

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

COMPANY YEAR

31-12-2008

C.I.F A21248893

Name:

IBERPAPPEL GESTION, S.A.

**MODEL ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED
COMPANIES**

To better understand and fill in this model report, the instructions included at the end should be read.

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A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's capital:

| Date of latest modification | Share capital (€) | Number of shares | Number of voting rights |
|-----------------------------|-------------------|------------------|-------------------------|
| 26-06-2006 | 6.979.884,00 | 11.633.140 | 11.633.140 |

State whether there are different classes of shares with different associated rights:

No

A.2 Give details on the direct and indirect holders of significant interest in your company at the year-end, excluding Directors:

| Name of shareholder | Number of direct voting rights | Number of indirect voting rights (*) | % total voting rights |
|---------------------------------------|--------------------------------|--------------------------------------|-----------------------|
| ONCHENA,S.L. | 882.188 | 0 | 7,583 |
| BANCO GUIPUZOANO GESTION, S.A. | 607.923 | 0 | 5,226 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | 0 | 599.091 | 5,150 |
| BESTINVER BOLSA, FI | 566.396 | 0 | 4,869 |

(*) Through:

| Name of indirect holder of the stake | Through: Name of direct holder of the stake | Number of direct voting rights | % total voting rights |
|---|--|---------------------------------------|------------------------------|
| BESTINVER GESTION, S.A. S.G.I.I.C. | ACCIONES CUP Y OBLI. SEGOVIA SICAV, S.A. | 21.516 | 0,185 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | ALTON INVERSIONES SICAV, S.A. | 3.108 | 0,027 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | BESTINFOND, F.I. | 148.574 | 1,277 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | BESTINVER BOLSA, F.I. | 340.305 | 2,925 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | BESTINVER MIXTO, F.I. | 22.593 | 0,194 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | CAMPO DE ORO INVERSIONES SICAV, S.A. | 2.032 | 0,017 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | CORFIN INVERSIONES SICAV, S .A. | 4.781 | 0,041 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | DIVALSA DE INVERSIONES SICAV, S.A. | 2.391 | 0,021 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | ENTRECAR INVERSIONES SICAV, S.A. | 2.869 | 0,025 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | GUERFAL INVERSIONES SICAV, S.A. | 956 | 0,008 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | INVER.EN BOLSA SIGLO XXI,SICAV, S.A. | 4.183 | 0,036 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | LINKER INVERSIONES, SICAV, S.A. | 1.673 | 0,014 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | MAXIMUS INVERSIONE SICAV, S.A. | 2.749 | 0,024 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | PASGOM INVERSIONES, SICAV, S.A. | 2.630 | 0,023 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | PERICLES INVERSIONES SICAV, S.A. | 4.303 | 0,037 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | RODAOM INVERSIONES SICAV, S.A | 6.813 | 0,059 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | TEXRENTA INVERSIONES, SICAV, S.A. | 14.228 | 0,122 |
| BESTINVER GESTION, S.A. S.G.I.I.C. | TIBEST CINCO, SICAV, S.A. | 9.801 | 0,084 |
| BESTINVER GESTION, S.A. | TIGRES INVERSIONES SICAV, S.A. | 3.586 | 0,031 |

| | | | |
|------------|--|--|--|
| S.G.I.I.C. | | | |
|------------|--|--|--|

Indicate the principal movements in the shareholding structure during the year:

| Name of shareholder | Date of the transaction | Description of the transaction |
|-----------------------|-------------------------|--------------------------------|
| BESTINVER BOLSA F.I.. | 08/01/2008 | Exceeded 3% of share capital |

A.3 Complete the following tables on Directors' shareholding interests in the company:

| Name of the Director | Number of direct voting rights | Number of indirect voting rights (*) | % total voting rights |
|--|--------------------------------|--------------------------------------|-----------------------|
| Mr. JAIME ECHEVARRIA ABONA | 59.612 | 24.413 | 0,722 |
| Mr. BALTASAR ERRAZTI NAVARRO | 873 | 0 | 0,008 |
| Mr. IGNACIO PEÑALBA CEBERIO | 105.279 | 600 | 0,910 |
| Mr. IÑIGO SOLAUN GARTEIZ | 13.213 | 14.215 | 0,236 |
| Mr. IÑAKI USANDIZAGA ARANZADI | 240.016 | 0 | 2,063 |
| Mr. IÑIGO ECHEVARRIA CANALES | 25.701 | 490 | 0,225 |
| Mr. MARTIN GONZALEZ DEL VALLE CHAVARRI | 400 | 0 | 0,003 |
| Mr. NESTOR BASTERRA LARROUDE | 47.796 | 34.157 | 0,704 |

(*) Through:

| Name of indirect holder of the stake | Through: Name of direct holder of the stake | Number of direct voting rights | % total voting rights |
|---|--|---------------------------------------|------------------------------|
| Mr. JAIME ECHEVARRÍA ABONA | Mrs. M CONCEPCION CANALES JAUREGUIBEITIA | 24.413 | 0,210 |
| Mr. NESTOR BASTERRA LARROUDE | LINET INVERSIONES 2012, S.L. | 27.425 | 0,236 |
| Mr. IÑIGO SOLAUN GARTEIZ-GOXEASCOA | Mrs. Mª ANGELES BUSTILLO BASTERRA | 14.215 | 0,122 |
| Mr. NESTOR BASTERRA LARROUDE | Mr. NESTOR E IGNACIO BASTERRA MARTINEZ | 6.732 | 0,058 |
| Mr. IGNACIO PEÑALBA CEBERIO | Mrs. MAGDALENA OTADUY SALCEDO | 600 | 0,005 |
| Mr. IÑIGO ECHEVARRIA CANALES | Mr. JAIME ECHEVARRIA AGUIRRE | 490 | 0,004 |

| | |
|--|--------------|
| % total of voting rights held by the Board of Directors | 4,872 |
|--|--------------|

Complete the following tables on Directors with stock options in the Company:

A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.5 Indicate commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.6 Indicate any shareholders' agreements of which the Company has been notified in pursuance of Article 112 of the Stock Market Act. Describe briefly, if any, indicating the shareholders bound by the agreement:

NO

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that have taken place during the year:

A.7 Indicate any individuals or entities that exercise or may exercise control over the Company in pursuance of Article 4 of the Stock Market Act: Identify any that exist:

NO

A.8 Complete the following tables on the Company's treasury stock:

At the year-end:

| Number of direct shares | Number of indirect shares | % total of share capital |
|-------------------------|---------------------------|--------------------------|
| 88.878 | 0 | 0,764 |

(*) Through:

| | |
|---------------|---|
| Total: | 0 |
|---------------|---|

Give details on any significant variations during the year, according to the provisions of Royal Decree I362/2007:

| | |
|--|---|
| Gains/(Losses) obtained during the year on trading treasury shares (thousand euros) | 0 |
|--|---|

A.9. Indicate the terms and conditions of the authorization granted by the General Meeting to the Board to buy or sell treasury shares.

The Board of Directors is authorized to acquire treasury shares by the Company and/or its subsidiaries, in accordance with the terms established by Law and by shareholders at the general Meeting held on 4 June 2008, as follows:

- (i) Maximum number: the number of treasury shares may in no event exceed the maximum limit contained in the Spanish Companies Act for listed companies (5% of share capital.)
- (ii) Timeline: 14 months as from 4 June 2008.
- (iii) The price shall be a minimum of the par value and a maximum of €40 per share.

A.10 Indicate any constraints established in law or the Articles of Association on the exercise of voting rights and legal restrictions on the acquisition and disposal of shares in the capital. Indicate whether there are any legal constraints on the exercise of voting rights:

NO

| | |
|---|---|
| Maximum percentage of voting rights that may be exercised by a shareholder due to legal restrictions | 0 |
|---|---|

Indicate whether the Articles of Association establish any constraints on the exercise of voting rights:

NO

| | |
|---|---|
| Maximum percentage of voting rights that may be exercised by a shareholder due to bylaw restrictions | 0 |
|---|---|

Indicate whether there are any legal restrictions on the acquisition and disposal of shares in the capital:

NO

A.II Indicate whether the General Shareholders' Meeting has resulted in measures to neutralize a takeover bid under Law 6/2007.

NO

If so, explain the measures approved and the terms under which the constraints would become ineffective.

B MANAGEMENT STRUCTURE OF THE COMPANY

B.I Board of Directors

B.I.I State the maximum and minimum numbers of Directors stipulated in the Articles of Association:

| | |
|-------------------------------------|----|
| Maximum number of Directors: | 10 |
| Minimum number of Directors: | 3 |

B.1.2 Complete the following table with details of the members of the Board:

| Name of the Director | Representative | Position | Date of first appointment | Date of last appointment | Election procedure |
|--|----------------|----------|---------------------------|--------------------------|--------------------|
| Mr. JAIME ECHEVARRIA ABONA | | CHAIRMAN | 21-07-1997 | 19-06-2007 | SHAREHOLDER VOTE |
| Mr. BALTASAR ERRAZTI NAVARRO | | DIRECTOR | 21-10-1997 | 19-06-2007 | SHAREHOLDER VOTE |
| Mr. IGNACIO PEÑALBA CEBERIO | | DIRECTOR | 21-10-1997 | 19-06-2007 | SHAREHOLDER VOTE |
| Mr. IÑAKI USANDIZAGA ARANZADI | | DIRECTOR | 21-10-1997 | 19-06-2007 | SHAREHOLDER VOTE |
| Mr. IÑIGO ECHEVARRIA CANALES | | DIRECTOR | 21-07-1997 | 19-06-2007 | SHAREHOLDER VOTE |
| Mr. IÑIGO SOLAUN GARTEIZ | | DIRECTOR | 21-07-1997 | 19-06-2007 | SHAREHOLDER VOTE |
| Mr. MARTIN MARIA GONZALEZ DEL VALLE CHAVARRI | | DIRECTOR | 22-02-2005 | 28-06-2005 | SHAREHOLDER VOTE |
| Mr. NESTOR BASTERRA LARROUDE | | DIRECTOR | 21-10-1997 | 19-06-2007 | SHAREHOLDER VOTE |

| | |
|----------------------------------|---|
| Total Number of Directors | 8 |
|----------------------------------|---|

Indicate any exits from the Board of Directors during the year:

| Name of the Director | Status of the Director at the time of exit | Date of exit |
|--------------------------------|--|--------------|
| Mr. JOSE MARIA CUEVAS SALVADOR | INDEPENDENT | 27/10/2008 |
| | | |

B.1.3 Complete the following tables on the types of Board Members:

EXECUTIVE DIRECTORS

| Name of the Director | Nominating Committee | Position in Company's organization |
|------------------------------|------------------------------|---|
| Mr. JAIME ECHEVARRIA ABONA | NOMINATIONS AND COMPENSATION | CHAIRMAN |
| Mr. IÑIGO ECHEVARRIA CANALES | NOMINATIONS AND COMPENSATION | CEO |

| | |
|--|-------|
| Total number of executive Directors | 2 |
| Total percent of the Board | 25,00 |

INSTITUTIONAL OUTSIDE DIRECTORS

| Name of the Director | Nominating Committee | Name of the significant shareholder represented or that proposed the appointment |
|-------------------------------|--|---|
| Mr. IGNACIO PEÑALBA CEBERIO | NOMINATIONS AND COMPENSATION COMMITTEE | IGNACIO PEÑALBA CEBERIO |
| Mr. IÑAKI USANDIZAGA ARANZADI | NOMINATIONS AND COMPENSATION COMMITTEE | Mr. IÑAKI USANDIZAGA ARANZADI |

| | |
|--|-------|
| Total number of Institutional Directors | 2 |
| Total percent of the Board | 25,00 |

INDEPENDENT OUTSIDE DIRECTORS

Name of the Director

Mr. BALTASAR ERRAZTI NAVARRO

Profile

Doctorate in Industrial Engineering from Escuela Superior de Ingenieros Industriales in Bilbao.

Director of Grupo Tamoin, Director of Probask and Director of Bestergy.

Simultaneously, he has been one of the key proponents of configuration and consolidation of business organizations in Euskadi and between 1984 and 1993 he was the Vice Chairman of the Basque Business Confederation (Cofebask). He chaired this organization between 25 October 1993 and July 1999.

He has also formed part of the Executive Committees of the Basque Metal Industry Federation and the Vizcaya Industrial and Mercantile Center (currently called Cebek) and chaired the Industry and Energy Committee at the CEOE. He was on the Executive Committee of CEOE and chaired its Technology Innovation Committee.

Name of the Director

Mr. IÑIGO SOLAUN GARTEIZ

Profile

Degree in Law from Universidad de Valladolid.

He has been a Director of Garteiz, S.A, Prado Hnos, S.A, Garate Anitua y Cia S.A., Sebastián de la Fuente, S.A, Administrador Único de Productos Fotográficos, Valca,S,A, and Invelasa, S.A. (Patricio Echevarria, S.A.)

He is currently a Director or Viscofan, S.A.

Name of the Director

Mr. MARTIN GONZALEZ DEL VALLE CHAVARRI

Profile

Degree in Law from Fundación Universitaria San Pablo CEU

MBA from INSEAD- Fontainebleau in 1984.

Founding Partner of Realza Capital SGECR, S.A

CEO of Investindustrial Partners Spain, S.A.

Assistant General Manager of Crédit Agricole Indosuez, Director of Corporate Finance

Senior Director of Mercapital, S.A.

He started his professional career at Duro Felguera, Baxter Travenol (health) and Socelec, S.A. (Technical lighting), holding various positions of responsibility.

Chairman of Esindus, S.A.

Director of Hamon&Compagnie

Name of the Director

Mr. NESTOR BASTERRA LARROUDE

Profile

Degree in Law and Diploma in Economics from Universidad de Deusto MBA from IESE

Responsible for the Large Company Department Banco Santander Central Hispano.

Bank of América: Corporate banking and Capital Markets

Director of Viscofan, S.A.

Director of Amistra SGC S.A

| |
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| |
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| | |
|--|-------|
| Total number of independent Directors | 4 |
| Total percent of the Board | 50,00 |

OTHER OUTSIDE DIRECTORS

State the reasons why they cannot be considered institutional or independent directors and their association with either the Company, executives or shareholders.

Indicate any variations during the year in the type of each Director:

B.1.4 Explain why institutional directors have been appointed at the proposal of shareholders with less than 5% interest in the Company, if appropriate:

Indicate whether any formal requests for a presence on the Board have not been met from shareholders with an interest equal to or greater than that of others at whose request institutional directors have been appointed. If so, explain why such requests have not been met:

NO

B.1.5 Indicate whether any director has left the position before the end of his/her term, whether he/she explained the reasons for leaving the Board and how; if done in a letter addressed to the entire Board, explain at least the reasons stated therein:

Name of the Director

Mr. JOSE MARIA CUEVAS SALVADOR

Reason for exit

Death

B.1.6 Indicate the powers delegated to the Managing Director(s), if any:

Name

Mr. IÑIGO ECHEVARRIA CANALES

Brief description

Acquisition of all types of assets, transactions with banks, representation of the company before all classes of organizations.

Name

Mr. JAIME ECHEVARRIA ABONA

Brief description

Board authority, except for those that cannot be delegated as listed in the Regulations and those pertaining to the General Meeting.

B.1.7 Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

| Name of the Director | Name of the group company | Position |
|------------------------------|--|-----------------|
| Mr. JAIME ECHEVARRIA ABONA | IBEREUCALIPTOS, S.A. | CHAIRMAN |
| Mr. JAIME ECHEVARRIA ABONA | LOS EUCALIPTUS, S.A. | CHAIRMAN |
| Mr. JAIME ECHEVARRIA ABONA | PAPELERA GUIPUZCOANA DE ZICUÑAGA, S.A. | CHAIRMAN |
| Mr. JAIME ECHEVARRIA ABONA | SAMAKIL, S.A. | CHAIRMAN |
| Mr. IÑIGO SOLAUN GARTEIZ | PAPELERA GUIPUZCOANA DE ZICUÑAGA, S.A. | DIRECTOR |
| Mr. NESTOR BASTERRA LARROUDE | PAPELERA GUIPUZCOANA DE ZICUÑAGA, S.A. | DIRECTOR |
| Mr. NESTOR BASTERRA LARROUDE | LOS EUCALIPTUS, S.A. | DIRECTOR |
| Mr. NESTOR BASTERRA LARROUDE | SAMAKIL, S.A. | VICE CHAIRMAN I |
| Mr. IGNACIO PEÑALBA CEBERIO | IBEREUCALIPTOS, S.A. | DIRECTOR |
| Mr. IÑIGO ECHEVARRIA CANALES | PAPELERA GUIPUZCOANA DE ZICUÑAGA, S.A. | CEO |
| Mr. IÑIGO ECHEVARRIA CANALES | LOS EUCALIPTOS, S.A. | VICE CHAIRMAN |
| Mr. IÑIGO ECHEVARRIA CANALES | PAPETERIES DE L'ATLANTIQUE, S.A. | CHAIRMAN |
| Mr. IÑIGO ECHEVARRIA CANALES | SAMAKIL, S.A. | VICE CHAIRMAN 2 |

B.1.8 Name company directors, if any, on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

| Name of the Director | Name of the listed company | Position |
|------------------------------|-----------------------------------|-----------------|
| Mr. JAIME ECHEVARRIA ABONA | VISCOFAN, S.A. | CHAIRMAN |
| Mr. IÑIGO ECHEVARRIA CANALES | BANCO GUIPUZCOANO | DIRECTOR |
| Mr. IÑIGO SOLAUN GARTEIZ | VISCOFAN, S.A. | DIRECTOR |
| Mr. NESTOR BASTERRA LARROUDE | VISCOFAN, S.A. | DIRECTOR |

B.1.9 Indicate and, if appropriate, explain whether the company has established rules on the number of boards on which its Directors may sit:

Yes

| Explanation of the rules |
|---|
| <p>The Board Of Directors approved a Resolution stating that Company Directors may not form part of more than 10 Boards of Directors, in addition to Iberpapel Gestión, S.A, except for:</p> <p>The Boards of companies pertaining to Iberpapel Group.</p> <p>Shareholdings held by the Director or close family members.</p> |

B.1.10 With regard to recommendation number 8 of the Unified Code, indicate the general policies and strategies of the company reserved for approval by the full Board:

| | |
|---|-----|
| Investment and financing policy | YES |
| Definition of the structure of the group of companies | YES |
| Corporate governance policy | YES |
| Corporate social responsibility policy | YES |
| Strategic or business plan, management objectives and annual budget | YES |
| Compensation policy and senior executive performance evaluation | YES |
| Risk management and control policy, and regular monitoring of internal information and control systems | YES |
| Dividend policy, treasury stock policy, especially limits. | YES |

B.1.II Complete the following tables on the aggregate directors' compensation accrued during the year:

a) At the reporting company:

| Compensation | Thousand euros |
|--|-----------------------|
| Fixed compensation | 90 |
| Variable compensation | 223 |
| Per diems | 0 |
| Statutory compensation | 0 |
| Stock options and/or other financial instruments | 0 |
| Other | 0 |
| TOTAL: | 313 |

| Other Benefits | Thousand euros |
|--|-----------------------|
| Pre-payments | 0 |
| Loans granted | 0 |
| Pension Plans and Funds: Contributions | 0 |
| Pension Plans and Funds: Contractual obligations | 0 |
| Life insurance premiums | 0 |
| Guarantees provided by the Company for Directors | 0 |

b) For company Directors who are on other Boards and/or in senior management of group companies:

| Compensation | Thousand euros |
|--|-----------------------|
| Fixed compensation | 168 |
| Variable compensation | 34 |
| Per diems | 6 |
| Statutory compensation | 0 |
| Stock options and/or other financial instruments | 0 |
| Other | 0 |
| TOTAL: | 212 |

| Other Benefits | Thousand euros |
|--|-----------------------|
| Pre-payments | 0 |
| Loans granted | 0 |
| Pension Plans and Funds: Contributions | 0 |
| Pension Plans and Funds: Contractual obligations | 0 |
| Life insurance premiums | 0 |
| Guarantees provided by the Company for Directors | 0 |

c) Total compensation by type of Director:

| Type of directors | By company | By group |
|---------------------------------|-------------------|-----------------|
| Executives | 136 | 187 |
| Institutional outside directors | 47 | 6 |
| Independent outside directors | 130 | 19 |
| Other outside directors | 0 | 0 |
| Total | 313 | 212 |

d) Regarding profits attributed to the parent company:

| | |
|--|-----|
| Total director compensation (thousand euros) | 525 |
| Total compensation for directors/profit attributed to the parent company (expressed in %) | 8,1 |

B.1.12 Identify the members of senior management who are not Executive Directors and indicate the aggregate compensation accrued to them during the year:

| Name | Position |
|----------------------------------|---------------------------|
| Mr. FERMIN URTASUN ERRO | ASSISTANT CEO |
| Mr. FRANCISCO FORTIN ALVAREZ | TREASURY DIRECTOR |
| Mr. LUIS GONZALEZ GUTIERREZ | FINANCE DIRECTOR |
| Mr. JOAQUIN MANSO RAMON | LEGAL DIRECTOR |
| Mr. ALFONSO ARSUAGA CORTAZAR | PURCHASING DIRECTOR |
| Mr. IGNACIO BURUTARAN USANDIZAGA | SALES DIRECTOR - EXPORTS |
| Mr. PABLO FUENTES ARTOLA | SALES DIRECTOR - DOMESTIC |
| Mr. JOSE MARIA REPARAZ ABAITUA | HUMAN RESOURCE DIRECTOR |

| | |
|--|-----|
| Total senior management compensation (thousand euros) | 904 |
|--|-----|

B.1.13 Indicate overall whether any golden parachute clauses have been established for senior management, including Executive Directors, at the Company or its group in the event of dismissal or change of ownership. State whether these contracts have to be reported to and/or approved by the governing bodies at the Company or its group:

| | |
|--------------------------------|---|
| Number of beneficiaries | 0 |
|--------------------------------|---|

| | Board of Directors | General Meeting |
|-------------------------------------|---------------------------|------------------------|
| Body authorizing the clauses | NO | NO |

| | |
|--|----|
| Is the General Meeting informed of the clauses? | NO |
|--|----|

B.1.14 Explain the process for establishing the compensation for Board Members and the relevant Articles of Association:

| Processes for establishing the compensation for Board Members and the relevant Articles of Association |
|--|
| <p>Compensation for the members of the Board of Directors is established under Article 22 of the bylaws, which states: “The Board of Directors will receive compensation consisting of 4% of net profits which will only be deducted from said profits after having made all necessary contributions to the legal reserve and, if appropriate, any other mandatory reserves as well as the distribution of a dividend to shareholders of at least 4% of share capital paid in.</p> <p>Each year the Board of Directors will establish pacific amount to be received by each Director, adjusting the amount to be received by each one based on their membership to Board Committees, the position held on those committees as well as their dedication to the Company”</p> <p>Article 6 of the Board Regulations stipulates that the Board is exclusively authorized to determine the compensation for Directors and, in the case of executives, any additional compensation for executive duties and any other contractual conditions and, at the proposal of the CEO, the appointment and removal of senior management, as well as their severance packages.</p> <p>Article 1.3 of the Regulations stipulates that the Nomination and Compensation Committee will propose ot the Board of Directors:</p> <ul style="list-style-type: none"> i. The compensation policy for directors and senior management; ii. The individual compensation and other contractual conditions of executive directors. |

iii. The standard conditions for senior management employment contracts.

This Article also stipulates that this Committee will be responsible for: reporting on the senior officer appointments and removals which the chief executive proposes to the Board.

Indicate whether approvals of the following decisions are reserved for the full Board:

| | |
|---|-----|
| Upon recommendation by the CEO, the appointment and possible removal of senior management and any indemnity clauses. | YES |
| Directors' compensation and, in the case of Executive Directors, additional compensation for their management duties and other contractual conditions. | YES |

B.1.15 Indicate whether the Board of Directors approves a detailed compensation policy and specify the issues it regulates:

Yes

| | |
|--|-----|
| Amount of fixed compensation, including the details of per diems for Board and Committee Meetings and an estimate of the fixed annual compensation. | YES |
| Variable compensation | YES |
| Principal features of retirement systems, estimating the annual cost or equivalent amount. | YES |
| Contract conditions for executive directors | YES |

B.1.16 Indicate whether the Board submits a report on Director compensation policy to voting at the General Meeting, as a separate item on the Agenda and with an advisory nature. If so,

explain the aspects of the report on the compensation policy approved by the Board for future years, the most significant changes in those policies in respect of the policy applied during the year and an overall summary of how the compensation policy was applied during the period. Describe the role played by the Compensation Committee and whether external consultants have been used, and if so, the identity of the external consultants:

Yes

| Issues addressed by the Compensation policy report |
|--|
| <p>The report contains explanations regarding the general principles governing the compensation policy for Iberpapel Directors and the compensation system for Executive Directors, including fixed compensation and any variable components.</p> <p>Compensation for Directors is established under Article 22 of the bylaws, which states: "The Board of Directors will receive compensation consisting of 4% of net profits which will only be deducted from said profits after having made all necessary contributions to the legal reserve and, if appropriate, any other mandatory reserves as well as the distribution of a dividend to shareholders of at least 4% of share capital paid in.</p> <p>Each year the Board of Directors will establish pacific amount to be received by each Director, adjusting the amount to be received by each one based on their membership to Board Committees, the position held on those committees as well as their dedication to the Company"</p> <p>Artidle 1.3 of the Board Regulations states that one of the duties of the Nomination and Compensation Committee is to propose to the Board of Directors:</p> <ul style="list-style-type: none">i. The compensation policy for directors and senior management;ii. The individual compensation and other contractual conditions of executive directors.iii. The standard conditions for senior management employment contracts. |

| |
|--|
| Were external consultants used? |
|--|

| |
|---|
| Identity of the external consultants |
|---|

B.1.17 Name any Board Members who are also directors or executives of companies holding significant interest in the listed company and/or companies pertaining to its Group:

Describe any significant relationships other than those contemplated in the previous section between Board Members and significant shareholders and/or companies pertaining to their Group:

B.1.18 Indicate whether any modifications have been made during the year to the Board of Directors' Regulations:

NO

B.1.19 Describe the procedures for appointment, re-election, evaluation and removal of Directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

This area is regulated by the Bylaws and the Board Regulations, which state:

Bylaws:

Article 21.- The Board of Directors shall be made up of a minimum of three and a maximum of 10 members, designated by the General Shareholders' Meeting.

The Directors will hold office for a maximum of six years and may be re-elected one or more times for identical periods.

The Board of Directors will be empowered to cover provisionally any vacancies that may arise in the same, designating the replacements in the legally established manner until the first General Shareholders' Meeting.

A Director does not have to be a shareholder.

If a legal person is appointed Director, a natural person must be appointed as its representative to fulfill the duties of the post.

Those persons involved in a legal conflict of interest or declared legally incapable may not be directors.

Board Regulations:

ARTICLE 6.- Exclusive authority.

h) The appointment of a Director in the event of a vacancy until the next General Meeting is held, at the proposal of the Nomination and Compensation Committee.

i) The acceptance of Director resignations.

ARTICLE 7.- Composition of the Board.

1. The General Shareholders' Meeting shall determine the number of directors, with a minimum of three and a maximum of ten, as established by the Bylaws.

2. The Directors will hold office for a maximum of six years and may be re-elected one or more times for identical periods.

ARTICLE 8.- Appointment of Directors.

The proposals which the Board submits to the General Shareholders' Meeting relating to the appointment or re-election of directors within the limits set out in the Bylaws, shall be made following the proposal of the Appointments and Remuneration Committee for independent directors and following a report from such Committee for other directors and will include the presence on the Board of a reasonable number of independent directors and shall have a majority of external directors not involved in management.

ARTICLE 9.- Board components.

9.1- The Chair

a) The Chairman of the Board of Directors will be selected from among the members. The term will coincide with the term of his appointment to the Board. As a result, if he is reelected to the Board reelection to the position of Chairman is not necessary.

9.4 - Secretary

The appointment and removal of the Secretary to the Board or, if appropriate, the Vice-Secretary, will be approved by the full Board after receiving a report from the Nominations and Compensation Committee.

1.3 Nominations and Compensation Committee.

1. The Nominations and Compensation Committee will be responsible for:

- a) Supervising the process of selecting Directors and senior executives at the Company.
- b) Proposing the appointment or reelection of independent Directors to the Board of Directors
- c) Report to the Board of Directors on the appointment or reelection of other Directors

2. The full Board of Directors is responsible for the appointment or removal of its members, and there will be at least three members. The members of the Committee will automatically cease to hold their positions when they are no longer members of the Board of Directors

ARTICLE 12. The evaluation of the Board and Committees

On an annual basis the Board of Directors will evaluate:

- a) The quality and efficiency of the Board's operation;
- b) The performance by the Chairman of the Board and the Company's CEO based on a report that will be prepared by the Nominations and Compensation Committee;
- c) The operation of the Board Committees based on a report prepared by each Committee.

B.1.20 Indicate the cases in which Directors are required to retire.

This area is regulated by the Board Regulations, as follows:

ARTICLE 15.- Step-down of Directors

The directors shall cease to hold office when the period for which they were appointed elapses, in accordance with Article 145 of the Mercantile Registry Regulations, and when so decided by the General Shareholders' Meeting in accordance with the powers conferred to it.

Moreover, the directors shall place their position at the disposal of the Board of Directors and formalise, if deemed appropriate, their resignation in the following cases:

- a) When they are involved in a legal conflict of interest or situation of incompatibility.
- c) When their remaining on the Board may jeopardise the Company's interests or when the reasons for which they were appointed no longer exist.
- d) In the event of an accusation or instigation of oral proceedings connected with any of the crimes indicated in Article 124 of the Spanish Companies Act, the Board shall examine the case as soon as possible and decide the appropriateness of the Director continuing to hold office or otherwise.
- d) Domanial directors shall resign when the shareholder whom they represent sells his shareholding in full.

B.1.21 Explain whether the Chairman of the Board is the Chief Executive Officer of the Company. If so, state what measures have been adopted to limit the risks of one single person accumulating powers:

Yes

| Measures to limit risks |
|--|
| <p>Article 9 of the Board Regulations stipulates that the Chairman will have power-of-attorney to be exercised through the Board of Directors by appropriate Resolution or ratified by the Board when the urgency of the situation makes it inadvisable to postpone the exercising of the authority. All decisions of significant importance must be taken by the Board of Directors.</p> <p>Article 23 of the Bylaws stipulates that the Board will meet whenever requested by two of its members.</p> <p>The general risk policy and the risk management systems described in sections D.1 and D.3 of this Report, prepared based on the risk control and management policy, as well as the regular monitoring of information and control systems by the Board of Directors, in accordance with Article 6 of the Board Regulations.</p> <p>Article 9.3 of the Board Regulations which stipulates that if the position of Chairman of the Board of Directors and the CEO of the Company are held by the same person one independent Director will be appointed to perform the following duties:</p> <ul style="list-style-type: none"> a) request a Board meeting be called or include new points on the agenda b) Co-ordinate outside Directors and report their concerns. c) Direct the Board's evaluation of the Chairman. <p>The duties attributed to the Audit Committee and the Nominations and Compensation Committee (Articles 1.2 and 1.3 of the Board Regulations)</p> <p>It should be noted that there is no requirement of a qualified majority to remove the Chairman when the Board deems it necessary. Therefore, the Board's capacity to control this position may manifest itself through a Resolution to dismiss adopted by a simple majority.</p> |

Indicate and, if appropriate, explain whether rules have been established to enable one of the independent directors to request the calling of the Board for the inclusion of new items on the agenda, to coordinate and echo the concerns of outside Directors and to direct evaluation by the Board of Directors.

YES

| Explanation of the rules |
|--|
| <p>By virtue of Article 9.3 of the Board Regulations, if the position of Chairman of the Board of Directors and the CEO of the Company are held by the same person one independent Director will be appointed to perform the following duties:</p> <p>a) request a Board meeting be called or include new points on the agenda b) Co-ordinate outside Directors and report their concerns. c) Direct the Board's evaluation of the Chairman.</p> |

B.1.22 Are special majorities differing from those stipulated by Log required for any type of decision?:

NO

Explain how Resolutions are adopted out by the Board, indicating at least the quorum and the majorities required for adopting Resolutions:

B.1.23 Explain whether or not there are any specific requirements, other than those established for Directors, to be appointed Chairman:

NO

B.1.24 Indicate whether the Chairman has a casting vote:

YES

| Areas in which there is a casting vote |
|---|
| <p>Article 23 of the bylaws stipulates that Resolutions will be adopted by absolute majority of those attending the Meeting.</p> <p>In the event of a tie, the Chairman will issue a casting vote.</p> <p>Written, personal votes will be valid if no Director opposes such action.</p> |

B.1.25 Indicate whether the Articles of Association or the Board Regulations establish any age limit for Directors:

NO

| Age limit for Chairman | Age limit for CEO | Age limit for Director |
|-------------------------------|--------------------------|-------------------------------|
| 0 | 0 | 0 |

B.1.26 Indicate whether the Articles of Association or the Board Regulations establish any limit on the term of office for Independent Directors:

NO

| | |
|-----------------------------|---|
| Maximum term (years) | 0 |
|-----------------------------|---|

B.1.27 If there are few or no female Directors, explain why and what actions have been taken to remedy this situation.

| Explain reasons and initiatives |
|--|
| Iberpapel Group's equal opportunity policy avoids any discrimination against anyone for any reason with respect to joining the company or to occupying any post within the company. Among the new duties of the Nominations and Compensation Committee, in addition to supervising the process of selecting Directors and senior executives for the Company and proposing the appointment or reelection of Independent Directors to the Board of Directors and reporting the appointment or reelection of other Directors to the Board of Directors, it must also report gender diversity to the Board. The equal opportunity principle has always presided over the Nominations and Compensation Committee's work and therefore no additional measures are necessary. |

In particular, state whether the Nominations and Compensation Committee has established procedures to ensure that the selection procedures are not affected by implicit bias that could hamper the selection of female Directors and that women with the required profile are deliberately included among the candidates:

NO

B.1.28 Indicate whether there are any formal processes for proxy voting in the Board of Directors. Describe briefly, if any:

The representation or delegation of votes within the Board may be conferred through a letter addressed to the Chairman, as described under Article 23 of the Bylaws.

B.1.29 State the number of meetings held by the Board of Directors during the year. In addition, indicate, if appropriate, how many times the Board has met without the Chairman:

| | |
|---|----|
| Number of Board meetings | 10 |
| Number of Board meetings held without the Chairman | 0 |

Indicate the number of meetings held during the year by the various Board Committees:

| | |
|--|---|
| Number of meetings held by the Executive or Delegate Committee | 0 |
| Number of meetings held by the Audit Committee | 7 |
| Number of meetings held by the Nominations and Compensation Committee | 1 |
| Number of meetings held by the Nominations Committee | 0 |
| Number of meetings held by the Compensation Committee | 0 |

B.1.30 State the number of meetings held by the Board of Directors during the year without all members being in attendance. Non-attendance is deemed to include any proxies made without specific instructions.

| | |
|--|-------|
| Number of Director absences during the year | 3 |
| % Number of absences compared with the total votes cast during the year | 3,330 |

B.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval were previously certified:

YES

If appropriate, name the person(s) who certify the Company's individual or consolidated annual accounts before they are approved by the Board:

| Name | Position |
|------------------------------|------------------|
| Mr. JAIME ECHEVARRIA ABONA | CHAIRMAN |
| Mr. IÑIGO ECHEVARRIA CANALES | CEO |
| Mr. LUIS GONZALEZ GUTIERREZ | FINANCE DIRECTOR |

B.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting.

The Company has an Audit Committee, which is responsible for the following, among other things:

- a) Monitoring the financial reporting process and the Company's internal control systems.
- b) Reporting on the Annual Accounts, as well as the half yearly and quarterly financial statements which must be sent to regulators or market supervisors, making mention of internal control systems, monitoring controls and compliance through internal audit, when appropriate, as well as the accounting principles applied. The board must also be informed of any change in accounting policies and all balance sheet and off-balance sheet risks.
- c) Receive regular information from the external auditor on the progress and findings of the audit program, and check that senior management are acting on its recommendations.

B.1.33 Is the Secretary to the Board a Director?

NO

B.1.34 Explain the procedures for appointing and removing the Secretary to the Board, indicating whether or not a report is issued by the Nominations Committee and whether or not the person is approved by the full Board.

| Procedure for appointment and removal |
|---|
| Article 9 of the Board Regulations stipulates that the appointment and removal of the Secretary to the Board or, if appropriate, the Vice-Secretary, must be approved by the full Board after receiving a report from the Nominations and Compensation Committee. |

| | |
|--|-----|
| Does the Nominations Committee report the nomination? | YES |
| Does the Nominations Committee report removals? | YES |
| Does the full Board approve the nomination? | YES |
| Does the full Board approve the removal? | YES |

Does the Secretary to the Board have the responsibility of specifically monitoring Good Governance recommendations?

NO

| Observations |
|--|
| Although Article 9 of the Board Regulations does not specifically assign this duty, it is responsible for assuring formal legality which includes the good governance recommendations. The audit Committee is responsible, among other things, for supervising compliance with internal codes of conduct and corporate governance rules |

B.1.35 Describe any mechanisms established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

- (i) The Audit Committee is responsible for proposing the selection, appointment, reelection and replacement of the external auditors to the Board of Directors.

Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account.

- (ii) Monitor the independence of the external auditor, to which end:

The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

The company should ensure that the company and the auditor respect rules in force regarding the rendering of services other than audit services, business concentration limits affecting the auditor and, in general, all of the rules established to ensure the independence of auditors;

The Committee should investigate the issues giving rise to the resignation of any external auditor.

- (iii) We provide information to financial analysts and rating agencies when requested.

B.1.36 Indicate whether or not the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditor:

NO

| Outgoing auditor | Incoming auditor |
|------------------|------------------|
| | |

If the Company had any disagreements with the outgoing auditor, indicate their contents:

NO

B.1.37 State whether or not the audit firm does any work for the Company and/or its Group other than standard audit work and, if so, indicate the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the Company and/or its group:

YES

| | Company | Group | Total |
|---|---------|-------|--------|
| Amount of work other than standard audit work (thousand euros) | 27 | 0 | 27 |
| Amount of work other than standard audit work/Total amount invoiced by the audit firm (in %) | 62,790 | 0,000 | 62,790 |

B.1.38 State whether or not the audit report on the Annual Accounts for the previous year contains any qualifications or reservations. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those qualifications or reservations.

NO

B.1.39 State the number of years in succession that the current audit firm has audited the Company's annual accounts and/or its group. In addition, indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

| | Company | Group |
|---|----------------|--------------|
| Number of years without interruption | 12 | 12 |

| | Company | Group |
|---|----------------|--------------|
| Number of years audited by the current audit firm/Number of years that the company has been audited (in %) | 100,000 | 100,000 |

B.1.40 Indicate the stake held by Members of the Company's Board of Directors in the capital of companies that carry out the same, similar or supplementary activities as those constituting the Company and Group's corporate purpose and which have been reported to the Company. Indicate their positions or duties at those companies:

B.1.41 Indicate, and provide details, if there is an established procedure for Directors to receive external advice:

YES

| Procedure details |
|--|
| <p>Article 13.2 of the Board's Regulations states: Directors may request, through the Chairman, the hiring of any outside advisors considered to be necessary to properly carry out their duties.</p> <p>The full Board must adopt an appropriate Resolution in each case based on whether or not to obtain such external advisory services, the person or firm to provide the service, access to confidential company information that this advisor may have and the approval, if appropriate, of the relevant expense.</p> |

B.1.42 Indicate, providing details as necessary, if there is an established procedure for Directors to obtain any information they may need to prepare for the Meetings of the governing bodies sufficiently in advance:

YES

| Procedure details |
|--|
| Article 13.1 of the Board's Regulations lays down: Directors will receive precise information to fulfill their duties on time and with adequate depth as appropriate for the issues at hand. They may requested additional information when deemed advisable which is channeled through the Secretary to the Board. |

B.1.43 Indicate, providing details if appropriate, if the Company has established rules requiring Directors to report and, if necessary, resigned in any cases that could be detrimental to the Company's reputation:

YES

| Explain the rules |
|---|
| Article 14.3 of the Board Regulations expressly states that in accordance with the loyalty duty falling to Directors, they may not use the Company's name or their position as Director to carry out any transactions on their own behalf or on the behalf of any associated person. Director may carry out, to their benefit for the benefit of any associated person, investments or any other transaction associated with the Company's assets which are known to them as a result of their position when the investment for transaction would have been offered to the Company or the Company would be interested in the transaction, provided that the Company did not rule out that investment or transaction without the influence of the Director. Directors must report any direct or indirect situation of conflict to the Board of Directors when involving any Company interests and Directors will not attend or intervene in debates that involve any issue in which they have a personal interest or affects an associated person. Directors must report any criminal cases involving them, as well as all subsequent procedural issues, to the Board of Directors. Article 15 of the Board Regulations stipulates that Directors must offer their resignation to the Board of Directors and formalize their resignation, if deemed advisable, in the following cases: a) When they are involved in a legal conflict of interest or situation of incompatibility. b) When their remaining on the Board may jeopardise the Company's interests or when the reasons for which they |

were appointed no longer exist.

c) In the event of an accusation or instigation of oral proceedings connected with any of the crimes indicated in Article 124 of the Spanish Companies Act, the Board shall examine the case as soon as possible and decide the appropriateness of the Director continuing to hold office or otherwise.

B.1.44 Indicate whether the Company has been notified by any Board Member that he/she has been charged with, or is being tried for, any of the crimes contemplated under Article 124 of the Spanish Companies Act:

NO

Indicate whether or not the Board of Directors has analyzed the case. If so, give a reasoned explanation of the decision made as to whether or not the Director in question should remain in office.

NO

| Decision taken | Reasoned explanation |
|----------------|----------------------|
|----------------|----------------------|

B.2. Board of Directors' Committees

B.2.1 List all the Board of Directors' Committees and their Members:

AUDIT COMMITTEE

| Name | Position | Type |
|-------------------------------|----------|---------------|
| Mr. BALTASAR ERRAZTI NAVARRO | CHAIRMAN | INDEPENDENT |
| Mr. IÑAKI USANDIZAGA ARANZADI | DIRECTOR | INSTITUTIONAL |
| Mr. NESTOR BASTERRA LARROUDE | DIRECTOR | INDEPENDENT |

NOMINATIONS AND COMPENSATION COMMITTEE

| NAME | POSITION | TYPE |
|--|----------|-------------|
| Mr. JAIME ECHEVARRÍA ABONA | CHAIRMAN | EXECUTIVE |
| Mr. MARTIN MARIA GONZALEZ DEL VALLE CHAVARRI | DIRECTOR | INDEPENDENT |
| Mr. NESTOR BASTERRA LARROUDE | DIRECTOR | INDEPENDENT |

B.2.2 Indicate whether or not the following duties correspond to the Audit Committee:

| | |
|---|-----|
| Supervise the integrity and process of preparing the financial information regarding the Company and its Group, ensuring compliance with all requirements, adequate definition of the consolidated group and the correct application of accounting principles. | YES |
| Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported adequately. | YES |
| Guarantee the independence and efficiency of the internal audit department, propose the selection, appointment, re-election and removal of the Chief Audit Officer, propose the budget for this department, receive regular information regarding its activities and check that senior management takes into account the conclusions and recommendations made in its reports. | YES |
| Establish and oversee a mechanism whereby employees may report confidentially and, if appropriate, anonymously, any potentially important irregularities, particularly those relating to financial and accounting areas that they may detect within the Company. | YES |
| Submit proposals to the Board for the election, appointment, re-election and replacement of the external auditors and the terms and conditions of their engagement. | YES |
| Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account. | YES |
| Ensure the independence of the external auditors | YES |
| In the case of groups, encourage the Group's auditors to audit the group companies | YES |

B.2.3 Describe the rules of organization and procedure, and responsibilities attributed to each Committee.

Name of the Committee

Nominations and Compensation Committee.

Brief description

Nominations and Compensation Committee

Article 1.3 of the Board Regulations

In accordance with the provisions of that Article, the Nominations and Compensation Committee is responsible for:

- a) Supervise the process of selecting Directors and senior executives at the Company.
- b) Propose the appointment or reelection of independent Directors to the Board of Directors
- c) Report to the Board of Directors on the appointment or reelection of other Directors
- d) Report on the senior officer appointments and removals which the chief executive proposes to the Board.
- e) Report gender diversity issues to the Board.
- f) Make proposals to the Board of Directors regarding:
 - i. The compensation policy for directors and senior management;
 - ii. The individual compensation and other contractual conditions of executive directors.
 - iii. The standard conditions for senior management employment contracts.

2. The full Board of Directors is responsible for the appointment or removal of its members, and there will be at least three members. The members of the Committee will automatically cease to hold their positions when they are no longer members of the Board of Directors

Members will be appointed by the full Board and there will be no less than three members.

Members will be appointed by the full Board and there will be no less than three members.

The Board of Directors is responsible for both appointing and removing members. The members of the Committee will automatically cease to hold their positions when they are no longer members of the Board of Directors

Currently the Company has two Committees, the Audit Committee and the Nominations and Compensation Committee. Both Committees were created by the Board of Directors at the meeting held on 12 January 1999, following the recommendations of the Good Governance Code.

Article 11 of the For Regulations stipulates that Committees will meet when called by their respective chairmen, who may do so of their own accord or at the proposal of members, or when necessary in accordance with the bylaws.

Name of the Committee

Audit Committee

Brief description

In accordance with the provisions of Article 24 the Bylaws, the Audit Committee will be governed as follows:

A minimum of two and a maximum of four Directors will form part of the Audit Committee and all must be Outside Directors.

The full Board of Directors is responsible for both appointing and removing members. The members of the Committee will automatically cease to hold their positions when they are no longer members of the Board of Directors

The Committee members will hold office for a maximum of four years and may be re-elected one or more times for identical periods.

The Committee will elect a Chairman from among its members, who will be appointed for a term of four years and may be reelected after 1 year has elapsed after last holding the office. The Secretary to the Committee will be the Secretary to the Board of Directors.

The competencies of the Audit Committee will be as follows:

Report to the General Meeting regarding issues raised by shareholders in the Committee's area of responsibility.

Propose the appointment of external auditors to the Board of Directors for submission to the General Meeting for approval

Supervision of internal audit services, if any.

Monitoring the financial reporting process and the Company's internal control systems.

Relationships with external auditors to receive information regarding those issues that may put their independence at risk in any other issues relating to the audit process, as well as any other communications established by audit legislation or by technical audit standards.

Report on the Annual Accounts, as well as the half yearly and quarterly financial statements which must be sent to regulators or market supervisors, making mention of internal control systems, monitoring controls and compliance through internal audit, when appropriate, as well as the accounting principles applied. The board must also be informed of any change in accounting policies and all balance sheet and off-balance sheet risks.

Prepare an annual report regarding the Committee's activities which must be included in the Directors' Report.

Article 1.2 of the Board Regulations stipulates:

A minimum of two and a maximum of four Directors will form part of the Audit Committee and all must be Outside Directors.

The full Board of Directors is responsible for both appointing and removing members. The members of the Committee will automatically cease to hold their positions when they are no longer members of the Board of Directors

The Committee members will hold office for a maximum of four years and may be re-elected one or more times for identical periods.

The Committee will elect a Chairman from among its members, who will be appointed for a term of four years and may be reelected after 1 year has elapsed after last holding the office. The Secretary to the Committee will be the Secretary to the Board of Directors.

Any Director, including the CEO, or any Company employee asked to do so must attend Committee meetings and cooperate and provide all available information.

The competencies of the Audit Committee will be as follows:

a) Report to the General Meeting regarding issues raised by shareholders in the Committee's area of responsibility.

b) Supervise internal audit services.

c) Monitor the financial reporting process and the Company's internal control systems.

d) Supervise compliance with internal codes of conduct and corporate governance rules.

e) With respect to external auditors:

i.- Bring to the Board all proposals relating to the selection, appointment, reelection and replacement of the external auditor.

ii.- Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account.

iii.- Ensure the independence of the external auditor, to which end:

1. The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

2. The company should ensure that the company and the auditor respect rules in force regarding the rendering of services other than audit services, business concentration limits affecting the auditor and, in general, all of the rules established to ensure the independence of auditors;

3. The Committee should investigate the issues giving rise to the resignation of any external auditor.

- f) Report on the Annual Accounts, as well as the half yearly and quarterly financial statements which must be sent to regulators or market supervisors, making mention of internal control systems, monitoring controls and compliance through internal audit, when appropriate, as well as the accounting principles applied. The board must also be informed of any change in accounting policies and all balance sheet and off-balance sheet risks.
- g) Prepare an annual report regarding the Committee's activities which must be included in the Directors' Report.

B.2.4 Indicate, where appropriate, the advisory, consultation and delegation authority held by each of the Committees:

Name of the Committee

Nominations and Compensation Committee

Brief description

Supervise the process of selecting Directors and senior executives at the Company. The establishment and supervision of executive compensation policies.

Name of the Committee

Audit Committee

Brief description

Inform the General Meeting of any issues raised by Shareholders regarding its area of authority, propose the appointment of external auditors to the Board of Directors for submission to the General Meeting. Supervision of internal audit services, if any. Monitor the financial reporting process and the Company's internal control systems. Relationships with external auditors to receive information regarding those issues that may put their independence at risk in any other issues relating to the audit process, as well as any other communications established by audit legislation or by technical audit standards. Report on the Annual Accounts, as well as the half yearly and quarterly financial statements which must be sent to regulators or market supervisors, making mention of internal control systems, monitoring controls and compliance through internal audit, when appropriate, as well as the accounting principles applied, and it must also report any change in accounting policy and balance sheet and off-balance sheet risks to the Board. Prepare an annual report regarding the Committee's activities which must be included in the Directors' Report.

B.2.5 Indicate the existence, if appropriate, of Board Committee Regulations, where they are available for consultation and any modifications made during the year. State whether or not an annual report has been issued voluntarily on the activities of each Committee.

Name of the Committee

NOMINATIONS AND COMPENSATION COMMITTEE

Brief description

1.3 Nominations and Compensation Committee.

1. The Nominations and Compensation Committee will be responsible for:

- a) Supervise the process of selecting Directors and senior executives at the Company.
- b) Propose the appointment or reelection of independent Directors to the Board of Directors
- c) Report to the Board of Directors on the appointment or reelection of other Directors
- d) Report on the senior officer appointments and removals which the chief executive proposes to the Board.
- e) Report gender diversity issues to the Board.
- f) Make proposals to the Board of Directors regarding:
 - i. The compensation policy for directors and senior management;
 - ii. The individual compensation and other contractual conditions of executive directors.
 - iii. The standard conditions for senior management employment contracts.

2. The full Board of Directors is responsible for the appointment or removal of its members, and there will be at least three members. The members of the Committee will automatically cease to hold their positions when they are no longer members of the Board of Directors

Name of the Committee

Audit Committee

Brief description

1.2 Audit Committee.

1. A minimum of two and a maximum of four Directors will form part of the Audit Committee and all must be Outside Directors.

2. The full Board of Directors is responsible for both appointing and removing members. The members of the Committee will automatically cease to hold their positions when they are no longer members of the Board of Directors

3. The Committee members will hold office for a maximum of four years and may be re-elected one or more times for identical periods.

4. The Committee will elect a Chairman from among its members, who will be appointed for a term of four years and may be reelected after 1 year has elapsed after last holding the office. The Secretary to the Committee will be the Secretary to the Board of Directors.

5. Any Director, including the CEO, or any Company employee asked to do so must attend Committee meetings and cooperate and provide all available information.

6. The competencies of the Audit Committee will be as follows:

a) Report to the General Meeting regarding issues raised by shareholders in the Committee's area of responsibility.

b) Supervise internal audit services.

c) Monitor the financial reporting process and the Company's internal control systems.

d) Supervise compliance with internal codes of conduct and corporate governance rules.

e) With respect to external auditors:

i.- Bring to the Board all proposals relating to the selection, appointment, reelection and replacement of the external auditor.

ii.- Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account.

iii.- Ensure the independence of the external auditor, to which end:

1. The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

2. The company should ensure that the company and the auditor respect rules in force regarding the rendering of services other than audit services, business concentration limits affecting the auditor and, in general, all of the rules established to ensure the independence of auditors;

3. The Committee should investigate the issues giving rise to the resignation of any external auditor.

f) Report on the Annual Accounts, as well as the half yearly and quarterly financial statements which must be sent to regulators or market supervisors, making mention of internal control systems, monitoring controls and compliance through internal audit, when appropriate, as well as the accounting principles applied. The board must also be informed of any change in accounting policies and all balance sheet and off-balance sheet risks.

g) Prepare an annual report regarding the Committee's activities which must be included in the Directors' Report.

B.2.6 Indicate whether or not the composition of the Executive Committee reflects the participation on the Board of different types of Directors:

YES

C RELATED PARTY TRANSACTIONS

C.1 Indicate whether or not the full Board has reserved the approval, subject to a favorable report by the Audit Committee or any other Committee assigned this task, of any transactions that the Company may enter into with Directors, significant shareholders or shareholders represented on the Board, or with persons related to them:

YES

C.2 List any significant transactions involving a transfer of resources or obligations between the Company and/or Companies in its group and significant Company shareholders:

C.3 List any significant transactions involving a transfer of resources or obligations between the Company and/or Companies in its group and Company administrators or executives:

C.4 List any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, relate to the Company's normal business:

C.5 Indicate whether or not the Company's Directors have been involved with any conflict of interest during the year, in accordance with Article 127 ter of the Spanish Companies Act.

C.6 Explain the mechanisms established to detect and resolve possible conflicts of interest between the Company and/or its Group and its Directors, senior management or significant shareholders.

1) There are various rules included in the Board Regulations:

Article 14.3 states:

a) Directors may not use the Company's name or their position as Director to carry out any transactions on their own behalf or on the behalf of any associated person

b) No Director may carry out, to their benefit for the benefit of any associated person, investments or any other transaction associated with the Company's assets which are known to them as a result of their position when the investment for transaction would have been offered to the Company or the Company would be interested in the transaction, provided that the Company did not rule out that investment or transaction without the influence of the Director.

c) Directors must report any direct or indirect situation of conflict to the Board of Directors when involving any Company interests and Directors will not attend or intervene in debates that involve any issue in which they have a personal interest or affects an associated person.

In any event, any situations of conflict of interest affecting Company Directors must be reported in the Annual Corporate Governance Report.

14.6 Abstention duty

Directors' duty to abstain means not making private use of confidential information received as a result of the position of Director and not making investments or commercial transactions deriving from holding the position of Director. This duty also covers any activity carried out by an associated person.

14.7 Associated person.

For the purposes of this Article, a person associated with the a Director will be deemed to be as follows:

- a) The spouse of the Director or any person in a similar position.
- b) Ascendants, descendants and siblings of the Director or the spouse of the Director
- c) The spouses of ascendants, descendants and the siblings of the Director.
- d) Companies in which the Director, personally or through an intermediary, is in one of these situations listed under Article 4 of Law 24/1988 (28 July) on the Stock Market.

Associates of legal persons appointed to directorships are considered to be the following:

- d) Shareholders which are, with respect to the legal person Director, in one of these situations listed under Article 4 of Law 24/1988 (28 July) on the Stock Market.
- b) Directors, in law or de facto, liquidators and legal representatives with general power-of-attorney at the legal person Director
- c) Companies that form part of the same group as defined by Article 4 of Law 24/1988 (28 July) on the Stock Market and their shareholders.
- d) Persons considered to be associated with the legal person Directors, in accordance with the provisions of the preceding paragraph.

2) Furthermore, there are Stock Market Conduct Regulations consisting of a group of rules intended to detect and regulate possible conflicts of interest between the Company and/or its Group, and their Directors, executives or significant shareholders.

The regulations are applied with respect to securities issued by Iberpapel Gestion, to the members of the Board of Directors and any Board Committee or Commission, their representatives when members are legal persons and the Secretary or Vice-Secretary, if they are not Directors.

Executives or personnel at a similar hierarchical level, and, in general, employees that directly or indirectly carry out activities relating to the stock market, particularly those relating to the Company's treasury shares, investor relationships, public reporting or relevant information.

In accordance with the definition provided by Royal Decree 377/1991 (15 March) on the Reporting of Significant Shareholdings in Listed Companies and the Acquisition of Treasury Shares (hereinafter "RD 377/1991"), executives are considered to be general managers or similar positions that perform senior management duties under the direct supervision of the governing bodies, executive committee or the Company CEO.

Any other person that could have access to privileged information.

Any person that knowingly possesses privileged information, or should know, may not prepare or carry out any direct or indirect transactions on their own behalf or on the behalf of a third-party involving the securities to which the privileged information refers.

This prohibition does not include (i) the preparation or performance of transactions whose existence constitutes the privileged information; (ii) transactions carried out to comply with an outstanding obligation to acquire or assign securities when covered by an agreement concluded before the person concerned possesses the privileged information; or (iii) any transactions carried out in conformance with applicable legislation.

All persons subject to the Regulations are prohibited from (i) reporting the privileged information to third parties, unless that forms part of the normal course of their work, profession or position; and (ii) providing recommendations to a third party to acquire or assign securities or to instruct another party to acquire or assign securities based on that information (duty of confidentiality).

All persons subject to the Regulations will ensure that the privileged information is duly safeguarded, notwithstanding their duty to report to, and collaborate with, legal and administrative authorities in accordance with the terms established under the Stock Market Act or any legislation in force at any given time.

In addition, they must adopt adequate measures to prevent the privileged information from abuse or improper use and, if appropriate, will immediately take all necessary measures to correct the consequences deriving from such activities.

Persons subject to the Regulations may not carry out personal transactions when they possess privileged information.

Personal transactions will be understood to be those carried out by the persons concerned involving securities, as well as any that may be carried out by others associated with those persons.

Associated persons are (i) E. Spouse or domestic partner, except for transactions involving private assets or when there is a formal separation of assets agreement in place; (ii) minor children subject to parental authority and dependent adults; (iii) companies effectively controlled by the person concerned; and (iv) intermediary persons as defined by Article 3 of RD 377/1991.

Such persons will report any possible conflict of interest with Iberpapel or its Group to the person responsible for monitoring such situations when they arise for any reason and such persons will abstain from carrying out any type of personal transaction or transaction covered by a portfolio management agreement when there could be any conflict of interest, unless advance express authorization is obtained from the person responsible for monitoring such situations, in accordance with their obligations for loyal behavior deriving from stock market, corporate and employment legislation and this Internal Code of Conduct Regulations.

C.7 Are more than one of the Group's companies listed in Spain?

NO

Identify the subsidiaries listed in Spain:

D RISK CONTROL SYSTEMS

D.1 General description of the Company's risk policy and/or its Group, including detailed and an evaluation of the risks covered by the system, together with information supporting those systems' adaptation to the profile of each type of risk.

Iberpapel Group has carried out risk control and management actions which have afforded an adequate valuation in this respect. In this respect, systems have been implemented that enable the following risks affecting the Group to be identified, assessed, managed and controlled.

Risk control systems, which are a component of decision-making management and assistance in the Iberpapel Group are defined on the basis of four major aspects:

Principal risks of the Iberpapel Group.

Risk assessment

Risk control and hedges

Organization and management responsibilities

Principal risks of the Iberpapel Group.

In 2008 the risks assessed and for which there is sufficient coverage include the following:

Risk concerning the global economic situation

Market / competition and selling / raw material prices risks.

Forestry risks.

Regulatory/ environmental risks.

Risks relating to new investments and other

Risks of material damages and loss of earnings.

Risk assessment

a) Control systems

The Group's control systems are considered appropriate in light of the Group's risk profile and may be grouped together in the following categories:

Maintaining a highly competitive cost structure that enables the impact of market crises to be addressed comparatively better than in the competition.

Systems of control over the distribution of forestry assets: three distant forestry areas (Argentina, Uruguay and Huelva), with the reasonable distribution of properties in each area. Moreover, forest cleaning, firebreak work etc is carried out on a regular basis, thereby reducing the impact of potential damages from fire.

Improvement in competitiveness and environmental efficiency through the launch of a 50 MWh high-efficiency cogeneration plan which gives rise to an additional competitive advantage due to cost reductions and lowered dependence on electricity prices.

Regulatory/ environmental risks.

Plans and systems to ensure the quality of products or services: the top priority under the IBERPAPEL Group's defined quality policy is customer satisfaction and on-going improvement and therefore to ensure that products and services meet quality standards. This Group has obtained ISO 9001 and ISO 14001 certification, as well as certification from AENOR for the Custody Chain Model, as well as Environmental Authorization obtained in 2008. The basic objectives of Iberpapel Group's quality policy are as follows:

To review, improve and optimise existing processes and controls in order to ensure product quality and traceability.

To provide an adequate response to claims, implementing a process to examine, record and respond to such claims.

Environment risk control systems: the IBERPAPEL group is committed to complying with applicable European, central government and regional legislation and participates actively in the development of new environmental commitments. In this respect, progress is being made on the gradual implementation of Available Technology Improvements deriving from Community

Directive IPPC 96/61/EC on integrated pollution control and the processing of Integrated Environmental Management. A series of actions carried out by the Group in this connection are particularly noteworthy:

Odour elimination systems.

Elimination of elementary chloride as a bleaching agent.

Installation of on-going emission measurement systems in conjunction with the Basque regional government.

Utilisation of the best available technologies to improve emissions and disposals and reduce waste.

Installation of a new effluent treatment facility.

The Iberpapel Group has continued to implement its reforestation policy, focusing on so-called Clean Development Mechanisms (CDM). This policy aims to secure, through such mechanisms contained in the Kyoto Protocol and European legislation, financing to ensure the feasibility of the projects started up, enabling, moreover, the obtainment of an optimum supply of raw materials for our facilities in Hernani.

The aforementioned project has mainly been developed through a reforestation program based on the variety of seed or development eucalyptus cloned at the properties purchased by the group's subsidiaries in Argentina and Uruguay which were previously used as grazing land. In the past few years approximately 4,200 hectare in Argentina and 7,300 hectare in Uruguay, respectively, have been reforested.

In addition, the Iberpapel Group has obtained the AENOR Certification of the Custody Chain Model which will be combined with the existing quality control model.

There is an investment development analysis and monitoring program in place that allows business growth processes to be satisfactorily handled and relates to the growth of the generation of electricity that the Group plans to export to the grid.

Other preventive procedures: it is the IBERPAPEL group's policy to arrange the necessary insurance policies and hedges to mitigate as far as possible the risks deriving from the loss of earnings, material damages, customer collection, machine breakdowns etc . In this connection, the main policies in force obtained by the Group are as follows (among others):

The decline in profits (including all industrial operations)

Machine fault insurance (Including damages and loss of earnings)

Material damages (comprehensive insurance)

Trade receivables (the group arranges insurance for both domestic and export sales)

Third-party liability (including causing agent and damages)

Third-party liability of Directors and Managers

b) Internal supervision procedure

The Group has assessed the risks on the basis of a universal model and carried out the reviews considered necessary to update the risk map. Similarly, the impact of those risks has been calculated together with the follow-up and management actions relating to each of the aforementioned areas.

D.2 Indicate whether any of the risks (operating, technological, financial, legal, reputational, tax, etc.) affecting the Company and/or its Group have actually arisen during the year:

NO

If so, indicate the underlying circumstances and whether or not the established control systems work adequately.

D.3 Is there a Committee or other governing body responsible for establishing and supervising the control systems?

YES

If so, state its duties.

Name of the Committee or Body

AUDIT COMMITTEE

Description of duties

It is authorised by the Board of Directors in the exercise of its duties to supervise risks.

Name of the Committee or Body

BOARD OF DIRECTORS

Description of duties

The Board is responsible for maintaining the internal control system, including the follow-up and control of the significant risks of the Iberpapel corporate group. On the basis of the assessment of operational risks supervised by the Audit Committee, the Board of Directors carries out risk control and management.

D.4 Identification and description of processes for complying with the various regulations affecting the Company and/or its Group.

The Group has implemented the necessary mechanisms to control and manage risks in accordance with the universal assessment model which takes into account any kind.

Because of its universal and dynamic nature, the system enables the on-going management of the risks affecting the Iberpapel Group, making it possible to tailor it to changes in the environment, to review its objectives and strategies and upgrade its monitoring and supervisory process.

With respect to compliance with the different regulations which affect the Iberpapel Group, it should be noted that the Group has a legal department and external advisors when required such

that at all times it is in a position to comply with the regulations applicable to the Group in its operations.

In this respect, it should be noted that as a listed Group, it complies with its quarterly, six-monthly and annual reporting obligations and issues the Significant Events report and other information requested by the National Securities Market Commission.

Integrated risk management in the Iberpapel Group and companies which form it enables a profitability / risk balance to be attained, reducing the impact on results.

E GENERAL MEETING

E.1 Indicate whether there are any differences between the quorums for General Meetings and the minimums stipulated in the Spanish Companies Act and, if appropriate, explain.

NO

| | % quorum other than that established under Art. 102 LSA for general cases | % quorum other than that established under Art. 103 LSA for the special cases established under Art. 103 103 |
|--------------------------------|--|---|
| Quorum required on first call | 0 | 0 |
| Quorum required on second call | 0 | 0 |

E.2 Indicate and explain, if appropriate, if there are any differences between the system used for adopting corporate resolutions in the system stipulated in the Spanish Companies Act:

NO

Describe how it differs from the system contemplated in the Spanish Companies Act.

E.3 Describe any shareholders' rights with regard to General Meetings that differ from those established by the Spanish Companies Act.

The Bylaws and the General Meeting Regulations govern shareholder rights in accordance with the provisions of the Spanish Companies Act. There is no limitation whatsoever on the number of shares required to attend General Meetings.

E.4 Describe the measures adopted, if any, to encourage the participation of shareholders at General Meetings.

All shareholders may attend the General Meeting and take part in deliberations. Speaking and voting rights, in accordance with the provisions of the Bylaws and the General Meeting Regulations.

In addition to the right to request callings of meetings, information and attendance as well as representation and remote voting, Iberpapel has a policy of encouraging shareholder participation in the General Meeting by applying the following measures:

Attendance premium

The meeting is held at the premises with the best conditions for holding and monitoring the meeting, located in the center of the municipality in which the Company's domicile is located.

Exercising of voting rights and delegation using electronic means.

Personalized assistance and information for shareholders through the Shareholder Service Office.

Publication on the Company's website of all information regarding the General Meeting and the Agenda, details regarding the calling of the meeting, proposed Resolutions made by the Board of Directors and the means of communicating with the Company through which details regarding the meeting may be requested.

E.5 Indicate if Chairman of the Board chairs the General Meeting. List any measures adopted to ensure the independence and correct operation of the General Meeting:

YES

| |
|--------------------------------|
| Details regarding the measures |
|--------------------------------|

| |
|---|
| In order to guarantee the independence and proper operation of the General Meeting, the Ordinary General Meeting held on 15 June 2004 approved a Meeting Resolution providing detailed and transparent regulations for the meeting. |
|---|

E.6 Indicate any modifications made during the year to the Regulations governing the General Shareholders' meeting.

E.7 Provide details of attendance records at General Meetings held during the year to which this report refers:

| Attendance information | | | | | |
|-----------------------------|----------------------|------------------------|-------------------|-------|--------|
| Date of the General Meeting | % physically present | % represented by proxy | % remote voting | | Total |
| | | | Electronic voting | Other | |
| 04/06/2008 | 7,291 | 78,751 | 0,000 | | 86,042 |

E.8 Briefly indicate the Resolutions adopted at the General Meetings held during the year to which this report refers and the percentage of votes with which each Resolution was adopted.

The Ordinary General Shareholder Meeting held on 4 June 2008 adopted the following Resolutions (summarized):

1. The appointment of representatives to approve the Meeting Minutes was approved.

Unanimously approved.

2. Approve, in the terms established in the legal documentation, the Annual Accounts (Balance sheet, Income Statement and Notes to the Annual Accounts), both for Iberpapel Gestion S.A. and its consolidated Group, as well as the individual and consolidated Directors' Report relating to the year ended 31 December 2007.

Approve the proposed application of profits totaling six million one hundred nineteen thousand two hundred and eighteen euros and eighty cents (€6,119,218.80), which will be distributed as follows:

Two million three hundred fifteen thousand six hundred twenty euros (€2,315,620) which have already been distributed as interim dividend as approved by the Board of Directors at the meeting held on 14 January 2008.

Voluntary reserves have been allocated three million eight hundred three thousand five hundred ninety nine euros and eighty cents (€3,803,599.80)

Approve the management by the Governing Body during the year.

Unanimously approved.

3. – The partial refund of a share premium to shareholders totaling €0.25 per share was approved.

Unanimously approved.

4.- The Board of Directors was authorized to acquire Treasury Shares by the Company and/or its subsidiaries through the acquisition of a maximum of 5% of share capital over a 14 month and for a minimum price of the share par value and a maximum of €40.

Unanimously approved.

5. The reelection of the auditor PriceWaterhouse Auditores, SL. for a term of one year was approved for the audit of the individual and consolidated annual accounts for 2008.

Unanimously approved.

6.- A resolution was adopted to delegate authority to the Chairman of the Board or to the Secretary to formalize, interpret, correct and execute the Resolutions adopted by the General Meeting.

Unanimously approved.

E.9 State whether any restrictions are established in the Articles of Association requiring a minimum number of shares to attend General Meetings:

No

| | |
|---|--|
| Number of shares necessary to attend the General Meeting | |
|---|--|

E.10 Describe and justify the Company's policies regarding proxy votes at General Meetings.

The policy followed by the Board of Directors of Iberpapel Gestión, S.A has always been to facilitate the presence of shareholders at General Meetings, either personally or through

representation. For that reason representation to attend a Meeting may fall to another person who does not have to be a shareholder.

The delegation of votes at the General Meeting is governed by the Company's Bylaws and the Meeting Regulations as well as by the Board Regulations.

According to Article 14 of the Bylaws, shareholders with a right to attend meetings may delegate representation authority to another person. The representative must be named and that must be extended in writing for each Meeting. The above is notwithstanding the provisions of Article 108 of the Spanish Companies Act.

In addition, shareholders may delegate representation via electronic or remote means that duly guarantee the representation authority granted and the identity of the representative when the Board of Directors considers that there are adequate guarantees of authenticity and identification of the shareholder conferring the representation authority. The representation authority granted using these means will be sent to the Company using the procedure and within the deadline established by the Board of Directors in the Resolution to call the meeting.

The Board of Directors will determine, in accordance with the calling of each meeting, the procedure, requirements, system and deadline for granting and sending the Company representation or delegation of vote authority issued electronically.

These circumstances will be stated in the announcements concerning the calling of the Meeting.

In the event of a public request for representation, the provisions of Article 107 of the current Spanish Companies Act will be applicable and, if appropriate, so will the provisions of Article 114 of Law 24/1988 (28 July) on the Stock Market.

According to Article 11 of the Board Regulations, shareholders with a right to attend meetings may delegate representation authority to another person.

The representation authority must be accepted by the representative. It must be specific to each Meeting and may be conferred through the following means:

- a) By sending the card referred to under Article 12, duly filled in and signed by the shareholder, in accordance with the terms and conditions established in the Bylaws.
- b) Using electronic or remote means that duly guarantee the representation authority granted and the identity of the representative when the Board of Directors considers that there are

adequate guarantees of authenticity and identification of the shareholder conferring the representation authority. The representation authority granted using these means will be sent to the Company using the procedure and within the deadline established by the Board of Directors in the Resolution to call the meeting.

3. In the event of a public request for representation, the provisions of Article 107 of the current Spanish Companies Act will be applicable and, if appropriate, so will the provisions of Article 114 of Law 24/1988 (28 July) on the Stock Market. In particular, the document containing the power-of-attorney must contain or bear an appendix containing the Agenda, as well as a request for instructions to exercise the right to vote and an indication of how the representative will vote in the event that no precise instructions are given.

4. Individual shareholders who do not have full legal capacity and corporate shareholders may be represented by their legal representatives, when adequately proven. Both in these cases, as well as in the case in which a shareholder delegates a right to attend the Meeting, more than one representative cannot be used.

5. Representation authority is always revocable. If the shareholder attends the Meeting, and any vote issued revokes any delegated authority whatever the date.

Article 19 of the Board Regulation stipulates that public requests for the delegation of votes made by the Board of Directors or any member must expressly state the manner in which the representative will vote in the event that the shareholder does not provide instructions.

A Director obtaining representation authority may not exercise the right to vote relating to the represented shares for any points of the Agenda for which there is a conflict of interest.

Article 21 of the Board Regulations stipulates that delegated votes received by the Board of Directors or any Member will be faithfully executed in accordance with the instructions received in this respect and the Minutes will reflect the vote and the identification of the voting instructions received, including any vote against Board proposals, with the aim of safeguarding the rights that may fall to the delegating shareholder.

E.11 Indicate whether the company is aware of the policies of institutional investors regarding their participation or not in company decisions:

NO

E.12 Indicate the address and access to the corporate governance contents on the company's website.

www.iberpapel.es
Shareholders and investors
Corporate Governance

F EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the company.

I. 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.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

Comply

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

- a) The transformation of listed companies into holding companies through the process of subsidiarization, i.e., reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;
- b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
- c) Operations that effectively add up to the company's liquidation.

Comply

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Comply

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

- a) The appointment or ratification of directors, with separate voting on each candidate;
- b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

See section: E.8

Comply

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

Comply

7. The Board of Directors should perform its duties with unity of purpose and independent judgment, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximize its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfills its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Comply

8. The Board should see as core components of its mission: to approve the company's strategy and authorize the organizational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full should reserve the right to approve:

- a) The company's general policies and strategies, and in particular:
- i) The strategic or business plan, management targets and annual budgets;
 - ii) Investment and financing policy;
 - iii) Design of the structure of the corporate group;
 - iv) Corporate governance policy;
 - v) Corporate social responsibility policy;
 - vi) Compensation and evaluation of senior officers;
 - vii) Risk control and management, and periodic monitoring of internal information and control systems;
 - viii) Dividend policy, treasury stock policy, especially limits.

See sections: B.1.10, B.1.13, B.1.14 and D.3

- b) The following decisions:
- i) Upon recommendation by the CEO, the appointment and possible removal of senior management and any indemnity clauses.
See section: B.1.14.
 - ii) Directors' compensation and, in the case of Executive Directors, additional compensation for their management duties and other contractual conditions.
See section: B.1.14.
 - iii) The financial information listed companies must periodically disclose.
 - iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
 - v) The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

- c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto (“related-party transactions”).

However, Board authorization need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
2. They go through at market rates, generally set by the person supplying the goods or services;
3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favorable report from the Audit Committee or committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally, the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Delegate Committee in urgent cases and later ratified by the full Board.

See sections: C.1 and C.6

Comply

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Comply

10. External directors, proprietary and independent, should occupy an ample majority of Board places, 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.

See sections: A.2, A.3, B.1.3 and B.1.14.

Comply

11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.

See section: B.1.3

Not applicable

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by institutional directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of institutional directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.

2. In companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Comply

13. The number of independent directors should represent at least one third of all Board members.

See section: B.1.3

Comply

14. Such determination should subsequently be explained by the Board to the General Meeting and be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of institutional directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a institutional directorship.

See sections: B.1.3 and B.1.4

Comply

15. When women directors are few or non-existent, the Board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

- a) The process of filling Board vacancies has no implicit bias against women candidates;
- b) The company makes a conscious effort to include women with the target profile among the candidates for Board places.

See sections: B.1.2, B.1.27 and B.2.3.

Partial compliance

The Nominations and Compensation Committee initiates the process of selecting Directors and the near executives for the Company in order to prepare subsequent proposals for the Board of Directors and does not consider that gender should be a selection criteria but rather the candidate must meet required profile. The principle of equal opportunity has always presided over

the criteria applied by the Nominations and Compensation Committee. In addition, the Committee is also responsible for reporting gender diversity issues to the Board.

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organize and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive, along with the chairmen of the relevant Board committees.

See section: B.1.42

Comply

17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See section: B.1.21

Comply

18. The Secretary should take care to ensure that the Board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- b) Comply with the company bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;
- c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full Board meeting, the relevant appointment and removal procedures being spelled out in the Board's regulations.

See section: *B.1.34*

Partial compliance

Although Article 9 of the Board Regulations does not specifically assign the duty of ensuring, in any special way, that good governance recommendations are followed it is responsible for ensuring formal legality which includes, in a broad sense, good governance recommendations.

In addition, the Audit Committee is responsible for, among other things, supervising compliance with internal codes of conduct and corporate governance rules and the Secretary to that Committee ensures compliance with the duties falling to that Committee which include Corporate Good Governance rules.

19. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: *B.1.29*

Comply

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: *B.1.28 and B.1.30*

Comply

21. 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, the person expressing them can request that they be recorded in the minute book.

Comply

22. The Board in full should evaluate the following points on a yearly basis:

- a) The quality and efficiency of the Board's operation;
- b) Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;
- c) The performance of its committees on the basis of the reports furnished by the same.

See section: B.1.19

Partial compliance

Article 12 of the Board Regulations called: The evaluation of the Board and the Committees, literally states the following:

On an annual basis the Board of Directors will evaluate:

- a) The quality and efficiency of the Board's operation;
- b) The performance by the Chairman of the Board and the Company's CEO based on a report that will be prepared by the Nominations and Compensation Committee;
- c) The operation of the Board Committees based on a report prepared by each Committee.

In addition, Article 9.3 of these Regulations stipulates that if the Chairman of the Board and the Company's CEO are the same person one of the Independent Directors will be appointed to direct the Board's evaluation of the Chairman. In order to comply with the provisions of this Article the Board of Directors appointed Mr. José M^a Cuevas Salvador to perform these duties. This Director passed away on 27 October 2008. On 8 January 2009 Board of Directors appointed Mr. Néstor Basterra to perform the same duties.

As a result of the death of the aforementioned Director and the fact that his replacement was not appointed until January 2009, in 2008 it was not possible to carry out the evaluation.

23. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the bylaws or Board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B.1.42

Comply

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: B.1.41

Comply

25. Companies should organize induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Comply

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;
- b) Companies should lay down rules about the number of directorships their Board members can hold.

See sections: B.1.8, B.1.9 and B.1.17

Comply

27. The proposal for the appointment or renewal of directors that the Board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the Board:

- a) On the proposal of the Nomination Committee, in the case of independent directors.
- b) Subject to a report from the Nomination Committee in all other cases.

See section: B.1.2

Comply

28. Companies should post the following directorship particulars on their websites and keep them permanently updated:

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director's classification as appropriate, stating, in the case of institutional directors, the shareholder they represent or are associated with.
- d) The date of their first and subsequent appointments as a company director, and;
- e) Shares held in the company and any options on the same.

Comply

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: B.1.2

Comply

30. Institutional 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 institutional directors, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and B.1.2

Comply

31. 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 just cause is found by the Board, based on a proposal from the Nomination Committee. In particular, just cause will be

presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Comply

32. Companies should establish rules obliging directors to inform the Board of any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Comply

33. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

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

The terms of this Recommendation should also apply to the Secretary to the Board, Director or otherwise.

Comply

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Comply

35. The company's compensation policy, as approved by its Board of Directors, should specify at least the following points:

- a) The amount of the fixed components, itemized where necessary, of Board and Board Committee attendance fees, with an estimate of the fixed annual payment they give rise to;
- b) Variable components, in particular:
 - i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed compensation items;
 - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related compensation;
 - iii) The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and
 - iv) An estimate of the sum total of variable payments arising from the compensation policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.
- d) The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:
 - i) Duration;
 - ii) Notice periods; and
 - iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

Comply

36. Compensation comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3, B.1.3

Comply

37. External directors' compensation should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Comply

38. In the case of compensation linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Comply

39. In the case of variable awards, compensation policies should include 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, atypical or exceptional transactions or circumstances of this kind.

Comply

40. The Board should submit a report on the directors' compensation policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the compensation policy the Board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 34, except those potentially entailing the disclosure of commercially sensitive information. It will emphasize the most significant changes to those policies compared with the policy referring to the General Meeting applied last year. It will also include an overall summary of how the compensation policy was applied last year.

The role of the Compensation Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Comply

41. The notes to the annual accounts should list individual directors' compensation in the year, including:

a) A breakdown of the compensation obtained by each company director, to include where appropriate:

i) Participation and attendance fees and other fixed director payments;

- ii) Additional compensation for acting as chairman or member of a Board Committee
 - iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
 - iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
 - v) Any severance packages agreed or paid;
 - vi) Any compensation they receive as directors of other companies in the group;
 - vii) The compensation executive directors receive in respect of their senior management posts;
 - viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted as a related-party transaction or when its omission would detract from a true and fair view of the total compensation received by the director.
- b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemized by:
- i) Number of shares or options awarded in the year, and the terms set for their execution;
 - ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
 - iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
 - iv) Any change over the year in the exercise terms of previously-awarded options.
- c) Information on the relation in the year between the compensation obtained by executive directors and the company's profits, or some other measure of enterprise results.

Comply

42. When the company has a Delegate Committee, the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Delegate Committee.

See sections: B.2.1 and B.2.6

Not applicable

43. The Board should be kept fully informed of the business transacted and decisions made by the Delegate Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Not applicable

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Compensation.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Compensation should be set forth in the Board regulations, and include the following:

- a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first Board plenary following each meeting;
- b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.
- c) Committees should be chaired by an independent director.
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Meeting proceedings should be minuted and a copy sent to all Board members.

See sections: B.2.1 and B.2.3

Partial compliance

The Company complies with the sections regarding the Recommendation, except for those included under paragraphs b) and c)

With respect to paragraph b) an Executive Director forms part of the Nominations and Compensation Committee. This Director does not receive any compensation whatsoever for his executive duties.

With respect to paragraph c) this Committee is led by an Executive Director who, as was explained above, does not receive compensation for the executive duties carried out.

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Comply

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Comply

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Comply

48. The head of internal audit should present an annual work program to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Comply

49. Control and risk management policy should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Comply

50. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.
- c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- d) Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

- a) Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of the engagement.
- b) Receive regular information from the external auditor on the progress and findings of the audit program, and check that senior management are acting on its recommendations.
- c) Monitor the independence of the external auditor, to which end:

d) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

i) The company should ensure that the company and the auditor respect rules in force regarding the rendering of services other than audit services, business concentration limits affecting the auditor and, in general, all of the rules established to ensure the independence of auditors;

ii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

e) In the case of groups, encourage the Group's auditors to audit the group companies

See sections: B.1.35, B.2.2, B.2.3 and D.3

Comply

51. 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.

Comply

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:

a) The financial information listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Partial compliance

The Board Regulations do not expressly state that the Audit Committee must inform the Board beforehand of any decisions taking regarding the issues indicated under paragraph b).

53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Comply

54. The majority of Nomination Committee members – or Nomination and Compensation Committee members as the case may be – should be independent directors.

See section: B.2.1

Comply

55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

a) Evaluate the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) Examine or organize, in appropriate form, the succession of the chairman and the chief executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.

c) Report on the senior officer appointments and removals which the chief executive proposes to the Board.

d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Partial compliance

The Nominations and Compensation Committee has not been formally given the authority listed under paragraph b).

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

Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.

Comply

57. The Compensation Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Make proposals to the Board of Directors regarding:
 - i) The compensation policy for directors and senior management;
 - ii) The individual compensation and other contractual conditions of executive directors.
 - iii) The standard conditions for senior management employment contracts.
- b) Oversee compliance with the compensation policy set by the company.

See sections: B.1.14, B.2.3

Comply

58. The Compensation Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Comply

G OTHER INFORMATION OF INTEREST

If you consider there to be an important principle or aspects regarding the corporate governance practices applied by your Company that have not been mentioned in this report, indicate them below and explain their contents.

This section may be used to include any other information, clarification or qualification relating to the previous sections of the report.

Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

Binding definition of independent director:

Indicate whether any of the independent directors have or have had any relationship with the company, its significant shareholders or its executives, which, if sufficiently significant or important, would have meant that the director could no longer be considered independent, pursuant to the definition set out in Section 5 of the Unified Good Governance Code:

NO

This annual report on corporate governance was approved by the Board of Directors of the Company on 25 February 2009

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

NO

Madrid, 25 February 2009