Board of BBVA for the Northern Region. He was also Chairman and Director of Adhorna Prefabricación S.A. until it was taken over by Elecnor in 2015, and Director 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). From 1981 to 2011 he was associated with the Cementos Portland Valderrivas Group where he occupied a number of management positions and on the Board of Directors of several of its companies.

EXTERNAL INDEPENDENT DIRECTORS	
Name of director (person or company)	Profile
	He is member of the Board of Directors of Viscofan, S.A, and Chairman of the Appointments, Remuneration and Sustainability Committee.
MR JOSE MARÍA ALDECOA SAGASTASOLOA	Technical Electronic Engineer from the Polytechnic School of Mondragón. Graduate from the Executive Management Programme at 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-Chairman of ANIEL (National Association of Electronic Industries) and Board member of Asociación Europea de Componentes Electrónicos (EECA). From 1992 he continued his professional activities at 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 a wealth of experience in the international industrial world, especially in Asia, including the creation of Fagor Electrónica in Hong Kong and Thailand and the integration of the production plants in the Kunshan industrial park, 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 board member (1992-2006) and Chairman (2007-2012) at 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, Remuneration and Sustainability Committee. In 2014 he was appointed as Coordinating Director.
MS CARMEN DE PABLO REDONDO	She has a degree in Business Administration from CUNEF and an MBA from the Tuck Business School in Dartmouth (USA). She has extensive professional experience in corporate finance, M&A, the capital market, corporate development and financial management, and currently holds the position of Financial Manager (CFO) for the Gestamp Group and is a member of their Management Committee. Special mention should be made of her experience and knowledge in the industrial sector in the automotive and renewable energy sectors. Her professional career began in auditing in EY she was an associate in McKinsey. Prior to joining Gestamp, she worked for over 15 years in investment banking in London and Madrid, in JP Morgan, Lehman Brothers and Morgan Stanley, where she was the Executive Director of Investment Banking. She has undergone executive training at the UCLA Anderson School of Management and at ESADE. She is member of the Board of Directors of Viscofan and a member of the Audit Committee.

Total number of Independent Directors	5
% of total directors	45.45

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 his professional career working in banking both internationally and in Spain, as head of the Capital Market and Corporate Banking departments in the Bank of America and Banco Santander. He is currently Vice-Chairman of Iberpapel Gestión S.A. and he a Partner-Board Member of Amistra SGIIC S.A. He is member of the Board of Directors of Viscofan, S.A, and of its Appointments, Remuneration and Sustainability Committee.
MS AGATHA ECHEVARRÍA CANALES	For having remained on the Board of Directors for more than 12 years	-----	Degree in Law and a graduate in Business Studies from the Universidad Pontificia de Comillas (ICADE). She has had broad professional experience in a number of multinationals, such as the auditors, Touche and Ross,S.A.,

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
			British Petroleum España, S.A. and in the investment bank Charterhouse Limited where she held the position of 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 where she is a member of the Audit Committee and the Appointments and Corporate Governance 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	18.18

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 female directorships.

	Number of female directors				% of total female directors of each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Female Executives					0.00	0.00	0.00	0.00

	Number of female directors				% of total female directors of each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Female Proprietary Directors					0.00	0.00	0.00	0.00
Independent	2	1	1		40.00	25.00	25.00	0.00
Other external	1	1	1	1	50.00	50.00	50.00	50.00
Total	3	2	2	1	27.27	20.00	20.00	10.00

C.1.5 Indicate whether the company has diversity policies in relation to the company's board of directors with regard to issues such as age, gender, disability, or professional training and experience. As a minimum, small and medium-sized companies, in accordance with the definition contained in the Accounts Auditing Law, will have to inform of the policy they have established in relation to gender diversity.

[√] 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 has a specific policy on the Selection of Directors and Diversity of the Board of Directors approved by the Board itself.

In accordance with the principles of good corporate governance and following the amendment of the Code of Good Governance by the Spanish National Securities Market Commission (CNMV), this policy for director selection and diversity -public, specific and verifiable- was updated in 2020. The objective of the policy is to ensure that proposals for the appointment or re-election of directors are based on a prior analysis of the skills required by the Board of Directors and to encourage the diversity of knowledge, experience, age and gender required on the Board at all times, taking into account the vacancies to be covered and the structure and composition of the Board.

This policy establishes the principle of diversity. Based on this, the selection of directors should be guided by the aim of achieving a diverse and balanced composition of the Board of Directors which would contribute different points of view to the discussions it holds, thus enriching the decision-making process. With this in mind, in the selection of candidates for board members, consideration will be given to candidates whose appointment contributes to increasing the diversity of knowledge, skills, experience, origins, nationalities, age and gender. The selection process should avoid implicit biases that may imply discrimination and, in particular, make it difficult to select female directors. To this end, when the Appointments, Remunerations and Sustainability Committee or the Board itself, as the case may be, seeks a professional profile, the Company's interests shall be taken into consideration first, without prejudice to the fact that, when faced with two similar professional profiles, the one that represents the least represented gender shall be chosen.

The policy also determines that the Company will also promote diversity policies to work towards the Company having a significant number of female senior executives by means of effective equal opportunities, measures to balance personal and family life and by including candidates of the under-represented gender in all internal processes to cover management positions. In this regard, during the 2020 financial year the Board of Directors approved a new policy for equality of opportunity and diversity.

At the same time, the article 8 of the Board of Directors Regulations establishes 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 regarding representation for the least represented sex on the board of directors and the drafting of recommendations to reach this objective, for which the Appointments, Remuneration and Sustainability Committee was made responsible.

The Appointments, Remuneration and Sustainability Committee, following the process of evaluation of the Board and its Committees for the 2019 financial year, proposed to the Board of Directors who agreed that it would be appropriate to submit to the 2020 General Shareholders' Meeting 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 propose Ms Carmen de Pablo Redondo as a Director of Viscofan S.A. placing the percentage of women at 27.27%.

These proposals were approved at the General Shareholders' Meeting held on 24 April 2020.

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 would enable a balanced presence of women and men to be reached. Also indicate whether these measures include promoting the presence of a significant number of women in the company's senior management:

Explanation of measures

As a result of the assessment process undertaken by the Board and the Committees with regard to the 2020 financial year, the objective of achieving a greater presence of women on the Board of Directors was reaffirmed in accordance with the new recommendation in the Good Governance Code, so in the process for appointing and re-electing the members of the Board of Directors envisaged for 2022, the Appointments, Remuneration and Sustainability Committee would be looking for candidates that would enable this objective to be reach, always providing they met the requirements for skills in accordance with the skills matrix.
In 2020 the committee also promoted a new policy with regard to equality of opportunities and diversity that, together with the objectives included in the Company's current Sustainability Action Plan, envisaged measures to ensure there were a significant number of women in senior management.

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

Explanation of reasons

See previous point.

C.1.7 Explain the conclusions of the Appointments Committee regarding verification of compliance with the policy aimed at establishing an appropriate composition of the Board of Directors.

The Appointments, Remuneration and Sustainability Committee considers that the director selection and diversity policy has been suitably 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.

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

[ ] 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 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
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	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

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	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 COLLAGEN USA INC.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	JUPITER PTY LTD	DIRECTOR	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN COLLAGEN CANADA INC.	CHAIRMAN	NO
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN (THAILAND) CO. LTD	DIRECTOR	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
MS. AGATHA ECHEVARRÍA CANALES	SUPRALON VERPACKUNGS AG	DIRECTOR	NO
MR. NESTOR BASTERRA LARROUDÉ	VISCOFAN USA INC	VICE CHAIRMAN	NO
MR. NESTOR BASTERRA LARROUDÉ	NATURIN VISCOFAN GMBH	VICE CHAIRMAN	NO

Name of director (person or company)	Name of the Group Company	Position	Does the director hold executive functions?
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
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	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 JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN COLLAGEN USA INC.	VICE CHAIRMAN	NO
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN COLLAGEN CANADA 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	VECTOR USA INC	VICE CHAIRMAN	NO
MR JOSÉ ANTONIO CANALES GARCÍA	NATURIN VISCOFAN GMBH	DIRECTOR	YES
MR JOSÉ ANTONIO CANALES GARCÍA	VISCOFAN CZ S.R.O.	DIRECTOR	YES
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

Name of director (person or company)	Name of the Group Company	Position	Does the director hold executive functions?
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	VISCOFAN (THAILAND) CO. LTD	DIRECTOR	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 ESPAÑA S.L.U.	CHAIRMAN	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 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

Name of director (person or company)	Company name of the listed company	Position
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 IGNACIO MARCO-GARDOQUI IBAÑEZ	MINERALES Y PRODUCTOS DERIVADOS S.A.	DIRECTOR
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

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)	3,490
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 OF THE VISCOFAN GROUP
ANDRES DÍAZ	CHIEF OPERATIONS OFFICER OF THE VISCOFAN GROUP
GABRIEL LARREA	CHIEF COMMERCIAL OFFICER OF THE VISCOFAN GROUP
MS MARÍA DEL CARMEN PEÑA	CHIEF FINANCIAL OFFICER OF THE VISCOFAN GROUP
ÓSCAR PONZ	CHIEF PLASTICS DIVISION OFFICER OF THE VISCOFAN GROUP
ARMANDO ARES	CHIEF INVESTOR RELATIONS AND COMMUNICATIONS OFFICER OF THE VISCOFAN GROUP

Name (person or company)	Position(s)
CÉSAR ARRAIZA	CHIEF STRATEGY, ORGANISATION AND SYSTEMS OFFICER OF THE VISCOFAN GROUP
MR ALEJANDRO BERGAZ	HEAD OF INTERNAL AUDIT
MR JOSE ANTONIO CORTAJARENA	CHIEF LEGAL OFFICER OF THE VISCOFAN GROUP AND SECRETARY OF THE BOARD OF DIRECTORS
JOSÉ IGNACIO RECALDE	CHIEF DIVERSIFICATION AND TECHNOLOGY OFFICER OF THE VISCOFAN GROUP
JUAN JOSÉ ROTA	CHIEF HUMAN RESOURCES OFFICER OF THE VISCOFAN GROUP
RICARDO ROYO	EUROPEAN AREA GENERAL MANAGER OF THE VISCOFAN GROUP
EDUARDO AGUIÑAGA	GENERAL MANAGER MEXICO
LUIS BERTOLI	GENERAL MANAGER BRAZIL
JESÚS CALAVIA	GENERAL MANAGER SPAIN
BELÉN ALDAZ	HUMAN RESOURCES MANAGER SPAIN
MR GUILLERMO EGUIDAZU	GENERAL MANAGER UNITED STATES
MILOSLAV KAMIS	GENERAL MANAGER CZECH REPUBLIC
MR. ANGEL MAESTRO	GENERAL MANAGER URUGUAY
IÑIGO MARTINEZ IRIARTE	GENERAL MANAGER SERBIA
JUAN NEGRI	GENERAL MANAGER ASIA PACIFIC
MR. WILFRIED SCHOBEL	GENERAL MANAGER GERMANY

Number of women in senior management	2
Percentage over total members of senior management	9,09

Total senior management remuneration (thousands of euros)	6,082

C.1.15 Indicate whether there has been any change in the Board regulations during the year:

[ ] Yes
[√] No

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 assessment, the Board of Directors took the following measures in 2020, in addition to those undertaken in previous years:

a) On the structure and composition of the Board of Directors and Committees:

- There has been an increase in the percentage of independent external directors and of the least represented gender. The General Shareholders' Meeting of 2020 approved an increase in the number of directors from 10 to 11, for the purpose of strengthening the Board of Directors and increasing both the number of independent directors and the less represented gender on the Board of Directors. In this regard, the appointment of Ms Carmen de Pablo Redondo as a Director of Viscofan S.A. was approved with the category of independent external director.
- The number of members on the Board's two Committees was also increased and independent external directors were appointed with suitable skills and experience for the new positions:
o The Audit Committee increased from 5 to 6 members and Ms Carmen de Pablo Redondo was appointed as a new member.
o The Appointments and Remuneration Committee, renamed as the Appointments, Remuneration and Sustainability Committee for the purpose of adapting it to the functions assumed in matters of sustainability and corporate governance, was increased from 4 to 5 members and to adapt it to its new functions Mr Ignacio Marco-Gardoqui Ibáñez was appointed to this position.
This increase also led to a majority of independent directors as proposed in recommendations 47, 52, and 53 of the Good Governance Code for listed companies that recommends a majority of independent directors on the committee.

b) On the mandate of the Board of Directors and Committees:
- There has been an intensification of the inclusion of points of order in the agendas of the Board's sessions with regard to Group strategy.
- With regard to both the Board and the Committees, this has involved providing momentum for strategy with regard to sustainability and the Group's basic policies have been updated in this area.
- The activity undertaken by the Lead Independent Director was programmed and developed and meetings were held at different times with external directors, as well as with the Executive Chairman and reports were presented to the Board of Directors with conclusions regarding this activity.

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

Pursuant to Article 18 of Board of Director Regulations, each year the Board of Directors will evaluate:

a) the quality and efficiency of the Board’s operations, based on a report drawn up by the Appointments Committee;
b) the diversity of board membership and responsibilities;
c) the performance of their duties by the Chairman of the Board and the company's Chief Executive Officer, based on a report drawn up by the Appointments Committee. If the Chair is an executive director, the Lead Director shall conduct the regular assessment of the Chair of the Board of Directors.
d) the performance and contribution of individual directors, with particular attention to the Chairpersons of the committees.
e) the functioning and composition of the Board's committees, based on a report drawn up by each Committee.

Based on the results of this evaluation, the Board should propose an action plan to correct any shortcomings detected.

During the 2019 financial year, Korn Ferry was available for consultancy regarding this evaluation. His conclusions were presented to the Board of Directors at the meeting in January 2020 and as a result of this the Board approved a plan of action that was essentially detailed in the previous point in section C.1.17.

The assessment of performance in 2020 was made on the basis of a questionnaire whose purpose was to provide a specific view for each director with regard to both strong and weak points, as well as any other suggestions they may have with a view to improving the efficiency of the Board and of the Committees. The evaluation of the Executive Chairman was led by the Lead Director.

The questionnaire is divided into the following sections:

- Size and structure of the Board
- The Board's Mandate
- Team dynamics
- Fulfilment of mandate
- Administrative support and training
- Assessment of the Executive Chairman
- Operation of committees

The result of the questionnaire was analysed by the Appointments, Remuneration and Sustainability Committee of which the Lead Independent Director is a member, by the Audit Committee with regard to its own assessment, and the conclusions were presented to the Board of Directors when they met in January 2021, where the process was concluded and a plan of action approved to include the appropriate improvements.

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.

Not applicable

C.1.19 Indicate the circumstances under which Directors are obliged to resign.

In accordance with the provisions of article 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 serve at the pleasure of the Board of Directors and if the Board considers it appropriate, they will tender their resignation under the following circumstances:

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.

C.1.20 Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

[ ] Yes
[√] 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

C.1.22 Indicate whether the bylaws or the Board Regulations establish an age limit for directors:

[ ] Yes
[√] No

C.1.23 Indicate whether the bylaws or the Board Regulations establish a limited term of office or other stricter requirements in addition to those legally provided for independent directors, other than that established by law:

[ ] Yes
[√] No

C.1.24 Indicate whether the bylaws or the Board of Directors Regulations establish specific rules for proxy voting in the Board of 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 legislation. If so, briefly give details on such standards.

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 directors may only grant a proxy to another non-executive director.

C.1.25 Indicate the number of meetings the Board of Directors has held during the year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, proxies given with specific instructions will be counted as attendance.

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

Indicate the number of meetings held by the coordinating director with the other directors that have not been attended or without representation by any executive directors:

Number Meetings	3

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

Number of AUDIT COMMITTEE Meetings	13
Number of meetings of the APPOINTMENTS, REMUNERATION AND SUSTAINABILITY COMMITTEE	7

C.1.26 Indicate the number of meetings held by the Board of Directors during the year and provide information about member attendance:

Number meetings attended in person by at least 80% of the directors.	12
% of meetings attended in person of the total votes during the year	100.00
Number of meetings attended in person, or by a representative with specific instructions, for all directors	12
% of votes cast with attendance in person, or by a representative with specific instructions	100.00

over the total votes during the financial year	

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 JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN
MR JOSÉ ANTONIO CANALES GARCÍA	GENERAL MANAGING DIRECTOR
MS MARÍA CARMEN PEÑA	CHIEF FINANCIAL OFFICER VISCOFAN GROUP

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the final accounts that the Board of Directors present to the general shareholders' meeting are drawn up in accordance with accounting regulations.

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:

"D) In relation to the external auditor:
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."

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 detail the characteristics of the internal control system and its implementation in all the Group's companies and to involve them in their fulfilment and maintain bidirectional communication to enable 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	

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) The Audit Committee will likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.
(iii) 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 provided 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 policy regarding communication with shareholders, institutional investors, proxy advisors and regarding economic-financial, non-financial and corporate information establishes that Viscofan's Board of Directors is responsible for managing and overseeing the information supplied to shareholders and markets and relations with shareholders, institutional investors and voting advisors, as well as that relating to the communication of economic-financial, non-financial and corporate information through the channels it deems appropriate in order to contribute to
maximising the dissemination and quality of the information available to the market, investors and other stakeholders by adopting the appropriate measures to protect the exercise of their rights within the framework of the defence of corporate interests, all in accordance with the following principles:

a) Dissemination of information in a transparent, clear, truthful, homogeneous and simultaneous manner, which enables assessment of Viscofan's management and economic-financial and non-financial results.
b) Equal treatment in the recognition and exercise of the rights of all shareholders in identical conditions and ensuring the application of the legal regime with regard to conflicts of interest.
c) Promoting ongoing and permanent information for shareholders, institutional investors, proxy advisors and other users of economic-financial, non-financial and market information in general, not only on the occasion of the Annual General Meeting, for which the Company will provide effective channels to facilitate the exchange of communication with regard to the management of the Company, in accordance with the law and the Company's internal regulations.
d) Development of information tools and communication channels that maximise the advantages of new technologies in relations with shareholders.
e) Compliance with the provisions of the applicable regulations and the principles of cooperation and transparency with the competent authorities, regulatory bodies and administrations, avoiding manipulation and observing standards of integrity and honour.

C.1.31 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing 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 that the previous amount represents over the total fees charged for auditing work to the company and/or its group:

[ ] Yes
[√] No

C.1.33 Indicate whether the audit report on the annual financial statements for the previous year contained any qualifications. If so, indicate the reasons given to the shareholders at the General Shareholders' Meeting by the chairman of the audit committee to explain the content and scope of these qualifications.

[ ] Yes
[√] No

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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
Number of consecutive years	4	4

	Individual	Consolidated
Number of years audited by current audit firm / number of years the company or its group have been audited (%)	13.33	14.82

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 Directors Regulations. Right to Information

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 appropriate detail, if the company has established rules that oblige directors to report and, if applicable, to resign where situations arise that may affect them, whether or not they are related to their actions in the company itself and that may harm the credit or reputation of the company:

[√] Yes
[ ] No

If so, describe such rules:

It has been reported in point C.1.19 above

C.1.37 Indicate, unless special circumstances apply that have been entered into the minutes, whether the Board has been informed or in any way discovered circumstances affecting a director, whether or not they are related to their actions in the company itself and that may harm the credit or reputation of the company:

[ ] Yes
[√] No

C.1.38 Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

No significant agreements have been made with these characteristics.

C.1.39 Identify individually with regard to directors and in aggregate terms in the remaining cases, and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons
resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries	2
Beneficiary type	Description of the agreement
MR JOSE DOMINGO DE AMPUERO Y OSMA - CHAIRMAN. MR JOSÉ ANTONIO CANALES GARCÍA - MANAGING DIRECTOR	MR JOSE DOMINGO DE AMPUERO Y OSMA: Indemnity of two years' fixed salary for cases provided for in the remuneration policy, with two years of non-competition MR JOSE ANTONIO CANALES GARCÍA: Indemnity of two years' fixed salary for cases provided for in the remuneration policy, with two years of non-competition.

Indicate whether, apart from the events provided for by the regulations, these contracts should be disclosed to and/or approved by the company or group governance bodies: If so, specify the procedures, foreseen assumptions and the nature of the bodies responsible for their approval or communication:

	Board of directors	General shareholders' meeting
Body that authorises the provisions	√	

	Yes	No
Is the General Meeting informed of the clauses?	√	

C.2. Board of Directors Committees

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

AUDIT COMMITTEE		
Name	Position	Category
MS LAURA GONZÁLEZ MOLERO	CHAIRMAN	Independent
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	DIRECTOR	Independent
MR JOSE MARÍA ALDECOA SAGASTASOLOA	DIRECTOR	Independent
MS AGATHA ECHEVARRÍA CANALES	DIRECTOR	Other External
MR SANTIAGO DOMECQ BOHÓRQUEZ	DIRECTOR	Nominee
MS CARMEN DE PABLO REDONDO	DIRECTOR	Independent

% Executive Directors	0,00
% Nominee Directors	16.67
% Independent Directors	66.67
% of other external directors	16.67

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 financial 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 Director 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 AGATHA ECHEVARRÍA CANALES / MR SANTIAGO DOMECQ BOHÓRQUEZ / MS CARMEN DE PABLO REDONDO
Date that the chairman was appointed to post	24/04/2020

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APPOINTMENTS, REMUNERATION AND SUSTAINABILITY COMMITTEE		
Name	Position	Category
MR JAIME REAL DE ASUA Y ARTECHE	CHAIRMAN	Independent
MR JOSE MARÍA ALDECOA SAGASTASOLOA	DIRECTOR	Independent
MR NESTOR BASTERRA LARROUDÉ	DIRECTOR	Other External
MR JUAN MARCH DE LA LASTRA	DIRECTOR	Nominee
MR IGNACIO MARCO-GARDOQUI IBAÑEZ	DIRECTOR	Independent

% Executive Directors	0.00
% Nominee 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 financial 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							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITEE	3	50.00	2	40.00	2	40.00	0	0.00
APPOINTMENTS, REMUNERATION AND SUSTAINABILITY 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.

The Audit Committee and the Appointments, Remuneration and Sustainability Committee are regulated under article 33 of the Company By-Laws, registered in the Commercial Register and published on the company's website (www.viscofan.com) in consolidated text including all the current provisions.

The Audit Committee is governed by Article 15 of the Board of Directors Regulations and the Appointments, Remuneration and Sustainability Committee by Article 16 of the same regulation, as posted on the company's website, duly filed with the Spanish CNMV and registered in the Commercial Register.

Both Committees, within the framework of the annual process for assessing their performance, prepared and presented a report to the Board of Directors detailing the activity undertaken by each committee during the 2020 financial year in compliance with their duties, and which is explained in greater detail in the above section C.2.1. A summary of the annual activity report for both Committees was presented to the General Shareholders' Meeting by their respective Chairpersons.

The Audit Committee also drafted an annual report on auditor independence and a report on related transactions, both of which were made available to the shareholders.

The Audit Committee and the Appointments, Remuneration and Sustainability Committee are governed by their own regulations that are published on the corporate website, in the Corporate Governance section, Regulations and Policies subsection.

Under corporate governance's ongoing review process, and also on the basis of the amendment made in June 2020 to the Good Governance Code for listed companies, the Board of Directors of Viscofan S.A at a meeting held on 17 December 2020 approved an update to the Regulations for the Appointments, Remuneration and Sustainability Committee, and to the Regulations for the Audit Committee for the purpose of detailing the duties and operations of the Committees more precisely and in accordance with the updated Good Governance Code, notwithstanding the inclusion of any technical improvements where this was deemed appropriate.

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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 undertakes with directors, with major shareholders or representatives on the Board, or with persons related to them ("related-party transactions").

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

1st. They are governed by standard agreements applied across the board to a large number of clients;
2nd. 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 529b Section, 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	Interest paid	61
CORPORACIÓN FINANCIERA ALBA S.A.	VISCOFAN S.A.	Contractual	Other	35

The interest paid corresponds to a loan of 10 million euros taken out in the 2019 financial year with Banca March S.A., an entity related to Corporación Financiera Alba 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 of the related party (person or company)	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 made 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.

D.7. Indicate whether the company is controlled by another entity in accordance with Article 42 of the Commercial Code, listed or not and whether it has a direct business relationship with this company or any of its subsidiaries (other than the listed company) or undertakes any activity relating to any of them.

[ ] Yes
[√] No

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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.

The Viscofan Group risk management system is governed by the Risk Control and Management Policy, whose purpose is to establish the basic principles and general action framework to identify, measure, prevent and mitigate risks of all types that may affect the creation of value that is sustainable and shared but its stakeholders.

This policy establishes that the Viscofan Group's integral risk control and management system will be applied to all its companies, it will be mandatory for all administrators, directors and employees and will be followed in accordance with the basic principles of integration into management, adaptation to changes, transparency, ongoing improvement and the application of best international practices for good governance. It should include at least the following activities:

a. Identifying the main risks taking into account their impact on the creation of sustainable and shared value for the Viscofan Group's stakeholders within the Strategic Plan in force at any given time and assessing their probability of occurrence and impact in order to prioritise them accordingly.
b. Determining risk appetite by establishing tolerances and suitably monitoring their development with key risk indicators.

c. Implementing a control system integrated into the internal rules and regulations of the Viscofan Group, including the identification and assessment of the controls and contingency plans necessary to mitigate the impact in case the risks materialise.
d. Assessing the effectiveness of the control system and its application, as well as its compliance by all Viscofan Group employees.
e. Establishing action plans in the event that the occurrence of one of the main risks negatively affects the creation of long-term sustainable value, taking residual risk to an acceptable risk level. As a direct consequence of this reduction in the level of risk, it will be necessary and appropriate to reassess and prioritise these risks, forming a continuous process of risk management
f. Auditing of the system by the Internal Audit Division.

Within the framework of the integral risk control and management system, the Viscofan Group has drawn up risk maps which represent the key risks, based on their impact and probability. This will serve as a management tool which enables informed decision making, defined in Risk Records which identify the key risk indicators together with their corresponding tolerances, the associated controls and management measures and, where appropriate, the action plans to be implemented. These records enable the Company to assess and monitor its risks and determine the most appropriate response to them, and they are periodically reviewed and updated.

The Global Risk Committee met four times in 2020 to update the risk map and the methodology as well as to assess and monitor the main risks.

The organisation's risk map was defined in accordance with the code of conduct, internal regulations and the MORE TO BE Strategic Plan, which includes different types of risks (market, business, operational, credit, social, environmental, climate change, technological, legal and regulatory), and is presented adopting the COSO methodology, grouping the existing risks in four categories in accordance with type of objective they affect: strategic, operational, information and compliance.

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

BOARD OF DIRECTORS
In accordance with Article 5 of the Company Board of Directors Regulations, relating to "Exclusive Powers", the risk control and management policy, including tax risks, and the regular monitoring of internal information and control systems constitute one of the issues that may only be heard and addressed by the Board of Directors in full session.

AUDIT COMMITTEE
It is a specific responsibility of the Audit Committee to oversee the suitability of the control policies and procedures implemented and to review the internal control systems and risk management, financial and non-financial, and the adaptation of the control policies and procedures implemented so the main risks can be identified, managed and suitably disseminated. The Audit Committee will establish monitoring mechanisms, including appearances by executives in relation to risk management and periodic reporting to the Board on the situation and implementation of the integral risk control and management system.

INTERNAL AUDIT
Their purpose is to promote the application of Risk Management in all activities and supervise to ensure that significant risks are suitably identified, assessed, managed and controlled. They have a broad presence on specific risk Committees.

ETHICS AND REGULATORY COMPLIANCE COMMITTEE

It is responsible for supervising the risks specific to the Group with regard to criminal liability or any other non-compliance, and for assessing, implementing and monitoring the Compliance System. It is responsible for regularly reporting on the implementation and monitoring of the Group's compliance system and reporting on it to the Audit Committee, as well as for proposing its review and/or updating.
In particular, with regard 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.

GLOBAL RISK COMMITTEE
The Global Risk Committee is a collegial body whose purpose is to identify and assess the main risks threatening the Viscofan Group, making a deeper analysis of their organisation and recommendations for the actions required to manage the risks within the established margins.

CREDIT RISK COMMITTEE
It is established as a supervisory and control body for those risks related to customer payment management. The objective of this Committee is to delve into the prevention, monitoring and solution of the risks mentioned, via the creation and implementation of the instruments considered most appropriate at the time.

INVESTMENTS COMMITTEE
Its main purpose is to control and supervise compliance with the Investment Plan approved by the Board of Directors. To achieve this, it meets 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.

CYBERSECURITY COMMITTEE
It is in charge of defining the strategic objectives of the Group's Cybersecurity, ensuring the secure management of information and assuring the state of protection, as well as periodically monitoring compliance with regulations, risk projects and situations and incidents.

SUSTAINABILITY COMMITTEE
This is the body responsible for coordinating and supervising the Sustainability Action Plan, the initiatives, work plans and long-term objectives for the same. The committee reports to the Appointments, Remuneration and Sustainability Committee, the Board of Directors' internal body responsible for the supervision, development and improvement of the Company's sustainability policies.

SENIOR MANAGEMENT
It is responsible for identifying and assessing the risks faced by the Group in the course of its activity and taking appropriate measures to prevent these risks from occurring or, if they do occur, to reduce or eliminate their impact. Therefore, it plays a fundamental role in designing and implementing control mechanisms and ensuring their fulfilment across the organisation.

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 faced by the Viscofan Group may prevent the achievement of objectives and the creation of value that is sustainable and shared with the stakeholders. During the 2020 financial year the comprehensive risk management and control system monitored these risks and identified those that were most critical (by expected impact and probability of occurring), as well as considering new risks and assessing their development.

The main sources of risks that may affect the Viscofan Group's activities in the coming financial years are the following:

- The competitive environment within the sector, both with regard to competitors and the appearance of substitute products.
- Cybersecurity due to exposure as a result of leadership in the sector and greater mobility and connectivity.
- Variations in the rate of exchange, especially the Euro against the USD.
- The fiscal environment that affects commercial and financial transactions and is subject to tax regulations and norms in different countries.
- The cohesion of the Group arising from the internationalisation and dispersion of the production centres.
- The budgetary planning and control process.
- Environmental risks and those resulting from climate change.
- Customer satisfaction linked to product quality, customer service and services provided.
- Meeting expectations with regard to the group's stakeholders and Viscofan's reputation.
- Material damages resulting from impairment or a sudden loss of value due to extraordinary circumstances.
- Technological change and its impact on innovation and internal technologies.
- The integrity of financial and non-financial information.
- Work-related accidents that could affect people's physical integrity.
- The pandemic and its repercussions on the value chain and the business environment.

All these risks are included in the Viscofan Group's risk control and management system, and this includes the methodology required for the identification and ongoing inclusion of new risks.

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E.4. Identify if the company has risk tolerance levels, including tax risk.

The Viscofan Group's risk control and management system includes establishing the levels of tolerance to the risk, including tax risks, both at an individual and a joint level for each risk. Their management falls within the framework of the risk control and management policy, the specific policies approved by the Board of Directors and the resulting risk management procedures. The latter include the Fiscal Policy that enables the Board of Directors to establish fiscal strategy with a view to guaranteeing the application of action principles that will enable fiscal risk to be minimised.

In the 2020 financial year low tolerance levels for risk continued to be established resulting in proactive management of the main risk indicators.

Risks are prioritised in terms of their impact and probability based on quantitative and qualitative criteria, and this makes it possible to create a risk map for the Viscofan Group based on the establishment of risk appetite. Furthermore, the main risk indicators are identified for each risk and these are instruments for establishing tolerance to risk by setting threshold or reference values.

During the 2020 financial year the Viscofan Group monitored the values of the risk indicators and the defined thresholds, so where these thresholds were exceeded the required management measures were taken to redirect the risks to the defined tolerance level. This management applies to the materialised risks and the response plans described in sections E.5 and E.6 below.

This methodology was extended to some of the Group's main companies in 2020 and this is expected to be significantly completed in 2021, with the aim of complementing Group management and supervision with that undertaken in each subsidiary as part of an ongoing bidirectional improvement process and to extend risk management by integrating it into local management systems.

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

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.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 different risk committees met monthly and quarterly and their results were supervised by the Audit Committee that in its monthly meetings was informed by the Internal Audit Division and reviewed the reports of the Global Risk Committee at least every quarter and reported to the Board of Directors.

Viscofan Group's integral risk control and management system described in sections E.1 (scope) and E.2 (responsible bodies) was applied in response to and to supervise the main risks that materialised in the 2020 financial year. These risks and the plan to respond to and supervise them is detailed in section E.5 above.

With regard to the remaining risks, the main plans and actions taken during the 2020 financial year were as follows:

- Projects continued to be promoted to improve the levels of service, quality and productivity that would result in greater protection of the market share and even take advantage of the shortage of animal intestines that could be replaced by Viscofan products and the price strategy was adapted to the market situation and developments with regard to raw materials.
- A sustainability strategy and plan were deployed, together with the corresponding policies approved by the Board of Directors and a committee was set up to manage sustainability risks.
- The required insurance policies were taken out in all the Viscofan Group's areas of risk (personal, assets, third-party liabilities and environment).
- The development of a Master Plan for Information Systems and the implementation and planning of actions in matters of cybersecurity.
- Innovation and diversification as a source of competitive advantage and growth.
- The development of people and cohesion plans to maintain and promote the Viscofan Group's culture and values adapted to the specific circumstances prevalent in each of the countries in which it operates.

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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 responsible for 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 publishes 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. This establishes the conduct guidelines required in order to ensure that Group personnel act correctly, regardless of the country or department in which they 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 Policy for Financial and Non-Financial Information (updated during the 2020 financial year), was 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 achieve this, the Board of Directors will have the collaboration of the Ethics and Regulatory Compliance Committee, a body that is responsible for managing and monitoring compliance with the Code of Conduct, and reports at least twice a year to the Audit Committee which is the committee delegated by the Board in this area.

· 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 this purpose a whistle-blowing channel has been implemented and is regularly operational as a virtual space for Group employees to discuss matters associated with compliance with the Code of Conduct and, generally, with the all of the Viscofan Group's ethical 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. During the 2020 financial year a whistle-blowing channel was opened to third parties and the possibility of processing anonymous complaints was included, under terms and with the guarantees legally established.

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 specific training 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.

The employees of the Internal Audit department follow the guidelines laid down the Spanish Institute of Internal Auditors of which Viscofan is a member, and undertake any training required to comply with their functions and best practices.

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 have worked together to create and implement controls in the Fiscal and Legal areas.

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 during the period, together with a risk assessment based on qualitative criteria and monitoring is undertaken 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 identification 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 may be correctly identified, managed and suitably 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.

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 2020, further progress was made in the improvement and standardisation of evidence provided by the companies within the Group and the streamlining of the controls in certain functional areas (mainly Commercial, Human Resources and Purchasing) jointly undertaken by the Internal Audit and Corporate Finance departments, and with the collaboration of those responsible at a corporate level.

Existing controls were analysed, and this resulted in changing from local to corporate supervision, or converting local into corporate control and reaching an agreement on what was the most suitable evidence to be used for implementation.

The Corporate Finance Department continued to implement and/or increase the ICFR in a number of the Group's subsidiaries during this year.

Evidence was also created to control those subsidiaries with ERP NAVISION.

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 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."

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.

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 January 2021, and was applied to the financial statements for the 2020 financial year.

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 standardisation of the information received.

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, information will be given on the scope of the ICFR assessment undertaken during the year and on the procedure by which the person in charge of performing the assessment communicates its results, where the entity has an action plan listing the possible corrective measures, and whether its impact on 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 includes determining whether the Viscofan Group's risk management, control and corporate governance processes, designed and operated by Management, are suitable and functioning in a manner that ensures that significant financial, management and operational information is accurate, reliable and available in a timely manner.

During the financial year of 2020, the Internal Audit work plan specifically focussed on:

- Participation in the Investment Committee, overseeing its activity. In 2020, 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 seven 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 described above, undertaking the reassessment and the redefinition of some risks in the already existing Risk Map (defined in 2016 based on the new MORE TO BE strategic plan for the 2016-2020 period), redefining all the KRIs associated with each of these risks, as well as monitoring the values of these KRIs. In 2020, at the proposal of the Global Risk Committee work began on assessing the risks in greater detail, by individual Group company. 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. 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 a number of national and international subsidiaries in compliance with the annual Audit Plan approved for 2020

- The monitoring of the implementation of the recommendations arising from the reviews of the different processes audited in the past. For this purpose there is a tool to monitor Internal Audit's recommendations, with the creation of reports for Senior Management.

- The Internal Audit team conducts ongoing independent review of the effectiveness of the different controls implemented on the ICFR platform, both through the quarterly reviews made of the ICFR controls and actions approved in the annual audit plan that enable analysis to be made of the controls implemented to mitigate the risks being audited. Subsequently, these conclusions are discussed with the Corporate Finance Department as the head of the System, agreeing on action plans to correct any possible shortcomings. Subsequently, these conclusions are presented to the Audit Committee for its consideration prior to the approval of the financial information to be published.

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

F.5.2 Whether there is a discussion procedure by which the auditor (in accordance 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 in accordance with the law and with internal corporate governance regulations. 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 ICFR information was subjected to review by our external auditors, PwC in accordance with the Professional Action Guidelines and the Audit Report model concerning SCIIF-related information on listed companies as laid down in Circular No. 5/2013 of 12 June by the National Securities Market Commission (CNMV), subsequently amended by Circular No. 7 2015 of the CNMV on 22 December 2015 and Circular No. 2/2018 of the CNMV on 12 June 2018.

CNMV
COMISIÓN
NACIONAL
DEL MERCADO
DE VALORES

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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

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

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

   Complies [X]   Explain [ ]

2. That, when the listed company is controlled in accordance with Article 42 of the Commercial Code by another entity, listed or not, and has a direct business relationship with this company or any of its subsidiaries (other than the listed company) or undertakes any activity relating to any of them, this is reported publicly, with specific information about:

   a) The respective areas of activity and any business relationships between the listed company or its subsidiaries on one hand, and the parent company or its subsidiaries on the other hand.

   b) The mechanisms envisaged to resolve any possible conflicts of interest that may arise. Complies [ ]Partially complies [ ]

   Explain [ ]   Not applicable [X]

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

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

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

   Complies [X]   Partially complies [ ]   Explain [ ]

4. The company should define and promote a policy relating to communication and contacts with shareholders and institutional investors within the framework of their involvement with the company, as well as with proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be published on the company's website, complete with details of how it has been put into practice and the identities of the relevant spokespersons or those responsible for its implementation.

   And that, notwithstanding the legal obligations for the dissemination of privileged information and other types of regulated information, the Company also has a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it deems appropriate (the media, social networks and other channels), which contributes to maximising the dissemination and quality of the information available to the market, investors and other stakeholders.

   Complies [X]　　Partially complies [ ]　　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.

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

   Complies [X]　　Partially complies [ ]　　Explain [ ]

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

   a) Report on auditor independence.

   b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

   c) Audit committee report on third-party transactions.

   Complies [X]　　Partially complies [ ]　　Explain [ ]

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

   And that the company has mechanisms the enable the delegation and exercise of voting by means of telematics and, in the case of large cap companies and as far as is commensurate, attendance and active participation in the General Shareholders' Meeting.

   Complies [X]　　Partially complies [ ]　　Explain [ ]

CNMV COMISIÓN NACIONAL DEL MERCADO DE VALORES

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

In accordance with the provisions of Article 41 of Royal Decree-Law 8/2020 of 17 March, on extraordinary urgent measures to combat the social and economic impact of COVID-19, attendance by shareholders at the General Shareholders' Meeting held on 24 April 2020 was exclusively by telematic means, and for this purpose was broadcast on the corporate website, www.viscofan.com.

8. That the audit committee ensures that the annual accounts presented by the board of directors to the general shareholders' meeting are prepared in accordance with accounting regulations. And that where the accounts auditor has included any provisos in the audit report, the chairperson of the audit committee should clearly explain at the general shareholders' meeting the opinion of the audit committee of its content and scope, when the general shareholders' meeting is called, to provide the shareholders with a summary of this opinion, together with the board's other proposals and reports.

   Complies [X] Partially complies [ ] 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 conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

   Complies [X] Partially complies [ ] Explain [ ]

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

    a) Immediately circulate the supplementary items and new proposals.

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

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

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

    Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

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

    Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

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

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

Complies [X]   Partially complies [ ]   Explain [ ]

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

Complies [X]   Explain [ ]

14. That the Board of Directors should approve a policy aimed at establishing a suitable composition of the Board of Directors and which:

a) is specific and verifiable.

b) ensures that the appointment or re-election proposals are based on a prior analysis of the skills required by the Board of Directors; and

c) encourages a diversity of knowledge, experience, age and gender. With regard to this, measures that promote gender diversity are those promoting the presence of a significant number of women in the company's senior management.

That the results of the prior analysis of the skills required by the board should be included in the appointment committee's justifying report that is published when the general shareholders' meeting is convened and in which the appointment and re-election of each director will be ratified.

The appointments committee should run an annual check on compliance with this policy and include its findings in the annual corporate governance report.

Complies [X]   Partially complies [ ]   Explain [ ]

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

    And that the number of female directors should represent at least 40% of the members of the Board of Directors by the end of 2022 and thereafter, and before this should never be less than 30%.

    Complies [ ] Partially complies [X] Explain [ ]

Nominee and independent directors represent a broad majority of the Board, amounting to 7 out of a total of 11 directors (64%) and the number of executive directors is the minimum required, bearing in mind the complexity of Viscofan Group, with a total of 2 out of 11 directors (18%).

In recent years Viscofan has increased the number of female directors from 1 to 3, currently representing 27.27% of the total number of directors, very near the established percentage. The Policy on Selection of Directors and Diversity in the Board of Directors is based on the principle of diversity established, so when the Appointments, Remuneration and Sustainability Committee or the Board itself, as the case may be, seeks a professional profile, the Company's interests shall be taken into consideration first, notwithstanding that, when faced with two similar professional profiles, the one that represents the least represented gender shall be chosen. As a result of the assessment process undertaken by the Board and the Committees with regard to the 2020 financial year, the objective of achieving a greater presence of women on the Board of Directors was reaffirmed in accordance with the new recommendation in the Good Governance Code, so in the process for appointing and re-electing the members of the Board of Directors envisaged for 2022, the Appointments, Remuneration and Sustainability Committee would be looking for candidates that would enable this objective to be reached, always providing they meet the requirements for skills in accordance with the skills matrix.

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

    This criterion can be relaxed:

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

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

    Complies [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.

    Complies [ ] 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 with regard to those that either 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, or those companies whose share ownership includes shareholders that individually or together with others hold 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 even if it were a decision not made by the Company, outside the scope of their control that could have the effect of modifying the monitoring of the recommendations within the same fiscal year without the possibility of taking no action in the respect, as in this case, the Code of good governance for listed companies approved by Agreement of the Board of the Spanish National Securities Market Commission (CNMV) on 18 February 2015 and reviewed in June 2020, establishes that inclusion in the IBEX is the determining criteria regardless of the objective data for capitalisation, and in this regard, the Company does not follow the recommendation that the independent directors represent half of the board although it considers that for its capitalisation it should comply with the recommendation that the number of independent directors should represent at least 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.

18. Companies should disclose the following information on their directors on their websites and keep it regularly updated:

a) Background and professional experience.

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

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

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

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

Complies [X]   Partially complies [ ]   Explain [ ]

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

Complies [ ]   Partially complies [ ]   Explain [ ]   Not applicable [X]

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

    Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

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.

    Complies [X] Explain [ ]

22. That companies should establish rules obliging directors to disclose any circumstance and, where appropriate, resign when circumstances arise that affect them, whether or not they are related to their actions within the company itself, that might harm the organisation's name or reputation and, in especially, to inform the board of any criminal charges in which they may be investigated, and their involvement in any subsequent legal proceedings.

    And that, if the Board has been informed or become aware in any other way of the existence of any of the situations mentioned in the previous paragraph, the case should be examined as soon as possible, according to the specific circumstances and with a prior report to the Appointment and Remuneration Committee, to determine whether or not any measures should be taken, such as opening an internal investigation, asking the director to resign or proposing their dismissal. And that a report regarding this is included in the annual corporate governance report, unless there are special circumstances to justify this, in which case they should be confirmed in the minutes. All this
    notwithstanding the information that the company needs to provide, where applicable, at the time when the measures are taken.

    Complies [X] Partially complies [ ] 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.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

24. That directors who give up their place before their tenure expires, through resignation or agreement at the general shareholders' meeting, should clearly state their reasons for their resignation or, in the case of non-executive directors, their opinion of the for their dismissal by general meeting in a letter to be sent to all members of the board of directors.

And that, notwithstanding including all this in the annual corporate governance report, insofar as it concerns the investors, the company should publish the dismissal as soon as possible making sufficient references to the reasons or circumstances given by the director.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

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

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

Complies [X] Partially complies [ ] Explain [ ]

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

Complies [X] Partially complies [ ] Explain [ ]

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

Complies [X] Partially complies [ ] Explain [ ]

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

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

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

Complies [X] Partially complies [ ] Explain [ ]

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

Complies [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.

Complies [X] Partially complies [ ] Explain [ ]

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

Complies [X] Partially complies [ ] Explain [ ]

33. That the Chairman, as the person responsible for the effective operation of the Board of Directors, in addition to attending to his/her legally and statutorily attributed functions, should prepare a programme with dates and issues to address to be submitted to the Board of Directors; he/she should organise and coordinate the regular assessment of the board, and where applicable, that of the company's chief executive; he/she should be responsible for managing the board and for the effectiveness of its performance; he/she should ensure that enough time is given to discussing strategic matters, and should agree and review the knowledge updating programmes for each director, when circumstances so advise.

Complies [X] Partially complies [ ] Explain [ ]

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

Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

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

Complies [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) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

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

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

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

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

Complies [X]   Partially complies [ ]   Explain [ ]

37. That where an executive committee exists, it should include at least two non-executive directors, at least one of whom should be independent; and the secretary should be that of the board of directors.

Complies [ ]   Partially complies [ ]   Explain [ ]   Not applicable [X]

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

Complies [ ]   Partially complies [ ]   Explain [ ]   Not applicable [X]

39. That the members of the Audit Committee as a whole and, particularly, the Chairman thereof, should be appointed taking into account their background knowledge and experience in accounting, auditing and the management of financial and non-financial risks.

Complies [X]   Partially complies [ ]   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.

Complies [X]   Partially complies [ ]   Explain [ ]

41. That the head of the unit responsible for internal auditing should submit their annual work plan to the Audit Committee to be approved by them or by the board, report directly to them with regard to its execution, including and possible incidents or restrictions to the scope of its actions, the results and monitoring of its recommendations and at the end of each financial year to submit an activity report.

Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

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) Supervise and assess the preparation process for and the integrity of the financial and non-financial information, the financial risk control and management systems relating to the company and, where applicable, to the Group (including operational, technological, legal, social, environmental, policy, reputational and relating to corruption) to review compliance with regulatory requirements, a suitable delimitation of the consolidation perimeter and the correct application of accounting criteria.

   b) Monitor the independence of the unit responsible for the internal audit function; propose the selection, appointment, and removal of the head of the internal audit service; propose the service's budget; approve or propose approval to the board for its priorities and the annual work for internal auditing, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational); 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 and others related to the company, such as directors, shareholders, suppliers, contractors and sub-contractors, can report any significant irregularities, including financial and accounting irregularities,
   or of any other nature, relating to the company that are observed in the heart of the company or its group. This mechanism should guarantee confidentiality and, in any case, envisage the possibility of the notifications being made anonymously, always respecting the rights of both the accuser and the accused.

   d) Generally safeguard that the established policies and systems with regard to internal control are applied effectively in practice.

2. With respect to the external auditor:

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

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

   c) Ensure that the company notifies any change of auditor through the Spanish Securities Market Commission (CNMV) and accompanies the notification with a declaration on the possible existence of disagreements with the outgoing auditor and with the contents of the audit, if any.

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

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

Complies [X] Partially complies [ ] Explain [ ]

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

Complies [X] Partially complies [ ] Explain [ ]

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

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

45. That risk control and management policy should identify or conform at least the following:

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

b) A risk control and management model based on different levels and that should include a committee specialising in risks when sector norms envisage this or if the company feels it is appropriate.

c) The risk level the company feels is acceptable.

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

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

Complies [X] Partially complies [ ] Explain [ ]

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

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

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

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

Complies [X] Partially complies [ ] Explain [ ]

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

Complies [X]   Partially complies [ ]   Explain [ ]

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

Complies [ ]   Explain [X]   Not applicable [ ]

The composition and operation of the company is undertaken in accordance with the best practices and considering Viscofan as a medium capitalisation company in accordance with the commonly accepted international standards and to the company's trajectory with regard to corporate governance. The Company feels that its current size and that of the Board of Directors do not justify the separation of both committees, which would also involve the assigning of greater resources to the Board of Directors to remunerate the members that sit on these committees

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

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

Complies [X]   Partially complies [ ]   Explain [ ]

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

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies [X]   Partially complies [ ]   Explain [ ]

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

Complies [X]   Partially complies [ ]   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) That the board of directors 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 and discuss their proposals and reports; and provide report-backs on their activities and work at the first plenary meeting of the board of Directors 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.

Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

53. That the supervision of compliance with the company's rules and policies regarding environmental, social and corporate governance issues, as well as the internal code of conduct, should be attributed to one or shared between several Board of Directors' committees that could include the Audit Committee, the Appointments Committee, a committee specialising in sustainability or corporate social responsibility or any other
specialist committee that the Board of Directors decides to create in accordance with its powers of self-governance. And that this committee should only consist of non-executive directors, most of
whom will be independent and they should be assigned the minimum functions as detailed in the following recommendation.

Complies [X]   Partially complies [ ]   Explain [ ]

54. The minimum functions referred to in the above recommendation are the following:

a) Supervision of compliance with the company's corporate governance rules and internal codes of conduct, whilst ensuring that corporate culture is in line with its purpose and values.

b) Supervision of the application of the general policy regarding the notification of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisers and other stakeholders. There will also be monitoring of how the entity communicates with and relates to small and medium-sized shareholders.

c) Regular assessment and review of the Company's corporate governance system and its policy regarding environmental and social issues, with the purpose of confirming compliance with its mission to promote social interest and where appropriate, taking into account the legitimate interests of remaining stakeholders.

d) Supervision that the company's practices regarding environmental and social issues are in accordance with the established strategy and policies.

e) Monitor and assess the company's interaction with its stakeholder groups.

Complies [X]   Partially complies [ ]   Explain [ ]

55. That sustainability policies regarding environmental and social issues identify and include at least the following:

a) The principles, commitments, objectives and strategy relating to shareholders, employees, customers, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illicit behaviour

b) The methods and systems for monitoring compliance with the policies, associated risks and their management.

c) The mechanisms for supervising non-financial risk, including that relating to ethics and business conduct.

d) Channels for stakeholder communication, participation and dialogue.

e) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies [X]   Partially complies [ ]   Explain [ ]

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies [X]   Explain [ ]

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above will not be applicable to shares that the director has to sell to satisfy costs related to their acquisition.

Complies [X]   Partially complies [ ]   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.

Specifically, variable components of remuneration should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that take into account the risk assumed to obtain a given result.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) They should be drafted based on a balance between meeting objectives in the short, medium and long term, that will enable remuneration to take into account ongoing performance over a period of time that is sufficient to be able to appreciate the contribution to the creation of sustainable value, so performance measurement will not be based solely on one-off, occasional or extraordinary events.

Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

59. That the payment of variable remuneration components should be subject to sufficient verification that performance criteria have effectively been met, or any other criteria previously established. In their annual report on remunerations to directors, entities will include the criteria with regard to the time required and the methods used for this verification in accordance with the nature and characteristics of each variable component.

That the entities should also assess the creation of a reduction clause ("malus") based on deferring for a suitable period of time the payment of part of the variable components that may involve total or partial loss where prior to payment an event may occur that makes payment inadvisable.

Complies [ ]   Partially complies [X]   Explain [ ]   Not applicable [ ]

The components for variable remuneration are subject to the draw up of annual accounts, the control system, and supervision by the Appointments, Remuneration and Sustainability Committee in the clawback clause. However, the establishment of a reduction clause ("malus") has not been included.

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

62. That following the award of shares, financial options and instruments corresponding to the remuneration systems, executive directors may not transfer ownership or exercise them until at least three years have passed.

An exception is made where at the time of transfer or exercise the director maintains net economic exposure to a variation in the price of the shares for a market value equivalent to amount corresponding to at least double the annual fixed remuneration from the ownership of shares, options or other financial instruments.

The above shall not be applicable to shares that the director needs to transfer to satisfy costs relating to their acquisition or, following prior favourable assessment by the Appointments and Remuneration Committee, to address any extraordinary circumstances that may require this.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

64. That payment for the termination or expiry of the contract should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he/she has met the predetermined performance criteria or conditions for receiving it.

For the purposes of this recommendation, payments for the termination or expiry of a contract should include those payment whose accrual or obligation to pay arises as a result or at the time of the expiry of the contractual relationship that linked the director with the company, including amounts not previously consolidated in the savings systems in the long term and the amounts paid corresponding to post-contractual non-competition pacts.

Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

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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. Where 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 you will find the content of the issues that could not be addressed in the corresponding paragraphs 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 procedures for selection, appointment, re-election, assessment and removal of directors are regulated in:

- Articles of Association
- The Board of Directors Regulations
- The Policy for Director Selection and Diversity on the Board of Directors.
- Regulations of the Appointments, Remuneration and Sustainability Committee

In accordance with their respective responsibilities, the General Shareholders´ Meeting, the Board of Directors and the Appointments, Remunerations and Sustainability Committee have a role to play in the different procedures.

1. PROCEDURES FOR SELECTION, APPOINTMENT AND RE-ELECTION

The appointment of directors corresponds to the General Shareholders meeting in accordance with the regulations applicable with regard to the proportional representation system, as detailed in article 25 of the Articles of Association.

Furthermore, article 8 of the Board of Directors Regulations establishes that the appointment of Directors will be undertaken at the General Shareholders Meeting or by the Board of Directors itself where this is legally envisaged. This article assigns the Board of Directors the responsibility of ensuring that the procedures to select its members favour diversity of gender, experience and knowledge and there should be no implicit bias resulting from any type of discrimination, and they should especially facilitate the selection of women directors.

The Policy on the Selection of Directors and Diversity on the Board of Directors also establishes that any director may propose candidates for director provided that they meet the requirements laid down in this policy. Likewise, the Company can count on the collaboration of external advisors in searching for and validating candidates for board membership.

The proposals relating to the appointment or re-election of directors, within the limits established in the articles of association, shall be made by the Appointment, Remuneration and Sustainability 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 preparation of proposals for the appointment or re-election of Board members shall be based on an analysis of the Company's requirements, and this should be conducted by the Board of Directors with assessment and reporting by the Appointments, Remunerations and

Sustainability Committee. In proposals for the re-election of directors, the Appointments, Remunerations and Sustainability Committee will assess the quality of work and dedication to the post during the term of office.

This report by the Appointments, Remunerations and Sustainability Committee on the Company's requirements will be published when the General Shareholders Meeting is called to vote on the ratification, appointment or re-election of each director, either as an independent document or as part of the proposal or report concerning the corresponding candidate.

Candidates for the position of director of the Company should have independent criteria, recognised professional prestige, good character, solvency, competence and experience. In addition, efforts will be made to ensure that, in the selection of candidates, an appropriate balance is achieved in the Board as a whole, which will enrich decision-making and bring a pluralistic viewpoint to the discussion of matters within its competence. Specifically, the following principles should be taken into account when formulating proposals or reports for director candidates:

a) Principle of honesty and expertise
b) Principle of sufficient dedication
c) Principle of diversity
d) Principle of specialisation

Candidates should also comply with the requirements established in the Company's Articles of Association, in the Regulations of the Board of Directors and in the provisions on good governance, for the suitable performance of a Director's duties and, especially those relating to due diligence and loyalty, always avoiding situations of conflict of interest or incompatibility.

Article 26 of the Articles of Association also establishes that to be appointed as a director it is not necessary to be a shareholder.

The Appointments, Remuneration and Sustainability Committee plays an essential role in the selection procedures for the appointment and re-election of directors. In this regard, article 16 of the Board of Directors Regulations assigns the following functions to this Committee:

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) Providing 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) Examining and organising the succession procedure for the Chairman of the Board of Directors and the Chief Executive Officer and where applicable, to submit proposals to the Board of Directors to ensure that such succession is addressed in an orderly and planned manner.

Article 6 of the Regulations for the Appointments, Remuneration and Sustainability Committee also establishes responsibilities with regard to the composition of the Board of Directors and its committees, the selection, removal and dismissal of directors and the designation of internal responsibilities for the Board of Directors and members of the senior management of the Company and the Viscofan Group.

DURATION OF THE TERM OF OFFICE:

According to article 26 of the Articles of Association, 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 8 of the Board of Directors Regulations establishes that Directors shall hold their posts for the term envisaged in the Articles of Association, and may be re-elected one or more times.

Independent Directors may not be re-elected or appointed for a new term of office under the same classification when they have sat without interruption 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.

DISMISSAL OF DIRECTORS

The procedure for the dismissal of directors is governed by the following articles of the Board of Directors Regulations:
Article 30. Dismissal of directors.

Directors shall place their position at the disposal 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 dismissal
Following dismissal due to the expiry of the period for which they were elected, or dismissal for any other reason, directors may not provide services 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 under article 15 of the Board of Directors Regulations, under article 33, paragraph 2 of the Articles of Association, and a specific Regulation for the purpose of promoting the independence of the Committee and establishing the principles for action and operating regime.

The Regulation governing the Committee was updated on 17 December 2020 to detail the functions and operations of the Committee more precisely and in accordance with the new Code of Good Conduct for listed companies, notwithstanding other technical modifications that were deemed appropriate. In this regard, the new version of the Regulation includes the addition of issues such as supervision of the process for the preparation and integrity of non-financial information, and the supervisory function for financial and non-financial risk control and management systems.

Below is an explanation about article 15 of the Board Regulations, regulating, in the broadest sense, its composition, the appointment and dismissal 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 will be composed exclusively of non-executive directors appointed by the Board of Directors. There should be a majority of independent directors and its members will be appointed by the Board of Directors pursuant to legal requirements based on a prior report by the Appointments and Remunerations Committee, bearing in mind their knowledge, skills and experience with regard to
the directors' knowledge and experience in accounting, auditing and risk management matters, especially that of the Chairperson, whilst the members of the Committee as a whole should have suitable technical knowledge with regard to the sector of activity of the company audited.

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 applicable legislation, Articles of Association or those assigned to it by the Board of Directors, the Audit Committee's mission shall 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.

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) The Audit Committee will likewise ensure that the company and the auditor adhere to current regulations safeguarding the independence of the auditors, and those governing the provision of non-audit services and the limits on the concentration of the auditor's business.
(iii) 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.
(f) 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 the main actions carried out by the Committee in 2020.

The Audit Committee met on 13 occasions during the financial year and, whenever considered appropriate, the presence of senior management members was required.

With regard to its relationship with the external auditor (PricewaterhouseCoopers S.L.), the Audit Committee:

- Ensured that the annual accounts were presented without reservation or provisions.
- Maintained its independence in the performance of its duties.
- Monitored the recommendations made by the external auditor arising from its review of the ICFR.
- Accepted the proposal for its appointment as account auditor for the financial year ended 31 December 2021.

In its relationship with the external auditor, the Committee was also informed of the work completed during the preliminary phase, that consisted in reviewing the pre-closure, and during the closure, for the purpose of identifying and planning work that, because of its unusual nature of accounting impact, required special attention by the external auditor, such as the merger with Nanopack, the Three-year plan based on shares, the implementation of the European Electronic Sigle Format (ESEF), COVID – 19, and the potential regulatory change with regard to the taxation of dividends.

During the 2020 financial year the Audit Committee met three times with the external auditor.

Prior to their presentation to the Board and communication to the CNMV and securities markets, the Audit Committee reviewed and analysed the financial statements of Viscofan S.A. and its Group, 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 closure were followed, for which it had the necessary support from the Group's senior management, especially from the area responsible for the Consolidation and Financial functions, as well as from the Group's internal and external auditors.

Corporate developments for the Group were also supervised, and the company found to be in full growth but with an ongoing search for simplification and efficiency. In this regard, there has been corporate restructuring in this regard consisting of:

• In July 2020 the Representative Office in Thailand was closed, and all business activity is now undertaken through the Viscofan Thailand subsidiary.
• In September 2020 a Representative Office was opened in India.
• Effective from 1 October 2020, Nanopack Technology & Packaging, S.L.U. was taken over by Viscofan, S.A. in Spain.
• As part of the intragroup organisation process announced on 30 July 2020, in November 2020 the Viscofan España S.L.U. subsidiary was created and will benefit from business activity in Spain by means of a segregation process that will be subject to approval by the General Shareholders' Meeting in 2021.

The Committee analysed and approved the work plan for 2020 drawn up by internal audit. It 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.

The Committee reviewed the internal control systems established by the Group. In this area it supervised the monitoring of possible risks and impacts arising from COVID-19, and the measures implemented by the Viscofan Group.

The Committee supervised the activities undertaken by the Ethics and Compliance Committee. During this financial year actions included updating the Ethics and Compliance Manual and Internal Conduct Regulations regarding the Securities Market, as well as the preparation and approval of the Crime Prevention Policy. The training activity envisaged has also been undertaken with the collaboration and support of external consultants.

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, REMUNERATION AND SUSTAINABILITY COMMITTEE AND ITS MOST IMPORTANT ACTIONS DURING THE FINANCIAL YEAR

The Appointments, Remuneration and Sustainability Committee is regulated under article 33, section 2, of the Articles of Association, under article 16 of the Board of Directors Regulations, that identically regulate the composition, form of selection and dismissal of its members and its main functions, and it has its own Regulation for the purpose of favouring the independence of the Committee and establishing the principles for action and the operating regime.

The Regulation governing the Committee was updated on 17 December 2020 to detail the functions and operations of the Committee more precisely and in accordance with the new Code of Good Conduct for listed companies, notwithstanding other technical modifications that were deemed appropriate.

We attach below the content referring to the Board of Directors Regulations as a broader and more complete draft of the duties, procedures, organisation and operational rules of the Appointments and Remuneration Committee. Article 16 establishes the following:

The Appointments and Remuneration Committee or Committees will be formed by a minimum of three and a maximum of six members and will be composed exclusively of non-executive directors appointed by the Board of Directors, two of which, at least, 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) Providing 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) Examining and organising the succession procedure for the Chairman of the Board of Directors and the Chief Executive Officer and where applicable, to submit proposals to the Board of Directors to ensure that such succession is addressed in an orderly and planned manner.

The Appointments and Remuneration 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.
l) 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 assess 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.

Article 10 of the Appointments, Remuneration And Sustainability Committee Regulations details the functions with regard to sustainability.

Within its main tasks, the Committee will promote and monitor compliance with sustainability policies in environmental and social issues by ensuring their improvement and because the Group will ensure that its activities take into account the legitimate interests of other stakeholders and that they identify and include at least the principles, commitments, objectives and strategy regarding, shareholders, employees, customers, suppliers, social issues, the environment, diversity and respect for human rights, the methods or systems for monitoring compliance with policies, the channels of communication, participation and dialogue with stakeholders and responsible communication practices that avoid information manipulation and protect integrity and honour.

For this purpose, the Committee:

a) Notwithstanding the regular monitoring of the sustainability strategy and its application in the Company, it will review the management report annually, including the statement of non-financial information that forms part of it, without prejudice to the Audit Committee's powers and the application of the sustainability policies approved by the Board of Directors.
b) It will propose and report to the Board of Directors on the development of new sustainability policies and reviews of existing ones.

Summary of its most important actions in the 2020 financial year:

The Appointments, Remuneration and Sustainability Committee met on 7 occasions in 2020 and, whenever considered appropriate, the presence of the Chairman, Managing Director and senior management members was required.

In its function of contributing to the Company maintaining a high degree of monitoring of best corporate governance practices, an analysis was made of the composition and structure of the Board and its Committees:

• Proposals were made for the appointment and re-election of independent directors and a report was issued on the proposal to re-elect the nominee director at the General Shareholders' Meeting.
• The Committee proposed and the Company agreed to an increase in the number of members of the Board of Directors from ten to eleven and that the new appointment of Ms Carmen de Pablo Redondo with the category of external independent director.
• The Audit Committee and the Appointments, Remuneration and Sustainability Committee increased the number of members by one and included external independent directors to take the positions created, resulting in a strengthening of the majority of independent directors in both Committees.

The Committee also met its commitment with regard to the preparation of the Annual Report on directors' remuneration, as well as setting and reviewing the objectives to which annual and long-term variable remuneration is subject. Also, in accordance with its obligation to periodically reviewing the remuneration policy for directors and senior management, the Committee, assessed by Korn Ferry, made a study of the remunerative framework for senior management and updated it.

The Committee concurrently undertook preparatory work on the new Remuneration Policy for Directors that will be submitted at the 2021 General Shareholders' Meeting, with assessment by Willis Towers Watson.

As part of its functions relating to sustainability during the financial year, the Committee supervised the Group's Sustainability Action Plan, as well as issues such as the management and promotion of talent and work/life balance.

The Committee also contributed to updating the basic policies regarding sustainability and approved by the Board of Directors in 2020, in accordance with the growing importance this area is expected have within the Company's strategy.

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. Should such a situation arise, the Board of Directors should monitor it closely, before deciding on whether the director in question should stand down.

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 fulfilment 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.

The Viscofan Group Code of Conduct also 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:

"Employees of the Viscofan Group shall notify the Regulatory Compliance Committee, or where applicable, the Board of Directors of Viscofan,

S.A. regarding any economic, family or any other link that could give rise to conflicts of interest because this could compromise their impartiality. 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.5 STATE WHAT RISKS, INCLUDING TAX-RELATED RISKS, HAVE MATERIALISED DURING THE FINANCIAL YEAR.
The materialised risks with the most significant impact during the financial year were the following:

1) COVID-19 Pandemic:

a) Infection of Viscofan Group workers with the subsequent risk of production shutdowns due to outbreaks of COVID-19 in the facilities or due labour shortage, Viscofan's plan for the response to and supervision of the risk was to protect the health of employees by strengthening prevention and hygiene measures, and an increase in health personnel in the factories so Viscofan would meet its responsibilities as an essential food company. This has resulted in there not being any shutdowns in production plants due to COVID-19. Supply to our customers throughout the world has been ensured and in some countries increased demand has been met.

b) The lockdown measures imposed in some countries, together with a decrease in demand for some products and the shutdown of production in non-essential industries affected the behaviour of some raw materials, especially collagen skins in Europe, caused an increase in prices and a shortage of raw materials that could have led to a risk of production shutdowns. To mitigate this risk, the Viscofan Group took corrective measures involving the diversification of suppliers, an increased safety inventories, assurance of purchase volumes and the application of innovative solutions resulting from R&D. This risk has not led to shutdowns in production plants.

c) With the possibility of interruptions in our customers facilities due to outbreaks of COVID-19, the Viscofan Group diversified customer portfolio enabled the impact to be moderated and action was quickly taken to recover lost volumes.

d) Restrictions to commercial activity for new products in the face of restrictions on the mobility of people. To mitigate this risk remote meetings were arranged with customers and commercial activity has been maintained whenever possible.

e) In some markets, demand for casings increased beyond the usual growth rates, sometimes leading to changes in planning, modifications to orders and stress on productive capacity. In this situation, Viscofan increased the capacity used in our production centres, with a special mention for the greater capacity available as a result of new cellulose and fibrous technology installed in Cáseda.

f) The pandemic has meant that a part of the workforce has had to undertake teleworking that could have resulted in connection problems for the computer systems and administrative activities. Viscofan ensured access to computer equipment and connections to corporate programmes in the commercial, financial, purchasing and logistics areas. The protocols for security were also strengthened in the Master Plan for Information Systems, with the implementation and planning of specific actions in matters of cybersecurity.

g) Restrictions to mobility caused by the pandemic have made it difficult to complete investment projects that require the mobility of specialist personnel. Faced with this situation, Viscofan has needed to make changes to its production, logistics and investment plans. These projects include those aimed at improving the production speed and efficiency of the collagen production assets in the United States and Canada. Furthermore, continuing restrictions on the mobility of people has meant that the MORE TO BE Strategic Plan has
been extended into 2021, to provide continuity to existing projects and as a driving force for others that continue to promote the company's growth and strength in the long term.

2) Workplace accidents: In July 2020 there was a fire on the premises of Koteks Viscofan (Serbia) that originated in the office area. It affected the auxiliary facilities of the plant and in two workers died as a result. The Response and Supervision Plan for this risk involves
strengthening the action plans for occupational safety, increasing specific investment in safety to reduce the risk of accident and actions in the fields of training and internal communication.

3) Exchange rate variation: Changes in exchange rates, mainly due to the depreciation of the BRL and the USD against the EUR, have had a negative impact on the group's results. This impact has been managed through the application of a policy involving hedging and commercial disciplinary measures.

4) Environmental risks and those resulting from climate change: Significant increase in the price of CO2 emission rights. The Response and Supervision Plan for this risk includes:

- the deployment of a sustainability strategy and plan, together with the corresponding Policies approved by the Board of Directors and the creation of a committee to manage sustainability risks that include environmental risks and those resulting from climate change.

- the Group continued with the implementation of the Environmental Policy, the renewal and extension of certifications in this sphere (mainly SO 50.001 and ISO 14.001) and specific projects to improve management.
- There have also been active purchases in emission rights to cover future instalments.

5) Changes in regulatory policies. Brexit: New commercial relationships within the market may be subject to new agreements between countries as opposed to the previous framework of free movement within the European Union. With this in mind, Viscofan UK Ltd has increased its stock of finished product in order to maintain service with customers in the United Kingdom in the light of possible restrictions to the movement of goods between that country and the European Union.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of:

25/02/2021

Indicate whether any board members voted against or abstained from voting on approving the present Report.

[ ] Yes
[√] No