miquel y costas & miquel, s.a.
y sociedades dependientes

MIQUEL Y COSTAS & MIQUEL, S.A.
AND SUBSIDIARY COMPANIES

CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT FOR 2020

(Free translation from Spanish)

pwc

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

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Miquel y Costas & Miquel, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Miquel y Costas & Miquel, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, and the income statement, statement of recognised income and expenses, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2020, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

PricewaterhouseCoopers Auditores, S.L., Avinguda Diagonal, 640, 08017 Barcelona, España
*Tel.: +34 932 532 700 / +34 902 021 111, Fax: +34 934 059 032, www.*pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matter	How our audit addressed the key audit matter
Recognition of sales revenue	
As detailed in note 18 to the accompanying consolidated annual accounts, the Group operates on the domestic and international market, the latter accounting for the largest volume of sales in terms of amount and number of orders. Although the recognition and evaluation of net turnover is not especially complex, we focused our analysis on its recognition mainly due to the significance of this component within the accompanying consolidated annual accounts taken as a whole and, therefore, on the increased concentration therein of the inherent risk of material misstatement.	We gained an understanding of the accounting policies for recognising business revenues. In this respect, we assessed the design of the key internal controls related to revenue recognition and tested their operational efficiency. We carried out tests of detail on a sample of sales recorded and verified the evidence of the existence and recognition of the transaction. For a sample of sales transactions, we verified the appropriate cut-off of operations at the year end, in order to corroborate the correct accrual. We have also verified whether the information disclosed in the accompanying consolidated annual accounts on the recognition of revenue is reasonable. As a result of our audit procedures, no essential observations have been revealed.

Other information: Consolidated directors' report

Other information comprises only the consolidated directors' report for the 2020 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated directors' report. Our responsibility regarding the consolidated directors' report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the consolidated statement of non-financial information and certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated directors' report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated directors' report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated directors' report is consistent with that contained in the consolidated annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit commission for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned determine necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

The Parent company's audit commission is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

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

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

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit commission with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit commission, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the Parent company´s audit commission

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Parent company dated 22 April 2021.

Appointment period

The General Ordinary Shareholders' Meeting held on 30 June 2020 appointed PricewaterhouseCoopers Auditores, S.L. as auditors for a period of one year for the year ended 31 December 2020.

Previously, we were appointed by resolution of the General Extraordinary Shareholders' Meeting on 17 December 2002 for an initial period of three years and we have audited the accounts continuously since the year ended 31 December 2002.

Services provided

Services provided to the Group, for services other than the audit of the accounts, are described in note 28 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Juan Bautista Álvarez López

22 April 2021

The Consolidated Annual Accounts and Directors' Report, of which the Annual Corporate Governance Report and Non financial information Report forms a separate section, for the year ended at 31 December 2020, are formulated under the agreement adopted by the meeting of the Board of Directors of Miquel y Costas & Miquel, S.A. dated on 25 March 2021 identified by the signature of the members of the Board contained in this document, in order to meet the provisions of Article 253 of the Spanish Companies Act

Barcelona, 25 March 2021

Chairman of the Board of Directors

Jorge Mercader Miró

Members of the Board:

Joanfra, S.A. represented by Bernardette Miquel Vacarisas	Álvaro de la Serna Corral	Javier Basañez Villaluenga
Eusebio Díaz-Morera Puig-Sureda	Joaquín Coello Brufau	Claudio Aranzadi Martínez
Joaquín Faura Batlle	Jorge Mercader Barata Vice Chair of the Board	Marta Lacambra Puig

(Free translation from Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
Table of Contents of the Consolidated Annual Accounts for 2020

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
Table of Contents of the Consolidated Annual Accounts for 2020

(Free translation from Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
Consolidated Balance Sheet
at 31 December 2020
(In thousand Euro)

		In thousand Euro	
ASSETS	**Note**	**2020**	**2019**
Non-current assets			
Property, plant and equipment	4	171,666	167,946
Intangible assets	5	3,030	2,537
Non-current financial assets	6,21	32,410	45,450
- At fair value through other comprehensive income		10,813	14,535
- At amortised cost		21,597	30,915
Deferred income tax assets	17.3	3,121	3,043
Current tax assets	17.4	1,710	1,783
Total non-current assets		**211,937**	**220,759**
Current assets			
Inventories	7	81,565	93,045
Trade receivables	8,21	41,635	42,460
Sundry receivables	9	251	238
Current financial assets	9	70,911	37,366
- At amortised cost		70,911	37,366
Other current financial assets	9	2,885	3,227
Current tax assets	17.2	-	-
Cash and cash equivalents	10	7,735	6,947
Total current assets		**204,982**	**183,283**
TOTAL ASSETS		**416,919**	**404,042**

Notes from pages 11 to 106 are an integral part of the consolidated annual accounts.

(Free translation from Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
Consolidated Balance Sheet
at 31 December 2020
(In thousand Euro)

EQUITY AND LIABILITIES	Note	In thousand Euro 2020	2019 (1)
Total Equity		**293,627**	**280,580**
Share capital	11	62,000	62,000
Own shares	11	(30,992)	(21,483)
Share premium	11	40	40
Retained earnings for the period	11	44,878	39,218
Other reserves	11	225,232	203.203
Shareholders' funds		**301,158**	**282.978**
Items not reclassified to results for the period:			
Equity instruments through other comprehensive income	11	(1,452)	3,200
Items that may not be reclassified subsequently to results for the year			
Conversion difference	11.2	(6,079)	(5,598)
Accumulated other comprehensive income		**(7,531)**	**(2.398)**
Non-current liabilities			
Borrowings	12,21	49,145	54,489
Deferred income tax liabilities	17.3	2,520	2,811
Other non-current liabilities	14	3,872	3,439
Total non-current liabilities		**55,537**	**60,739**
Current liabilities			
Borrowings	12,21	18,582	15,879
Trade creditors and other accounts payable	15,21	31,213	32,435
Current tax liabilities	17.2	537	299
Current provisions	16	3,038	1,760
Other current liabilities	16	14,385	12,350
Total current liabilities		**67,755**	**62,723**
TOTAL EQUITY AND LIABILITIES		**416,919**	**404,042**

(1) Restated figures (Notes 11.2 and 11.3)

Notes from pages 11 to 106 are an integral part of the consolidated annual accounts

(Free translation from Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
Consolidated Income Statement for the years ended at
31 December 2020
(In thousand Euro)

In thousand Euro	**Note**	**2020**	**2019**
Net turnover	18	274,151	262,633
Variation in inventories		(8,945)	15,661
Own work capitalised	4,5	1,198	1,670
Supplies	7	(85,194)	(101,357)
Other operating income	18	2,912	4,027
Staff costs	19	(44,733)	(45,048)
Other operating expenses	20	(64,738)	(71,492)
Amortisation and depreciation	4,5	(18,113)	(17,584)
Charge to non-financial fixed asset grants	14,26	1,760	1,777
Provision excess		9	66
Impairment and profit/ loss on fixed asset disposals		1	-
Operating profit / (loss)		**58,308**	**50,353**
Financial income	21	1,338	2,069
Financial expenses	21	(460)	(560)
Exchange differences	21	(948)	(813)
Impairment and profit/loss on disposal of financial instruments	21	-	-
Net financial results	21	**(70)**	**696**
Share of results of associates	6	24	17
Profit / (loss) before tax on activities		**58,262**	**51,066**
Corporate income tax	17.2	(13,384)	(11,848)
Profit / (loss) for the year on activities		**44,878**	**39,218**
Profit / (loss) attributable to holders of equity instruments of the parent Company		**44,878**	**39,218**
Earnings per share basic and diluted (Euro)	22	**1.53**	**1.30**

Notes from pages 11 to 106 are an integral part of the consolidated annual accounts.

(Free translation from Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
Consolidated statement of recognised income and expenses
at 31 December 2020
(In thousand Euro)

	Note	2020	2019
Consolidated profit for the year		**44,878**	**39,218**
Attributed to equity holders of the parent Company		44,878	39,218
Other comprehensive income- items that are not reclassified to results for the period		**(4,662)**	**(4,112)**
From actuarial gains and losses and other adjustment	13	(13)	161
Changes in fair value of investments at fair value through other comprehensive income	6	(4,652)	(4,233)
Tax effect	13, 17	3	(40)
Transfer to the consolidated income statement		**(481)**	**(73)**
From Exchange rate differences		(481)	(73)
TOTAL RECOGNISED INCOME AND EXPENSES		**39,735**	**35,033**
Attributed to equity holders of the parent Company		39,735	35,033

Notes from pages 11 to 106 are an integral part of the consolidated annual accounts.

(Free translation from Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
Consolidated statement of changes in equity for the year ended
at 31 December 2020
(In thousand Euro)

Thousand Euro	**Share capital and own shares (Note 11.1)**	**Share premium (Note 11.1)**	**Other reserves, value adjustments and conversion difference (Notes 11.2 and 11.3)**	**Retained earnings for the period (Note 11.3)**	**Other equity instruments (Note 11.3)**	**Total net equity**
Balance at 31 December 2018	**51,661**	**40**	**180,694**	**37,277**	**233**	**269,905**
Initial impact hyperinflation Argentina	-	-	-	-	-	-
Balance at 1 January 2019	**51,661**	**40**	**180,694**	**37,277**	**233**	**269,905**
Profit / (loss) recognized for the year	-	-	(4,185)	39,218		35,033
Capital Increases / Reductions	-		-	-	-	-
Acquisition/amortization of own shares	(11,144)	-	-	-	-	(11,144)
Conversion differences	-	-	-	-	-	-
Dividends distribution and investments returns	-	-	(13,350)	-	-	(13,350)
Other equity movements	-	**-**	37,291	(37,277)	122	136
Balance at 31 December 2019	**40,517**	**40**	**200,450**	**39,218**	**355**	**280,580**
Adjustments due to errors 2019 and previous years	-	-	-	-	-	-
Adjustments due to policy changes 2019 and previous years	-	-	-	-	-	-
Balance at 1 January 2020	**40,517**	**40**	**200,450**	**39,218**	**355**	**280,580**
Profit / (loss) recognized for the year	-	-	(5,143)	44,878		39,735
Capital Increases / Reductions	-		-	-	-	-
Acquisition/amortization of own shares	(9,509)	-	-	-	-	(9,509)
Conversion differences	-	-	-	-	-	-
Dividends distribution and investments returns	-	-	(17,300)	-	-	(17,300)
Other equity movements	**-**	**-**	**39,215**	**(39,218)**	**124**	**121**
Balance at 31 December 2020	**31,008**	**40**	**217,222**	**44,878**	**479**	**293,627**

Notes from pages 11 to 106 are an integral part of the consolidated annual accounts.

(Free translation from Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
Consolidated cash flow statement for the year ended
at 31 December 2020
(In thousand Euro)

	Note	2020	2019
A) CASH FLOWS FROM OPERATIONS		**72,887**	**43,735**
1. Cash flow generated from operations	**23**	**83,273**	**55,479**
2. Other cash flows from operations,		**(10,386)**	**(11,744)**
- Interest payments (-),		(475)	(523)
- Receipts of interest and dividends (+),		1,478	2,385
- Payments (receipts) for income tax (-/+),		(11,389)	(13,387)
- Other receipts/(payments) from operations (-/+)		-	(219)
B) CASH FLOWS FROM INVESTMENT ACTIVITIES		**(42,652)**	**(25,556)**
1. Amounts paid on investments (-)		**(124,706)**	**(88,688)**
(-) Group companies and associates		(25)	(17)
(-) Property, plant and equipment and intangible assets		(17,760)	(26,942)
(-) Other financial assets	**6, 9**	(106,921)	(61,729)
2. Amounts collected from divestments (+)		**82,054**	**63,132**
(+) Group companies and associates		69	55
(+) Property, plant and equipment and intangible assets		73	1,456
(+) Other financial assets	**6, 9**	81,912	61,621
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(29,447)**	**(28,237)**
1. Collections and payments for equity instruments		**(9,521)**	**(11,032)**
(-) Acquisition of own shares	**11.1**	(9,508)	(11,144)
(+) Disposals	**14**	(13)	112
Grants, donations and bequests received		(13)	112
2. Collections and payments for financial liability instruments		**(2,626)**	**(3,855)**
(+) Receipts from loans	**12**	26,476	28,863
(-) Redemption and amortisation of loans	**12**	(29,102)	(32,718)
3. Dividend payments	**11**	**(17,300)**	**(13,350)**
D) NET INCREASE (DECREASE) IN CASH OR CASH EQUIVALENTS		**788**	**(10,058)**
E) Cash or cash equivalents at beginning of the year	**10**	**6,947**	**17,005**
F) Cash or cash equivalents at end of the year	**10**	**7,735**	**6,947**

Notes from pages 11 to 106 are an integral part of the consolidated annual accounts.

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
Notes to the annual accounts for the year 2020
(In thousand Euro)

1 GROUP ACTIVITIES AND CONSOLIDATION SCOPE

1.1 Companies forming part of the Group and consolidation scope

Miquel y Costas & Miquel, S.A. (hereon “the parent Company”) is an industrial company with registered office in calle Tusset, nº 8-10, 7th floor, 08006 Barcelona, which at the 2020 year-end is the parent Company of a group (hereon, the Group) comprising: Miquel y Costas & Miquel, S.A., parent Company, and its subsidiary companies (see shareholding details and other information in Appendix I).

The parent Company, which bears Taxpayer ID nº A08020729, was incorporated in 1879 and became a public limited company in 1929. It is mainly engaged in the manufacture and trading of all types of paper. It is recorded in the Mercantile Registry of Barcelona on sheet B-85067, folio 139, volume 8686, inscription 1st and the last statutory modification is recorded as inscription 340.

The parent Company carries out its paper activity within the field of thin and special lightweight paper, especially for the tobacco industry.

On 25 July 2018 the Group acquired all the shares of the Spanish company Clariana, S.A., the leading manufacturer of coloured paper in Spain and its investee company Boncompte-Sierra, S.L.U. The operation was carried out through the parent Miquel y Costas & Miquel, S.A. and the subsidiary Sociedad Anónima Payá Miralles.

On 27 August 2019 the public document relating to the merger of Boncompte-Sierra S.L.U (absorbed company) into Clariana S.A.(acquiring company) was registered in the Mercantile Register of Castellón, and 1 January 2019 was established as the date from which the operations of the absorbed company would be understood to have been performed by the acquiring company for accounting purposes.

The following subsidiary companies make up the consolidated Group:

- S.A. Paya Miralles established at San Antonio, No. 18, 46920 Mislata, Valencia, its corporate purpose, among others, is activities related to industrial and commercial exploitation of business papermaking and production of all kinds of manipulated cigarette paper, and the purchase, sale and rental of all types of movable property and buildings for business. It has leased its industrial facilities to Miquel y Costas & Miquel S.A.

- Celulosa de Levante, S.A., established at the C-42, Km 8.5, 43500 Tortosa, Tarragona; its corporate purpose is manufacturing and marketing of pulp and its derivatives in various forms and qualities. Under this purpose, the company manufactures pastas from hemp, flax, sisal, hemp, jute, cotton and other plants.

- Papeles Anoia, S.A., established in Carrer Tuset No. 8, 08006 Barcelona; its corporate purpose is mainly processing, finishing, handling, processing, marketing, exporting and importing papers of all kinds and all kinds of snuff related products, and simple and complex compounds of cellulose, paper, plastic, aluminium paraffins and other materials of different origin. Additionally, its corporate purpose contemplated business activities related to real estate industry.

- Desvi, S.A., established in Carrer Tuset, No. 10, 08006 Barcelona; its corporate purpose ranges from the commercial distribution of all kinds of products and technologies from third parties linked to the role of all types, creation, promotion, protection, exploitation and trading of distinctive signs, patents and other assets owned industry and investment in promotion and development of industrial or commercial enterprises.

- Miquel y Costas Argentina, S.A., established in Argentina; its principal activity is the manufacturing, transformation, handling and commercialization of smoking paper booklets and many other types of paper, cardboard and related products, for example machinery and equipment for manufacturing such products.

- Sociedad Española Zig Zag, S.A., established in Carrer Tuset No. 10, 08006 Barcelona; its corporate purpose is selling all kinds of paper, especially smoking paper, in addition to articles related to the paper and tobacco industry.

- M.B. Papeles Especiales, S.A., established in Barcelona; its corporate purpose is the manufacturing, marketing, promotion, distribution, import and export of paper of all kinds of papers, including special papers and processing and handling of papers.

- Miquel y Costas Energía y Medio Ambiente, S.A., established in Carrer Tuset 8-10, 08006 Barcelona; its corporate purpose consists of the management and supervision of industrial, energy and environmental facilities and the construction, management, operation and leasing of power generation plants. Currently the company has leased a cogeneration plant to MB Papeles Especiales, S.A.

- Miquel y Costas Tecnologías, S.A., established in Carrer Tuset, No. 8-10 08006 Barcelona; its corporate purpose includes, among others, the activities of design and installation of products, solutions, applications and systems, industrial technology, performing all sorts of projects and consultancy organization, industrial, R & D, quality and environment.

- Terranova Papers, S.A., established in calle Tuset, no. 10 08006 Barcelona; its corporate purpose includes the manufacturing, marketing, promotion, distribution, import and export of special papers industry sectors such as food and filtration, amongst others.

- Miquel y Costas Chile, S.R.L., established in Santiago de Chile (Chile); its corporate purpose consists of domestic and foreign trade, brokerage and representation of all related paper and tobacco industry and food products.

- Miquel y Costas Deutschland, GmbH, established in Cologne, Kaiser-Wilhelm Ring 3-5 (Germany); its corporate purpose consists of domestic and foreign trade, brokerage and representation of all related paper and tobacco industry and food products.

- Miquel y Costas Logística S.A., established in Carrer Tuset number 10 08006 Barcelona; its corporate purpose includes the rendering of logistics services for storage, transport and distribution of goods, raw materials, products and machinery, in addition to advice and technical assistance in the provision of these services.

- Clariana, S.A. with registered office at avenida Alemania 48 Vila-Real (Castellón). Its corporate purpose consists of the production and marketing of paper and in general of goods for the stationery industry: the promotion, management and development of all kinds of real estate and urban operations, the disposal and exploitation, even under lease, of properties, buildings, housing and premises and constructions in general, irrespective of their use, resulting from that activity. On 27 August 2019 the public document relating to the merger of Boncompte-Sierra S.L.U (absorbed company) into Clariana S.A (acquiring company) was registered in the Mercantile Register of Castellón.

- Fourtube, S.L., associate company established in Seville, in which the Group has a shareholding of 40% since the end of the year 2011; its main corporate purpose is the manufacturing and marketing of paper and cardboard.

All the Group companies have closed their accounting year at 31 December 2020.

The parent Company has subsidiary entities over which it exercises control, except for the associated company Fourtube, S.L., over which has significant influence, either directly or indirectly, which is why there is a group for the purposes of the preparation of these consolidated annual accounts in accordance with International Financial Reporting Standards and to its deposit in the Mercantile Register of Barcelona. The accounting principles applied to the preparation of the Group's consolidated annual accounts are set out in Note 2.3.

1.2 Variations in the consolidation scope

On 25 July 2018, as mentioned in Note 1.1, the Group acquired all the shares of the Spanish company Clariana, S.A. the leading manufacturer of coloured paper in Spain and simultaneously, the sole shareholder of the company Boncompte-Sierra, S.L.U. In 2019, in order to simplify the Group's structure, the company Boncompte-Sierra, S.L.U was merged into Clariana S.A. There were no changes in 2020.

2 MAIN ACCOUNTING POLICIES SUMMARY

The main accounting policies adopted for the preparation of these consolidated annual accounts are set out below. They have been applied on a consistent basis with previous years.

2.1 Basis of presentation

2.1.1 General Information

The consolidated annual accounts have been prepared in accordance with International Financial Reporting Standards (hereon, IFRS) adopted for use in the European Union and approved by the Regulations of the European Commission in force at 31 December 2020.

As per IFRS-EU, these consolidated annual accounts for 2020 include, for comparative purposes, the figures for the prior year.

As explained below, during 2020 new accounting standards (IAS/IFRS) and interpretations (IFRIC) came into force. Additionally, at the issuance date of these consolidated annual accounts, new accounting standards (IAS/IFRS) and interpretations (IFRIC) have been published and are due to come into effect for the accounting periods commencing on or after 1 January 2021.

Standards, amendments and interpretations mandatory for all years beginning in January 1, 2020

IAS 1 (Amendment) and IAS 8 (Amendment) “Definition of materiality” and IAS 1 (Amendment) “Classification of liabilities as current and non-current, IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) “Interest Rate Benchmark Reform’’, IFRS 3 (Amendment) “Definition of a business”, Amendments to references to the conceptual framework in IFRS and IFRS 16 (Amendment) "COVID-19 related rent concessions".

These standards have been taken into account effective 1 January 2020 and their impact which was not significant has been recognised in these consolidated annual accounts.

Standards, amendments and interpretations which have not yet come into effect but which may be adopted early:

IFRS 4 (Amendment) “Extension of the Temporary Exemption from Applying IFRS 9**”,** IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment) “ Interest Rate Benchmark Reform: Phase 2”.

The amendments have not been adopted early by the Group. The impact of their application is not expected to be significant.

Standards, amendments and interpretations applied to existing standards that cannot be adopted in advance or have not been adopted by the European Union

As of the date of signature of these consolidated annual accounts, the IASB and IFRIC had published the standards, amendments and interpretations described below, which have not yet been endorsed by the European Union:
IFRS 10 (Amendment) and IAS 28 (Amendment) “Sale or contribution of assets between an investor and its associates or joint ventures”), IFRS 17 "Insurance contracts, IFRS 17 (Amendment) "Amendments to 17”, IAS 1 (Amendment) “Classification of Liabilities as Current or Non-current ”, IAS 16 (Amendment) "Property, plant and equipment – Proceeds before Intended Use ", IAS 37 (Amendment) " 'Onerous Contracts — Cost of Fulfilling a Contract ", IFRS 3 (Amendment) "Reference to the Conceptual Framework " and Annual Improvements to IFRS. Cycle 2018 – 2020, IAS1 (Amendment) “Disclosure of accounting policies”, IAS 8 (Amendment) “Definition of accounting estimates”.

As mentioned above, the Group has not considered applying the above Standards and interpretations early and is in any event analysing the impact that these new standards/amendments / interpretations can have on its consolidated accounts if they are adopted by the European Union.

The preparation of consolidated annual accounts under IFRS requires the use of certain critical accounting estimates. The application of IFRS also requires management to exercise judgement in the process of applying the Group’s accounting policies. Note 2.5 discloses the areas that require a higher level of judgement or entail greater complexity, and the areas where the assumptions and estimates are significant for the consolidated annual accounts.

The consolidated annual accounts comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated statement of changes in equity and the consolidated cash flow statement and notes to the consolidated accounts, and the consolidated directors’ report are presented in thousand euro (exceptions will be indicated as appropriate). The Group’s functional and presentation currency in these consolidated annual accounts is the euro. The consolidated annual accounts were drawn up by the parent company's Board of Directors on 25 March 2021 and are expected to be approved by the General Shareholders’ Meeting without changes.

2.1.2 Accounting policies

The accounting policies described in the following paragraphs have been applied uniformly in the periods presented in these consolidated financial statements.

The consolidated financial statements were prepared, in general, under the historical cost method, except when relating to the revaluation of derivative instruments and derivative financial assets at fair value generating a profit or loss, and the valuation of equity instruments recognised at fair value through other comprehensive income (note 2.3).

The profit and loss account is structured according to the nature of the costs.

Variations in trade provisions (Note 20), income from grants (Note 18), own work capitalised (Note 4 and 5) and the transfer to results for the year of capital grants (Note 26) are included in the consolidated income statement under “Other operating income”, “Own work capitalised” and “Other operating expenses”.

There are no discontinued operations in the companies of the group.

2.1.3 Comparability

The figures in the consolidated balance sheet and the consolidated income statement for 2019 and 2020 are considered comparable except for the reclassification to fixed assets of certain inventories of spare parts with a finite useful life. See Note 4 for more details.

2.2 Consolidation criteria

Subsidiaries are all entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, which generally means a shareholding of more than half of the voting rights. When assessing if the Group controls another entity, the following conditions should be met:

(1) It should exercise power over the investee
(2) It should have exposure or rights to variable returns from involvement with the investee and
(3) It should have the ability to use its power over the investee to affect the amount of the investor’s return.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date that control ceases.

Associates are all entities over which the Group has significant influence but not control, generally accompanying an ownership interest of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's stake in the results obtained by the investee after the acquisition date. The Group’s investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but remains significant influence, only the proportionate share of the amounts recognized in other comprehensive income are reclassified to results when appropriate.

The Group’s participation of gains or losses after acquisition of their associates is recognized in the income statement, and participation in post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share in the losses of an associate equals or exceeds its interest in the entity, including any other unsecured receivables, the Group does not recognize further losses, unless it had incurred legal or constructive obligations or made payments on behalf of the associate.

At each reporting date of financial information, the Group determines whether there is any objective evidence of impairment in the associate valuation. In this case, the Group estimates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognizes the amount as “the share of profit / (loss) of an associate” in the income statement.

Gains and losses from upstream and downstream transactions between the Group and its associates are recognized in the Group's financial statements only to the extent corresponding to the shares of other investors in the non-associated investors. Unrealised losses are eliminated unless the transaction provides evidence of an impaired asset transferred. The accounting policies of associates have been changed when has been necessary to ensure consistency with the policies adopted by the Group.

Gains and losses arising on dilution of investments in associates are recognized in the income statement.

All subsidiaries in which Miquel y Costas & Miquel, S.A. holds, directly or indirectly, the majority of the voting rights and, therefore, has appointed most members of the Board of Directors, have been consolidated in these years by the global integration method.

Appendix I to these notes breaks down all subsidiaries and associated entities included in the consolidation scope. Subsidiaries consolidated by global integration method and associated company Fourtube S.L. is consolidated under the equity method.

There are no minority interests, since the parent Company holds, directly or indirectly 100% of the shares of all entities fully consolidated.

Group Companies close their accounts at 31 December, and the accounts at this date are those used in the consolidation.

In order to present the different items in the accompanying consolidated annual accounts homogeneously, all the companies in the consolidation scope have applied the accounting policies of the parent Company.

All subsidiary companies in the Group have adopted IFRS for consolidation purposes on the same date as the parent Company.

During 2019 the Spanish company Clariana, S.A., absorbed the company Boncompte-Sierra, S.L.U. There were no changes in 2020.

2.3 Accounting policies

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition cost, revaluated in 1996 as permitted by legislation, less accumulated depreciation and accumulated impairment losses, except in case of land, which is presented net of impairment losses.

The historic cost includes expenses directly attributable to the acquisition of the assets.

As a result of the first consolidation process, certain lands belonging to the subsidiary company S.A. Payá Miralles are stated at market value at the time of acquisition of the respective shareholding in said company, as determined by an independent expert. The revaluated amount resulting from the consolidation for the reasons indicated above totals Euro 848 thousand at 31 December 2020 and 2019.

In 2002, when the remaining 50% interest in MB Papeles Especiales, S.A. was purchased, certain assets (property, plant and equipment) were stated at their market value. The revaluated amount of these assets in the consolidation process at 31 December 2020 and 2019 amounts to 842 thousand Euro.

Land is not depreciated. Depreciation of property, plant and equipment is calculated on a straight-line basis using updated cost values and their estimated useful lives are as follows:

	Years of useful life
Buildings and other constructions	33-50
Plant and machinery	7-20
Other plant, tooling and furniture	6-20
Vehicles	6-14
Computer equipment	4-7

The residual values and useful lives of tangible assets are reviewed and adjusted, if necessary, at each balance sheet date.

If an asset's carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount.

Land and buildings mainly relate to those used in the business activity.

Repairs and maintenance expenses which do not improve or extend the useful lives of the related assets are expensed when incurred and charged to the income statement when they are generated.

Capitalised costs on the improvement of fixed assets include the costs of manufacturing and installing fixed asset elements incurred by the Group, effectively accrued and charged to each of the projects, up to a maximum limit of the market value or the revenue expected from these assets.

Losses and gains on the sale of PPE are calculated by comparing the revenue obtained to their carrying value, and they are included in the income statement.

INTANGIBLE ASSETS

Intangible assets are stated at cost of acquisition or direct cost of production, as appropriate, net of corresponding accumulated amortisation and impairment losses in accordance with the following criteria:

- Licences and trademarks acquired to third parties are carried at acquisition cost. Beginning in 2016, these assets are amortized, and their amortization is calculated using the straight-line method, with an estimated useful life of 20 years except for the case of the subsidiary Miquel y Costas Argentina, SA, in which the acquired trademarks have a defined useful life of 10 years and were already amortized in previous years. The patent box is also amortized within 10 years.

- The costs incurred in development projects (related to the design and testing of new or improved products) are recorded as intangible assets when it is probable that the project will be a success, taking into account its technical and commercial feasibility and when its costs can be reliably estimated. Other development costs are recognised as expenses when incurred. Development costs previously recognised as expense are not subsequently capitalised. Capitalised development costs with a defined useful life are amortised from the beginning of the commercial production of the product on a straight-line basis over a period no longer than three years in which is expected that they will generate profits.

- Computer software is stated at their acquisition cost or production cost and amortised on a straight-line basis over a useful life of three years.

- Greenhouse gas emission rights are stated at the price of acquisition. When rights are acquired free of charge, acquisition price is considered to be their market value at the time of acquisition with a balancing entry under grants. Emission allowances are not amortised and are taken to results for the year as the gas emissions they cover are emitted. They are derecognised as a balancing entry for the provision for the costs generated by the emissions when they are handed over to the Administration in order to settle the obligations assumed

<u>ASSET IMPAIRMENT LOSSES</u>

The Group evaluates at each year end whether there are any indications of asset impairment. If so, it estimates the recoverable amount of the asset.

Assets being depreciated and those non-depreciable are tested for impairment provided that an internal, external event or change in circumstances indicates that the book value cannot be recovered (in the case of non-depreciable assets are tested for impairment annually). An impairment loss is recognised in the part of book value that exceeds the recoverable amount. The recoverable amount is the higher of the fair value of the asset minus the costs of sale, or the use value in use obtained from the discounting of future cash flows. In order to evaluate impairment losses, assets are grouped at the lowest level for which there are identifiable separate cash flows (cash generating units).

NON-CURRENT INTEREST COSTS

The interest expense incurred in the financing of the construction of any qualifying asset is capitalised during the period of time necessary to complete or prepare the asset for its intended use. Other interest costs are expensed.

CURRENT AND NON-CURRENT FINANCIAL ASSETS

In order to prepare the consolidated annual accounts, investments in group companies and associates are consolidated in accordance with criteria set out in Note 2.2.

The Group has set up the appropriate control processes to identify events of potential impairment.

The Group classifies its financial assets in the following measurement categories:

- those assets which are subsequently measured at fair value (through profit or loss or other comprehensive income) and
- those that are measured at amortised cost.

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

For assets measured at fair value, gains and losses are recognised in the consolidated income statement or consolidated statement of other comprehensive income. For investments in equity instruments that are not held for trading, it will depend on whether the Group irrevocably elected at the time of initial recognition to recognise equity investments at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing these assets changes.

- Financial assets at amortised cost:

The Group classifies its financial assets at amortised cost only if the following two criteria are met:

- the assets are managed within a business model whose objective is to collect contractual cash flows and
- the contractual terms give rise to cash flows that are only payments of principal and interest.

- Loans and accounts receivable:

Loans and accounts receivable are non-derivative financial assets with fixed payments or payments that can be determined and are not listed on an official stock exchange. They arise when the Group provides money, goods or services directly to a debtor without the intention of negotiating with the debtor. These accounts are included in current assets unless they mature in more than 12 months as from the date of the balance sheet, in which case they are classified as non-current assets. Loans and accounts receivable are included in Trade receivables and other receivables of the balance sheet. They are measured at amortised cost.

In accordance with IFRS 9, the Group has used the simplified approach to assess expected credit losses over the term of the contract. The expected credit loss calculated is not significant (approx. 0.02% of trade receivables balances) and has therefore not recognised any impact on the consolidated annual accounts.

The Group has used the simplified approach to assess expected credit losses over the term of the contract.

- Investments in debt instruments:

Investments in debt instruments held to collect contractual cash flows when these cash flows are solely payments of principal and interest on the principal are measured at amortised cost. Interest income on these financial assets is included in financial income based on the effective interest method. Any gain or loss arising on derecognition is recognised directly in the income statement for the year and is presented in other gains /(losses). Impairment losses are presented separately in the income statement.

These financial assets are included in non-current assets, except for those maturing in less than 12 months of the balance sheet date that are classified as current assets

In accordance with IFRS 9, the Group has applied the expected loss model when estimating possible impairment of financial assets, measured at amortised cost. The application of that model has resulted in an immaterial future expected loss on financial assets (approximately 0.14% of total financial assets) and therefore no impact has been recognised in the consolidated annual accounts.

The maximum period to consider when measuring expected credit losses is the maximum contractual period (including extension options) during which the entity is exposed to credit risk.

- Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are investments over which the Group does not have significant influence or control. They are measured at fair value, the gain or loss being recognised in recognised income and expense in the consolidated statement of comprehensive income.

Impairment losses (and reversals) on equity investments measured at fair value through other comprehensive income are not presented separately from other changes in fair value. Dividends from all investments continue to be recognised in the income statement for the year as financial income when the Company's right to receive payment is established.

Regular purchases and sales of financial assets are recognised on the trade-date, ie the date on which the Group undertakes to purchase or sell the asset. Investments are recognised initially at fair value plus directly attributable transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially recognised at their fair value and the transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive the attendant cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards inherent to their ownership. In the event of the disposal of these assets, the profit or loss on the sale is recognised in Other comprehensive income, as established under new legislation.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value at the date on which the derivative contract is arranged and subsequently are remeasured at their fair value. The method for recognising the gains and losses obtained depends on whether the derivative is designated as a hedging instrument, and, in this case, on the nature of the asset that it hedges.

Group uses financial instruments to hedge risks related to fluctuations in exchange rates on future commercial transactions, and assets and liabilities recognised, denominated in a functional currency that is not the Group's functional currency. These derivatives do not usually qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised immediately in the consolidated income statement.

INVENTORIES

Inventories are stated at cost of acquisition or production as follows:

- Raw materials and other materials supplied are stated at cost of acquisition, on a first-in, first-out basis (FIFO).

- Finished goods and work in progress are stated at standard cost of raw and other materials consumed on a FIFO basis, including the applicable portion of direct and indirect labour costs and other manufacturing overheads.

- Commercial inventories: at acquisition cost, determined in accordance with the average price method.

The Group calculates a provision for the depreciation of inventories when cost exceeds net realizable value. The net realization value is the estimated sale price in the normal course of business, less the variable costs of sales applicable.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits with credit institutions.

SHARE CAPITAL

Ordinary shares are classified as equity. The incremental costs directly attributable to the issue of new shares are stated under equity as a net deduction, net of any tax effect, as the case may be.

OWN SHARES

The valuation of own shares acquired by the parent Company is made up of the amount paid, including the directly attributable incremental costs, and are stated decreasing equity attributable to the shareholders of the parent Company until they are cancelled, reissued or sold. When these own shares are cancelled, the nominal amount is recognised by decreasing share capital and the difference between the nominal and the cost in voluntary reserves. In the event that the shares are sold, any amount received, net of any directly attributable incremental cost, and the respective tax effect on the capital gains is included in equity attributable to the equity holders of the parent Company.

DISTRIBUTION OF DIVIDENDS

The distribution of dividends to the equity shareholders of the parent Company is recognised as a liability in the consolidated annual accounts of the Group in the year in which the dividends are approved by the Company's shareholders.

GOVERNMENT GRANTS

Non-refundable capital grants, when there is reasonable assurance that the grant will be collected, and that Group will meet all conditions established, are recorded as liabilities in the balance sheet at the original amount granted (at fair value). Income from capital grants is recorded in the income statement on a straight-line basis over the useful lives of the fixed assets for which grants have been received.

BORROWINGS

Borrowed funds are initially recognised at their fair value, which is equal to the fair value of the amount received adjusted by directly attributable transaction costs. Interest accrued is subsequently recorded at amortised cost in the income statement using the effective interest rate method.

Subsidized or nil interest borrowings are initially recognised at fair value, which is equal to the present value at market interest. The difference between loan's nominal value and its present value is considered an official subsidy.

The Group derecognises a financial liability (or part of one) when, and only when, it has been extinguished, i.e. when the obligation specified in the related contract has been discharged or cancelled, or it has expired.

An exchange of debt instruments between a lender and the related borrower, provided that the instruments have substantially different conditions, is recognised as a cancellation of the original financial liability and the subsequent recognition of a new financial liability. Similarly, a substantial amendment to the conditions of a financial liability or part of one (regardless of whether it is attributable to the debtor's financial difficulties), is recognised as a cancellation of the original financial liability and the subsequent recognition of a new financial liability.

The difference between the carrying amount of the financial liability (or part of one), cancelled or transferred to a third party and the consideration paid, which will include any non-cash asset transferred or liabilities assumed, is recognised in results for the year.

Borrowings are classified as non-current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. If not, they are classified as current liabilities.

Fees paid on the arrangement of loans are recognised as loan transaction costs provided that it is probable that part or all the facility will be used. In these cases fees are deferred until the facility is used. If there is no evidence that all or part of the credit facility will be used in full or part, the fees are capitalised as an advance payment for liquidity services and amortised over the period during which the credit facility is available.

TRADE PAYABLES

Trade payables are initially recognised at their fair value and subsequently stated at their amortised cost using the effective interest rate method.

CORPORATE INCOME TAX AND DEFERRED TAXES

Consolidated corporate income tax includes all domestic and foreign taxes on taxable profit. Corporate income tax also includes other taxes, such as tax on the repatriation of profit, as well as any other tax that is based on the calculation of accounting profit.

Corporate income tax expense accrued and carried in the consolidated annual accounts is calculated by aggregating the expenses recorded by each company in the consolidation scope, adjusted, as the case may be, by the tax effect of the adjustments to accounting consolidation, and the temporary differences arising from the tax bases of assets and liabilities and their carrying values in the consolidated annual accounts.

Corporate income tax expense for the year includes the deferred and current income tax. Corporate income tax expense is recognised in the income statement, except in those cases in which it is related to items that are recorded directly in equity, in which case the tax effect is also recorded in equity.

Deferred tax is determined using the liability method. According to this method, deferred income tax assets and liabilities are recorded based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, applying the tax rates estimated for when the assets and liabilities are to be realised, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date. The deferred income tax assets and liabilities arising from movements in equity are charged or credited directly to equity. Deferred tax assets and tax credits are recognised when the probability of their future realisation is reasonably assured, and they are subsequently adjusted if it is not probable that tax profits will not be obtained in the future.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets (liabilities) on the balance sheet. The deferred tax recorded is reviewed at each accounting closing period.

The difference between the corporate income tax expense recorded at the previous year end and the corporate income tax expense resulting from the definitive tax returns filed constitutes a change in accounting estimates and is recorded as an expense/income in the current year.

By meeting all requirements laid down under the Group Companies Tax Regime as per Chapter VI of title VII of Law 27/2014 of 27 November, of Corporate Income Tax, Miquel y Costas & Miquel, S.A. and the subsidiary companies S.A. Payá Miralles, Celulosa de Levante, S.A., Papeles Anoia, S.A., Desvi, S.A., Sociedad Española Zig-Zag, S.A., MB Papeles Especiales, S.A., Miquel y Costas Tecnologías, S.A., Miquel y Costas Energía y Medio Ambiente, S.A. and Terranova Papers, S.A. and Miquel y Costas Logística S.A.

The company Clariana, S.A. which was acquired by the group on 25 July 2018 was added to the Tax Group on 1 January 2019 (Note 1).

When there is a change in tax rates, the amounts of deferred tax assets and liabilities are re-estimated. These amounts are charged or credited against income or in equity, depending on the account that was charged or paid the original amount.

EMPLOYEE BENEFITS

a) Pension obligations

The Group has different pension commitments based on its work centres and companies:

- Defined contribution commitments:

  The Group has two defined contribution schemes as result of agreements with the workers' representatives for their retirement at the age 65. The commitment of the Company is only to make annual contributions of a predetermined amount. Since 2002 there are collective insurance policies through which the insurer guarantees that the employees will receive a certain return on the contributions made by the Group.

  Additionally, the Group's employees have had the voluntary option to take advantage of the current Employee Social Security Plan, which accrues in three years (subject to compliance with the conditions established in said Plan). The company commitment is only to take three year contributions of a predetermined amount.

  There is also insurance made up of defined contributions in favour of the executive directors, subject to certain conditions, and the Group's senior management personnel.

- Defined benefit commitments:

  The other commitments of the Group as defined benefit are insured through collective insurance policies.

  The commitments with the passive personnel are annuities for a closed group of pensioners.

  Commitments to the active staff (workers) are capitals upon retirement at age 63 under the state collective agreement in the paper, pulp and paper sector.

  The liability recognised in the balance sheet is net of the difference between the obligation accrued for past services and any costs for past services not recognised, minus the value of the insurance policy, determined by the value of the insured obligations.

The obligation accrued is calculated annually by an independent actuary using the “projected credit unit” actuarial method. The present value of the obligation is determined using actuarial calculation methods and financial and actuarial assumptions unbiased and mutually compatible.

The accounting policy for the recognition of actuarial gains and losses arising from historical experience adjustments and changes in actuarial estimates are included in the statement of recognized income and expenses included in equity in the corresponding period.

The past service costs are recognized immediately in the income statement, except in the case of revocable rights, in which case, they are recognized in the income statement linearly over the period remaining until the rights of past service are irrevocable. However, if an asset arises, revocable rights recognized in the income statement immediately, unless the emergence of a reduction in the present value of benefits that can be returned to the Group in the form of direct refunds or lower contributions future, in which case, what is imputed immediately in the profit and loss is the excess of such a reduction.

b) Severance indemnities

Except in the case of justifiable cause, Group companies are liable for the payment of indemnities to employees whose services are terminated. In the absence of any foreseeable need for abnormal termination of employees' services and because indemnities are not payable to those employees who retire or voluntarily leave their services, indemnity payments, if they arise, are expensed when the decision to terminate employment is taken.

SHARE BASED COMPENSATION

The Group has a compensation plan with management consisting of stock options, payable solely in shares of Miquel y Costas & Miquel, S.A. The plan is valued at fair value on initial recognition using a generally accepted financial calculation method.

The obligation is recognized in the consolidated income statement as a personnel expense based on the years that make up the vesting period of the option, against equity reserves. Each closing date, the Group reviews the original estimates of the number of options that are expected to become exercisable and records, if applicable, the impact of this review in the consolidated income statement with the corresponding adjustment to equity.

PROVISIONS FOR EMISSION RIGHTS

As from 2005 Spanish group companies emitting CO_2 as a result of their production must hand over emission rights equal to the emissions produced in the first few months of the following year.

The obligation to hand over emission rights for the CO_2 emissions produced during the year are recorded as provisions under “Other current liabilities” in the consolidated balance sheet, having recorded the respective cost under “Other operating expenses” in the consolidated income statement (Note 20).

OTHER PROVISIONS

Provisions for environmental restoration, restructuring costs and litigation are recognized when: the Group has a present obligation, either legal or implicit as a result of past events, it is probable that will involve an outflow of resources required to settle the obligation; and the amount has been reliably estimated.. Provisions are not recognized for future operating losses.

Where a number of similar obligations exist, the probability that an outflow is needed to settle the obligation is determined by considering the class of obligations as a whole. A provision is recognized even though the probability of an outflow with respect to any item included in the same class of obligations may be not significant.

Provisions are measured at the present value of expected outflow to be required to settle the obligation using a pre-tax rate that reflects current market valuation of money temporary value and the specific risks to the obligation. The increase in provision due to the terms and conditions is recognized as interest expense.

REVENUE RECOGNITION

Ordinary income includes the fair value of the sale of goods and services, net of value added tax, returns and discounts, after eliminating intra-Group and are recognised when control of a good or service is transferred to the customer (thus the concept of control replaces the previous concept of risks and rewards).

The Group recognises revenue when the performance obligation is satisfied through the transfer of the goods or services committed with customers and an amount is recognised that reflects the consideration to which the Group expects to be entitled.

In this regard, the Group recognises revenue from contracts with customers based on the five step model established in IFRS 5 (Identify the contract with a customer, Identify the separate performance obligations in the contract, Determine the transaction price, Allocate the transaction price to the performance obligations in the contract. Recognise revenue when (or as) the Group satisfies a performance obligation).

Interest income is recognised using the effective interest rate method.

Dividend income is recognised when the right to receive the dividend is established.

LEASES

Until 31 December 2018 leases in which a significant part of the rewards and benefits of ownership were not transferred to the Group as the lessee were classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) were charged to the income statement on a straight-line basis over the lease term.

Following application of IFRS 16, starting on 1 January 2019 leases are recognised as a right-of-use asset along with the corresponding liability on the date on which the leased asset is made available for use by the Group.

Lease assets and liabilities are initially measured based on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable
- variable lease payments that depend on an index or rate, initially valued in accordance with the index or rate at inception.
- amounts that are expected to be payable by the Group under a residual value guarantee
- the exercise price of a purchase option if the Group is reasonably certain that that option will be exercised, and
- payments of penalties due to the termination of the lease, if the lease term reflects the Group exercising an option to terminate the lease.

Lease payments to be made when it is reasonably certain that the extension option will be exercised are also included in the measurement of the liability.

Lease payments are discounted using the interest rate implicit in the lease if this rate may be easily determined. Otherwise, the lessee’s incremental borrowing rate is used. Given the difficulty in determining it, the Group uses the incremental rate that it would have to pay in order to borrow the necessary funds to obtain an asset with a similar value to the right -of -use asset in a similar economic environment under similar terms, guarantees and conditions. The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is re-assessed and adjusted against the right-of-use asset.

Lease payments are allocated between the principal and financial expense. The financial cost is charged to the income statement over the term of the lease such that a constant periodic interest rate on the remaining balance of the liability is produced for each period.

Right-of-use assets are measured at cost that comprises the following:

- amount of lease liability at initial recognition
- any lease payment made on or before commencement of the lease, less any lease incentive received
- any initial direct cost and
- restoration costs.

Right-of - use assets are amortised on a straight-line basis over the lower of the useful life of the asset and the lease term. The amortization period of current assets is between 2 and 5 years.

Short-term lease payments and all leases for low value assets are recognised on straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

The opening balance of rights of use at 1 January 2019 was:

	Total
Computer equipment	23
Offices	27
Vehicles	155
Other operational elements	750
Total rights of use	**955**

(In thousand Euro)

The opening balance of lease creditors at 1 January 2019 was:

	Short-term payable	Long- term	TOTAL
Computer equipment	12	11	23
Offices	23	4	27
Vehicles	60	95	155
Other operational elements	305	445	750
Total payable	**400**	**555**	**955**

Notes 14 and 16 set out more details of long and short-term trade payable balances linked to the aforementioned rights of use.

The breakdown of these balances at year end is as follows.

	31-12-2019	31-12-2020
Computer equipment	23	-
Offices	27	119
Vehicles	203	135
Other operational elements	1,335	1,245
Total rights of use	**1,588**	**1,499**

Additionally, the movement in these assets in 2020 and 2019 is detailed in Note 4.

ENVIRONMENT

Costs arising from business activity related to the protection and improvement of the environment are expensed for the year in which they are incurred. Capitalisation as tangible or intangible fixed assets is subject to the same criteria used for the other fixed assets.

HYPERINFLATION IN ARGENTINA

The Argentinian economy has been considered hyperinflationary since 2018 and the Group applies inflation adjustments to the company whose functional currency is the Argentinian peso in order to present financial information for the periods ended since 1 July 2018

The main impacts of the application of adjustments for hyperinflation in Argentina on the Group's consolidated annual accounts for 2020 and 2019 are summarised below:

Impact of the application of hyperinflation adjustments		
	Thousand euros 2020	Thousand euros 2019
Sales and services rendered	704	798
Profit before taxes	(244)	(350)
Profit after taxes	(381)	(499)
Equity	1,225	688

In 2020, following the IFRIC's agenda decision concerning hyperinflation in March 2020, the Group reclassified exchange rate and hyperinflation adjustment differences from reserves to translation differences. This reclassification has no impact on consolidated equity for the year. See Note 11.2 for more details.

TRANSACTIONS IN NON-EURO CURRENCIES

a) Functional and presentation currency

The figures included in the annual accounts of each Group entity are denominated in the currency of the major economic market in which the entity operates (functional currency). The consolidated annual accounts are stated in Euro, which is the Group's presentation currency, although, for presentation purposes, they are stated in Thousand Euro (except when otherwise indicated).

b) Transactions and balances

Transactions in non-Euro currencies are recorded at their equivalent value in Euro, at the exchange rate in force during the periods in which they are realized. The profit or loss on exchange differences arising from the cancellation of balances from foreign currency transactions are taken to the consolidated income statement when occur.

The balances in non-Euro currencies relating to treasury, accounts receivable and accounts payable at the year end are stated in Euro at the exchange rates at the year end, and any gains or losses are taken to the income statement.

c) Group entities

The group companies with a functional currency which differs from the presentation currency are:

- Miquel y Costas Chile, S.R.L. The results and financial position of are translated into the presentation currency as follows:

  - The assets and liabilities on the balance sheet are translated at the exchange rate on the balance sheet date.

  - Income and expenses of each income statement are translated at the average exchange rates for the year.

  - Equity (excluding results) is translated at the historical exchange rate.

The resulting exchange differences are recognised as a separate component in equity under “Cumulative translation differences” line.

- Miquel y Costas Argentina, S.A. Due to the consideration of Argentina as a hyper-inflationary country since July 2018, and with retroactive effect at 1 January that year, the presentation currency of all financial statements is translated at the year-end exchange rate.

DISTRIBUTION OF RESULTS

The results for 2020 for Miquel y Costas & Miquel, S.A. will be distributed as agreed by their respective General Meeting of Shareholders.

The parent Company plans to submit the following proposal for distribution of profit to its General Meeting of Shareholders, based on the Spanish Chart of Accounts currently in effect:

Thousand Euro	**2020**
Basis of distribution	
Profit for the year (Profit)	30,629
Total	
Application	**30,629**
Dividends	17,300
Voluntary reserves	12,629
Capitalisation reserve	710
Total	**30,629**

The distribution of dividends to the shareholders of the parent Company is recognised as a liability in the consolidated annual accounts of the Group in the year in which the dividends are approved by the shareholders of the parent Company.

2.4 Financial segment reporting

An operating segment is a part of the Group:

a) that carries out business activities that can generate income and incur expenses.

b) whose operating income and expenses are examined at regular intervals by the highest decision-making bodies of the Group (Board of Directors) in order to decide on the resources that must be assigned and to evaluate their return, and

c) in relation to which there is differentiated financial information.

(In thousand Euro)

Reporting basis and methodology for the information:

The primary segment of the Group is determined by the different business lines that group different assets and operations.

The segment denominated "Tobacco Industry" obtains its results from the sale of paper pulp and paper related to the tobacco industry. The segment denominated "Industrial Products" obtains its results from those products with an industrial application.

In the "Others" line is included the information related to other business activities and the segments for which information disclosure is not required separately. This segment obtains its results from the services rendered and others.

- Income by segment, and sales to third parties of each segment made during 2020 are as follows:

	Tobacco industry	Industrial products	Others	**Consolidated Group**
Segment turnover	213,975	88,586	26,075	**328,636**
Sales to other segments	(37,359)	(9,139)	(7,987)	**(54,485)**
Consolidated Sales	**176,616**	**79,447**	**18,088**	**274,151**

Inter-segment sales relate mainly to the sale of products included in the Group value chain and are made at market prices.

- Results by segment, for the year ended at 31 December 2020 are as follows:

	Tobacco industry	Industrial products	Others	Consolidation adjustments	**Consolidated Group**
Operating results by segment	46,830	9,915	1,547	16	**58,308**
Net finance results and participation of income of associates (non-distributable profit)					**(46)**
Profit before tax					**58,262**
Income tax					**(13,384)**
Profit for the year					**44,878**

The segment result is determined by the difference between the ordinary income and the production and operating expenses, including the depreciation cost. Financial income and expenses are not included.

(In thousand Euro)

- Assets by segment, at 31 December 2020, are as follows:

	Tobacco industry	Industrial products	Others	Consolidation adjustments	**Consolidated Group**
Distributable assets by segments	177,649	95,343	27,311	(2,406)	**297,897**
Non-distributable assets					**119,022**
Total assets					**416,919**
Investments*	**16,163**	**3,831**	**2,022**	**-**	**22,016**

* Investments: Additions in tangible and intangible assets for the year (CO_2 gas emission rights not included).

Non-distributable assets correspond to non-current financial assets, other current assets and balances with the public administrations.

- Liabilities by segment, at 31 December 2020, are as follows:

	Tobacco industry	Industrial products	Others	Consolidation adjustments	**Consolidated Group**
Distributable liabilities	26,428	13,550	3,958	(15,513)	**28,423**
Non-distributable liabilities					**94,869**
Equity					**293,627**
Total liabilities and equity					**416,919**

Non-distributable liabilities mainly relate to current and non-current and provisions mainly with the public administrations.

(In thousand Euro)

- Amortization and depreciation of tangible and intangible assets by segment, at 31 December 2020, are as follows:

	Tobacco industry	Industrial products	Others	Consolidation adjustments	**Consolidated Group**
Amortisation and depreciation	9,245	6,394	2,211	263	**18,113**

- Information about geographical areas for the year ended at 31 December 2020:

	External turnover
Domestic market	28,615
Other countries	245,536
TOTAL	**274,151**

	Assets
Spain	408,868
Other countries	8,051
TOTAL	**416,919**

Assets located in other countries correspond mainly to Miquel y Costas Argentina, S.A., Miquel y Costas Chile, S.R.L., and Miquel y Costas Deutschland, GmbH.

- Information about the main customers for the year ended at 31 December 2020:

The percentage, over the consolidated turnover, for the main customers is as follows:

	Percentage	Ordinary income	Segment
1	11.3%	30,513	Tobacco industry
2	7.6%	20,462	Tobacco industry

(In thousand Euro)

Sales by country in 2020 and 2019 are as follows:

	31/12/2020		31/12/2019	
COUNTRY	**Amount> 2% revenue**	**%**	**Amount> 2% revenue**	**%**
Switzerland	32,682	11.92%	33,500	12.76%
China	28,609	10.44%	31,277	11.91%
Germany	19,499	7.11%	14,544	5.54%
Spain	15,615	5.70%	13,029	4.96%
Italy	15,528	5.66%	15,105	5.75%
Japan	15,080	5.50%	14,208	5.41%
Poland	13,654	4.98%	6,728	2.56%
Russian Federation	12,586	4.59%	10,460	3.98%
USA	10,831	3.95%	13,029	4.96%
Indonesia	9,981	3.64%	8,772	3.34%
Paraguay	7,884	2.88%	5,157	1.96%
Turkey	6,165	2.25%	4,995	1.90%
Romania	5,870	2.14%	5,157	1.96%
Rest Centre and South America	5,614	2.05%	1,235	0.49%
Rest of Africa	28,777	10.50%	41,132	15.66%
Rest of South East Asia	14,423	5.26%	14,510	5.52%
Rest of Europe	13,881	5.06%	1,002	0.38%
Other	9,295	3.39%	18,931	7.21%
Rest Centre and South America	8,177	2.98%	9,862	3.75%
Total	**274,151**	**100.00%**	**262,633**	**100.00%**

- Income by segment, and sales to third parties of each segment made during 2019 are as follows:

	Tobacco industry	Industrial products	Others	**Consolidated Group**
Segment turnover	199,520	85,394	31,509	**316,423**
Sales to other segments	(34,675)	(9,763)	(9,352)	**(53,790)**
Consolidated Sales	**164,845**	**75,631**	**22,157**	**262,633**

(In thousand Euro)

- Results by segment, for the year ended at 31 December 2019 are as follows:

	Tobacco industry	Industrial products	Others	Consolidation adjustments	**Consolidated Group**
Operating results by segment	41,840	7,255	1,507	(249)	**50,353**
Net finance results and participation of income of associates (non-distributable profit)					**713**
Profit before tax					**51,066**
Income tax					**(11,848)**
Profit for the year					**39,218**

The segment result is determined by the difference between the ordinary income and the production and operating expenses, including the depreciation cost. Financial income and expenses are not included.

- Assets by segment, at 31 December 2019, are as follows:

	Tobacco industry	Industrial products	Others	Consolidation adjustments	**Consolidated Group**
Distributable assets by segments	176,561	105,605	26,553	(2,732)	**305,987**
Non-distributable assets					**98,055**
Total assets					**404,042**
Investments*	**17,951**	**4,431**	**1,959**	**-**	**24,341**

Investments*: Additions in tangible and intangible assets for the year (CO2 gas emission rights not included).

Non-distributable assets correspond to non-current financial assets, other current assets and other receivables.

(In thousand Euro)

- Liabilities by segment, at 31 December 2019, are as follows:

	Tobacco industry	Industrial products	Others	Consolidation adjustments	**Consolidated Group**
Distributable liabilities	26,311	14,152	4,806	(16,313)	**28,956**
Non-distributable liabilities					**94,506**
Equity					**280,580**
Total liabilities and equity					**404,042**

Non-distributable liabilities mainly relate to current and non-current loans and provisions.

- Amortization and depreciation of tangible and intangible assets by segment, at 31 December 2019, are as follows:

	Tobacco industry	Industrial products	Others	Consolidation adjustments	**Consolidated Group**
Amortisation and depreciation	9,147	6,411	1,773	253	**17,584**

- Information about geographical areas for the year ended at 31 December 2019:

	External turnover
Domestic market	31,277
Other countries	231,356
TOTAL	**262,633**

	Assets
Spain	395,739
Other countries	8,303
TOTAL	**404,042**

Assets located in other countries correspond mainly to Miquel y Costas Argentina, S.A., Miquel y Costas Chile, S.R.L., and Miquel y Costas Deutschland, GmbH.

- Information about the main customers for the year ended at 31 December 2019:

The percentage, over the consolidated turnover, for the main customers is as follows:

	Percentage	Ordinary income	Segment
1	11.2%	28,717	Tobacco industry
2	8.2%	20,938	Tobacco industry

2.5 Accounting estimates and judgements

In the preparation of the consolidated annual accounts estimates made by the Directors of the Group companies have been used to quantify some assets, liabilities, income, expenses and commitments carried therein.

The estimates and judgements are evaluated continuously on the basis of historical experience and other factors, including the expectation of future events considered reasonable.

These estimates are basically used in:

- The valuation of assets to determine impairment as a result of the valuation of third-party experts.
- The useful life of plant, property and equipment and intangible assets, determined on the basis of the valuation of independent experts.
- The assumptions used to calculate the fair value of the financial instruments that have been determined by the different financial entities.
- The classification, measurement and impairment of financial assets.
- The probability of occurrence and the amount of indeterminate or contingent liabilities.
- The valuation of the pension obligations made on the basis of actuarial valuations prepared by independent third parties.
- Outstanding litigations have been evaluated by independent experts.

2.6 Cash Generating Units

The "Cash Generating Units" identified meet with the profitability requirements necessary to determine that they have not been impaired, and, therefore, there has been no need to record an impairment loss. Likewise, no individual assets have been identified as having been impaired.

The Group has identified the following Cash Generating Units for the different production centres:

CGU	Activity
Production centre in the province of Barcelona	Manufacture of paper for the tobacco industry
Production centre in the province of Barcelona	Transformation of paper for the tobacco industry
Industrial plant in the province of Tarragona	Manufacture of special paper pulp
Industrial plant in the province of Valencia	Manufacture of paper for the tobacco industry and writing paper
Industrial plant in the province of Barcelona	Paper handling
Industrial plant in the province of Barcelona	Manufacture of special papers
Industrial plant in the province of Barcelona	Manufacture of special papers of high technology
Industrial plant in Argentina	Transformation of paper for the tobacco industry
Industrial plant in Villlareal	Manufacture of paper and in general of goods for the stationery sector

3 FINANCIAL RISK MANAGEMENT

The activities of the Group are exposed to different financial risks that are managed through the application of identification, evaluation and hedging systems. The Group's overall risk management programme focuses on minimizing the potential adverse effects on the Group's financial performance.

Risk management in Miquel y Costas Group is managed by the Audit Committee, Managing Commission and Corporate Finance Department in accordance with the internal risk management standards in force. These departments identify and evaluate the financial risks in collaboration with the Group's operating units. The internal management standards and practices provide written policies on overall risk management, as well as on specific areas, such as exchange rate risk, credit risk, liquidity risk and interest rate risk.

3.1 Exchange rate risk

The Group operates internationally, and, therefore, is exposed to exchange rate risks for operations in foreign currency; especially the US Dollar, which represents approximately 92% of the foreign exchange transactions. The exchange rate risk arises from future commercial transactions, recognised assets and liabilities denominated in a functional currency other than the Group's functional currency.

The effects of the fluctuations in currencies are partially offset by monetary flows generated by imports with those that are generated by exports. Resulting net positions are generally hedged. When there is an export position, a 10% decrease in the USD/EUR exchange rate at the year end would have a negative impact on the consolidated income statement of approximately Euro 1,626 thousand (Euro 642 thousand in 2019).

Moreover, the Group has various investments in foreign operations, whose net assets are exposed to the risk of foreign currency translation. The exchange rate risk on net assets of the foreign operations of the Group is managed primarily through borrowings denominated in the relevant foreign currencies.

3.2 Commercial credit risk

The Group's trade receivables relate to debtors located in different geographic areas and although there is a significant concentration of sales, there is a deep knowledge of these that enables the Group to anticipate to a great extent possible risk situations.

However, the key for the Group is proper control of commercial credit risk and, accordingly, the Group has implemented internally a credit policy that includes, in addition to a preliminary analysis of the debtor, external insurance in certain situations of the main risks.

Other financial assets at amortised cost mainly relate to promissory notes and bonds of companies with a sound credit rating. Before any acquisition, the Group performs a detailed analysis (review of the issuer, issue rating etc) in order to discard those not meeting its low risk criteria. The issuer's credit quality is reviewed on a regular basis over the financial asset's life.

3.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through sufficient committed credit facilities, and the ability to close out market positions.

(In thousand Euro)

The forecast cash flow takes place from the parent Company of the Group. The Corporate Finance Department follows and monitors the forecasts of the Group's liquidity needs, to ensure it has sufficient cash to meet operational needs. These predictions take into account the financing plans for the Group. In this respect, the estimation of cashflow payments for loans and accounts payable is as follows:

At 31 December 2020	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**More than 5 years.**
Loans	2,859	15,996	32,722	14,398	2,626
Trade payables and other payables	41,680	4,464	0	204	-
At 31 December 2019					
Loans	2,336	13,585	31,326	19,284	4,739
Trade payables and other payables	39,773	3,917	0	204	-

The Corporate Treasury department invests surplus cash in financial instruments with adequate maturities or sufficient liquidity to provide the sufficient slack given by the above predictions framed in the financial investments policy, in low risk prevails over profitability and for which the credit rating or recognized creditworthiness of the issuers is verified, as described in Note 3.2.

With this objective, the Group has committed credit facilities to finance its variation in working capital. At the end of 2020 the use of these credit lines was 0% (1.1% in 2019) (Note 12).

3.4 Interest rate risk

The Group's interest rate risk arises from long-term borrowings. The low level of leverage and internal controls to identify and evaluate risk means that is not necessary to arrange continuously supplementary interest rate hedge instruments.

Taking into account the level of bank borrowings for 2020, the effect of a 50 bp variation in the interest rate would have entailed an increase or decrease of approximately Euro 270 thousand in the Company's financial expenses for the coming year (Euro 286 thousand in 2019).

3.5 Price risk

The main cost component in the Group's activity is the acquisition of paper pulp. The paper pulp suppliers are able to satisfy the present market demand and prices are directly related to the offer and demand in the market.

Considering that a variation of paper pulp prices occurred by 10%, the impact in the consolidated income statement would amount Euro 3,028 thousand approximately (Euro 3,788 thousand in 2019).

At the year end, there are no investments with impairment risk which are not adequately provided, no operations with derivatives that are not reasonably hedged, and the assets related to the pension plans are adequately insured.

3.6 Capital management

The Group's objectives in terms of capital management are to safeguard its capacity to continue as a going concern in order to ensure shareholder's return and to maintain an optimal capital structure.

The Group monitors its capital in accordance with the leverage index. This index is calculated as the net debt divided by total equity. Net debt is calculated as the total of debts to financial entities (including current and non-current borrowed funds, as shown in the consolidated balance sheet) less cash and cash equivalents and short-term investments.

The reduced leverage rate of the Group and high level of financial solvency draw the Group to be not much exposed to the impacts of the international financial crisis impacts.

The leverage ratio for both December 31, 2020 and December 31, 2019 is not applicable because the Group has a volume of available and realizable resources greater than the debt with credit institutions:

In Thousand Euro	**December 2020**	**December 2019**
Total equity	293,627	280,580
Net borrowings:		
Long-term borrowings	49,145	54,489
Short-term borrowings	18,582	15,879
Cash at banks and in hand and short-term investments	(78,646)	(44,313)
Long-term financial investments	(32,410)	(45,450)
Total net borrowings	(43,329)	(19,395)
Leverage index	No applicable	Not applicable

(In thousand Euro)

4 PLANT, PROPERTY AND EQUIPMENT

The balances and variations for the years ended at 31 December 2020 and 2019 of the accounts included under "Property, plant and equipment" are as follows:

	Land, Buildings and other constructions	Plant and machinery and other fixed assets	Prepayments and assets under construction	Total
Closing net book value at 31 December 2018	**49,146**	**99,035**	**11,556**	**159,737**
Cost or valuation	68,629	351,527	11,556	431,712
Accumulated depreciation and impairment loss	(19,483)	(252,492)	-	(271,975)
Net book value	**49,146**	**99,035**	**11,556**	**159,737**
Year ended 31 December 2019				
Opening book value	**49,146**	**99,035**	**11,556**	**159,737**
Opening balance IFRS 16	27	928	-	955
Exchange differences	(702)	(469)	-	(1,171)
Additions	237	707	23,118	24,062
Additions IFRS 16	-	633	-	633
Consolidation adjustments and other cost adjustments	24	313	-	337
Hyperinflation - cost	820	490	-	1,310
Disposals	(255)	(8,338)	(60)	(8,653)
Transfers	4,730	18,623	(23,349)	4
Depreciation charge	(1,882)	(15,409)	-	(17,291)
Additions for depreciation IFRS 16	(23)	(479)	-	(502)
Consolidation adjustments and other depreciation adjustments	171	101	-	272
Hyperinflation depreciation	(160)	(380)	-	(540)
Write off of depreciation due to disposals	265	8,071	-	8,336
Depreciation exchange differences	224	233	-	457
Closing net book value at 31 December 2019	**52,622**	**104,059**	**11,265**	**167,946**
Cost or valuation	73,510	364,415	11,265	449,190
Accumulated depreciation and impairment loss	(20,888)	(260,356)	-	(281,244)
Net book value	**52,622**	**104,059**	**11,265**	**167,946**
Year ended 31 December 2020				
Opening book value	**52,622**	**104,059**	**11,265**	**167,946**
Exchange differences	(657)	(688)	(91)	(1,436)
Additions	3	3,601	18,053	21,657
Additions IFRS 16	92	-	-	92
Consolidation adjustments and other cost adjustments	-	(25)	-	(25)
Hyperinflation – cost	441	485	-	926
Disposals	-	(1,724)	-	(1,724)
Disposals IFRS16	-	(181)	-	(181)
Transfers	7,186	13,926	(21,059)	53
Depreciation charge	(2,040)	(15,766)	-	(17,806)
Additions for depreciation IFRS 16	-	(8)	-	(8)
Consolidation adjustments and other depreciation adjustments	110	385	-	495
Transfer depreciation	(62)	22	-	(40)
Hyperinflation depreciation	(67)	(325)	-	(392)
Write off of depreciation due to disposals	-	1.651	-	1,651
Depreciation exchange differences	66	392	-	458
Closing net book value at 31 December 2020	**57,694**	**105,804**	**8,168**	**171,666**
Cost or valuation	80,575	379,809	8,168	468,552
Accumulated depreciation and impairment loss	(22,881)	(274,005)	-	(296,886)
Net book value	**57,694**	**105,804**	**8,168**	**171,666**

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The additions in 2020 amounted to Euro 21,657 thousand (Euro 24,062 thousand in 2019) and relate mainly to constructions in progress resulting from continued investment in the Group's various production plants. These additions include gross additions of 3,567 thousand euros as a result of the reclassification from inventories of certain spare parts older than one year and with a finite life.

The additions for 2020 include Euro 1,136 thousand (Euro 1,592 thousand in 2019) relating to own work capitalised by the Group.

The consolidated income statement includes lease expenses relating to the rent of machinery and buildings amounting to Euro 12 thousand (Euro 50 thousand in 2019).

The Group has established proper controls to identify indications of possible impairment losses. In 2020 and 2019 no PPE items have been impaired.

In 1996 Miquel y Costas & Miquel, S.A. and the subsidiary companies S.A. Payá Miralles and Celulosa de Levante, S.A., which contributed 97% of the total property, plant and equipment to the consolidated Group, restated their balance sheets as per Royal Decree Law 7/1996, of 7 June, increasing the cost value of their property, plant and equipment by Euro 11,413 thousand using the updating rate tables published in Royal Decree 2607/1996, of 20 December. The net book value of the revaluated assets at 31 December 2020 totals Euro 561 thousand (Euro 580 thousand in 2019), and the depreciation charge for the year 2020 totals Euro 17 thousand (Euro 18 thousand in 2019).

The Group has taken out several insurance policies to cover the risks relating to its property, plant and equipment. The coverage of these policies is considered sufficient.

The Group’s property, plant and equipment are not subject to guarantees. There are irrevocable commitments to acquire property, plant and equipment amounting to Euro 655 thousand at year end (there were no purchase commitments in the previous year).

(In thousand Euro)

The Group has property, plant, and equipment outside of Spain totalling a net book value of Euro 2,342 thousand in 2020 (Euro 2,572 thousand in 2019).

There have been no capitalised interests on the Group assets during 2020 and 2019.

There are no significant non-operating assets.

Any tangible asset under construction is classified according its nature, in the corresponding PPE or intangible asset account.

At 31 December 2020 the value of fully-depreciated assets amounts to Euro 185,446 thousand (Euro 175,614 thousand in 2019).

5 INTANGIBLE ASSETS

Balances and movements for the years ended 31 December 2020 and 2019 of the items included under "Intangible assets" are as follows:

	Software	Industrial property	Development expenses	Gas emission rights	Intangible assets under construction	Total
Al 31 December 2018	467	**37**	**169**	**610**	**349**	**1,632**
Cost	8,299	152	2,089	610	349	11,499
Accumulated amortisation and impairment	(7,832)	(115)	(1,920)	-	-	(9,867)
Net book value	**467**	**37**	**169**	**610**	**349**	**1,632**
Year ended 31 December 2019						
Opening net book value	**467**	**37**	**169**	**610**	**349**	**1,632**
Exchange differences	(50)	(19)	-	-	-	(69)
Hyperinflation - cost	110	18	-	-	-	128
Additions	4	-	-	2,044	309	2,358
Disposals	-	-	-	(1,133)	-	(1,133)
Transfers	280	-	(3)	-	(277)	-
Amortisation charge	(250)	(9)	(34)	-	-	(293)
Amortisation disposals	(9)	-	3	-	-	(6)
Business combination	-	-	-	-	-	-
Amortisation exchange differences	(36)	-	(2)	-	-	(38)
Hyperinflation - amortisation	(143)	101	-	-	-	(42)
Al 31 December 2019	**373**	**129**	**133**	**1,521**	**381**	**2,537**
Cost	8,642	152	2,086	1,521	381	12,782
Accumulated amortisation and impairment	(8,269)	(23)	(1,953)	-	-	(10,245)
Net book value	**373**	**129**	**133**	**1,521**	**381**	**2,537**

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
Notes to the annual accounts for the year 2020
(In thousand Euro)

	Software	Industrial property	Development expenses	Gas emission rights	Intangible assets under construction	Total
Al 31 December 2020						
Opening net book value	**373**	**129**	**133**	**1,521**	**381**	**2,537**
Exchange differences	(69)	(23)	-	-	-	(92)
Hyperinflation - cost	47	13	-	-	-	60
Additions	3	1	-	2,061	355	2,420
Disposals	-	-	-	(1,595)	-	(1,595)
Transfers	(122)	-	-	-	(373)	(495)
Business combination	-			-		-
Amortisation charge	(268)	(4)	(35)	-	-	(307)
Amortisation disposals	483	-	-	-	-	483
Business combination	-	-	-	-	-	-
Amortisation exchange differences	73	-	3	-	-	76
Hyperinflation - amortisation	(57)	-	-	-	-	(57)
Al 31 December 2020	**463**	**116**	**101**	**1,987**	**363**	**3,030**
Cost	8,501	143	2,086	1,987	363	13,080
Accumulated amortisation and impairment	(8,038)	(27)	(1,985)	-	-	(10,050)
Net book value	**463**	**116**	**101**	**1,987**	**363**	**3,030**

See comments on emission rights in Note 25.2 to these notes to the consolidated annual accounts.

The Group has intangible assets outside of Spain totalling a net book value of Euro 22 thousand at 31 December 2020 (Euro 24 thousand at 31 December 2019).

Additions for 2020 include Euro 62 thousand (Euro 78 thousand in 2019) relating to own work capitalised. Additionally, the Group invested Euro 3,077 thousand in R&D-I in 2020 (Euro 3,611 thousand in 2019).

The Group's intangible assets are not pledged as guarantees and there are no acquisition commitments at the current or the prior year end.

(In thousand Euro)

6 NON-CURRENT FINANCIAL ASSETS AND INVESTMENTS IN ASSOCIATES

The balances and movement for the years ended at 31 December 2020 and 2019 of the line "Non-current financial assets" are as follows:

	Investments in associates	Other financial investments	Deposits and guarantees	Provisions for impairment	Total
Balance at 31 December 2018	**427**	**50,869**	**125**	**-**	**51,421**
Additions	-	18,754	-	-	18,754
Disposals	(55)	(7,224)	-	-	(7,279)
Fair value adjustments	-	(4,233)	-	-	(4,233)
Transfers (Note 9)	-	(13,230)	-	-	(13,230)
Share in profit/losses	17	-	-	-	17
Balance at 31 December 2019	**389**	**44,936**	**125**	**-**	**45,450**
Additions	-	5,476	-	-	**5,476**
Disposals	(68)	(3,287)	-	-	**(3,355)**
Fair value adjustments (Note 11.3)	-	(4,652)	-	-	**(4,652)**
Transfers (Note 9)	-	(10,533)	-	-	**(10,533)**
Share in profit/losses	24	-	-	-	**24**
Balance at 31 December 2020	**345**	**31,940**	**125**	**-**	**32,410**

The heading "Investments in associates" includes a loan that the parent granted to the investee Fourtube, S.L. in 2017 amounting to Euro 275 thousand. During the current year a total of Euro 68 thousand was repaid (Euro 55 thousand in 2019), leaving a balance of Euro 70 thousand at 31 December 2020 (Euro 138 thousand in 2019).The loan bears interest of 3.5% and matures in 2022.

The 2020 item "Other financial investments" includes long-term investments maturing after 2020 and bearing interest at effective rates of between 1.86% and 4.75% (0.18% and 4.75% in 2019), which are not equivalent to the asset's yield. Also included are financial investments in listed shares of Iberpapel Gestión, S.A., representing a 5.58% shareholding at year-end 2020 (5.08% at end-2019), at a cost of Euro 11,878 thousand and a fair value of Euro 10,596 thousand (Euros 14,294 thousand at end-2019). Fair value adjustments are carried in the consolidated statement of recognised income and expense.

The breakdown of the items carried under investments in associates and provisions for impairment of these investments is as follows:

	Shareholding	2020	2019
Fourtube, S.L.	40%	276	251
Total cost		**276**	**251**
Net book value		**276**	**251**

The Group's participation in results of the associated company (Fourtube, S.L.) and its main figures are as follows at 31 December 2020 and 2019:

2020

Name	Registered office	Assets	Equity	Liabilities	Profit/(Loss)	Shareholding (%)
Fourtube, S.L.	Sevilla	719	567	152	61	40%
		719	**567**	**152**	**61**	

2019

Name	Registered office	Assets	Equity	Liabilities	Profit/(Loss)	Shareholding (%)
Fourtube, S.L.	Sevilla	850	506	344	44	40%
		850	**506**	**344**	**44**	

7 INVENTORIES

The breakdown of inventories at 31 December 2020 and 2019, in thousand Euro, is as follows:

	2020	2019
Commercial products	3,090	2,984
Raw materials and other supplies	22,558	25,235
Finished goods and work in progress	55,078	64,023
Prepayments to suppliers	839	803
TOTAL	**81,565**	**93,045**

(In thousand Euro)

The cost of inventories recognised as an expense and included in the cost of sales totals Euro 85,194 thousand in 2020 (of which Euro 82,623 thousand relate to purchases and Euro 2,751 thousand to the positive variation in inventories) and Euro 101,357 thousand in 2019 (of which Euro 96,175 thousand relate to purchases and Euro 5,182 thousand to the positive variation in inventories).

The breakdown of purchases by currency (Euro) is as follows:

	2020	2019
Euro	54,041	60,576
USD	26,566	34,060
Other currencies	2,016	1,539
Total	**82,623**	**96,175**

The Group has recorded impairment losses on the inventory, whose amount for impairment registered in the income statements for the year 2020 totals Euro 1,366 thousand (Euro 792 thousand in 2019).

There are no purchase commitments with suppliers at 31 December 2020 and 2019.

The Group has taken out several insurance policies to cover the risks to which inventories are exposed. The coverage of these policies is considered sufficient.

8 TRADE AND OTHER RECEIVABLES

The fair value of Trade receivables does not differ from their accounting value.

The balances for the years ended at 31 December 2020 and 2019 of trade receivables for sales and services are as follows:

	2020	2019
Trade receivables	41,635	42,460
Doubtful debtors	462	451
Less: Provision for impairment of accounts receivable	(462)	(451)
Balance at 31 December	**41,635**	**42,460**

(In thousand Euro)

The carrying values (in Euro) of trade receivables are denominated in the following currencies:

	2020	2019
Euro	31,756	34,067
	9,046	7,401
GBP	12	9
Other currencies	821	983
Total	**41,635**	**42,460**

The Group has a significant concentration of credit in certain accounts receivable. In order to minimise the risk, the Group has set up policies that guarantee the assignment of credit limits to customers with an appropriate credit record. The Group also takes out credit insurance policies for certain customers. The percentage of customers accounting for 75% of net sales by segment is as follows:

Tobacco industry	4.2%
Industrial products	17.6%
Other	9.9%

At 31 December 2020, accounts receivable that are not due total Euro 33,936 thousand (Euro 33,642 thousand in 2019).

The Group considers that accounts receivable, except for the impaired amount by Euro 462 thousand in 2020 (Euro 451 thousand in 2019), included in this note, have not suffered any impairment.

The breakdown by ageing of these due accounts is as follows:

	2020	2019
Less than 3 months	5,865	7,553
Between 3 and 6 months	884	731
More than 6 months	950	534
Total	**7,699**	**8,818**

(In thousand Euro)

The movement in the accounts receivable under bad debt provisions for the years 2020 and 2019 has been as follows:

	2020	2019
Balance at 1 January	**451**	**1,768**
Charge for the year (Note 20)	25	149
Recoveries of balances provided for (Note 20)	(14)	(6)
Write off of balances provided for	-	(1,460)
Balance at 31 December	**462**	**451**

The recognition and reversal of the provisions for impairment of accounts receivable have been included in the income statement. Amounts charged to the impairment provision are eliminated when there is no expectation that more cash will be collected. During the present year, a direct expense was recognised in the income statement for uncollectible trade receivables amounting to Euro 8 thousand (Euro 15 thousand in 2019).

9 OTHER CURRENT FINANCIAL ASSETS

The accounting values of "Other current financial assets" do not differ from their fair value.

The balances for the years ended at 31 December 2020 and 2019 of other current financial assets are as follows:

	2020	2019
Sundry receivables	251	238
Public Administrations	2,717	3,114
Derivatives	259	-
Current financial asset investments	70,652	37,366
Accruals	168	113
	74,047	**40,831**

The breakdown of accounts with Public Administrations for the years 2020 and 2019 is as follows:

	2020	2019
Public Treasury (VAT receivable)	2,220	2,410
Other taxes refundable	497	704
	2,717	**3,114**

(In thousand Euro)

The movement in current financial asset investments for 2020 and 2019 has been as follows:

	2020	2019
Balance at 1 January	**37,366**	**36,277**
Additions	101,445	42,975
Transfers (Note 6)	10,533	13,230
Disposals	(78,692)	(55,116)
Balance at 31 December	**70,652**	**37,366**

The short-term financial investments registered at the end of 2020 total 70,661 thousand Euro (36,976 thousand Euro in 2019), as well as the accrued financial interests in 2020 of 250 thousand Euro (390 thousand Euro in 2019), maturing within twelve months and paying an effective interest rate that varies within a range of 0.21% to 2.90% for the year 2020 (0.34% to 4.88% in 2019) which is not equal to the return on assets.

10 CASH AND OTHER CASH EQUIVALENTS

The balances for the years ended at 31 December 2020 and 2019 of cash and other cash equivalents are as follows:

	2020	2019
Cash at banks and in hand	7,735	6,947
	7,735	**6,947**

There are no restrictions with respect to cash and / or cash equivalents. The average remuneration obtained on those balances has been immaterial.

11 EQUITY

11.1 Share capital, own shares and share premium

The breakdown of share capital at 31 December 2020 and 2019 is as follows:

	Number of shares (thousand)	Nominal Value of Ordinary shares (thousand Euro)
Balance at 31 December 2019	31,000	62,000
Balance at 31 December 2020	31,000	62,000

SHARE CAPITAL

The reconciliation between the number of shares (in thousand) in circulation at the beginning and end of the year is as follows:

	2020	2019
Balance at 1 January	**29,703**	**30,400**
Capital increase and reduction, acquisition and allocation due to exercise of options on treasury shares	(725)	(697)
Balance at 31 December	**28,978**	**29,703**

At 31 December 2020, the share capital is represented by 31,000,000 ordinary shares (31,000,000 shares in 2019), supported by entries of Euro 2.00 each one, fully subscribed and paid.

The shares of the parent Company are listed on the Barcelona, Madrid, Bilbao and Valencia stock exchanges and integrated in the inter-connected trading board (SIBE-Smart).

All shares have the same economic and voting rights, and there are no legal restrictions nor statutory for the shares acquisition or transmission in the share capital.

The Board of Directors, under the resolution adopted by the Ordinary and Extraordinary General Meeting held in June 22, 2016, is authorized to issue fixed-income securities, both simple and convertible and / or exchangeable for company shares, in a maximum amount of Euro 100,000 thousand in one or several times within five years. On 2019 and 2020, the Board of Directors did not use the aforementioned authorization.

(In thousand Euro)

In June 20, 2018, the Ordinary and Extraordinary General Meeting of shareholders of Miquel and Costas & Miquel, SA agreed to reduce the Company's share capital by Euro 2,550 thousand by amortizing 1,275,000 shares of 2.00 euro in nominal value each of them, being the social capital fixed in Euro 38,750 thousand. It is stated that the purpose of the reduction of capital was amortized by shares, previously acquired by the Company. In October 3, 2018, it was registered in the Mercantile Register of Barcelona.

The aforementioned Extraordinary General Shareholders'' Meeting also agreed to increase share capital against freely available reserves, specifically, by charge to voluntary reserves, up to an amount of Euro 62,000 thousand, through the issue and circulation of 11,625,000 new shares with the same par value, of the same series and carrying the same rights as those currently in circulation, represented by book entries and which were assigned gratuitously to the Company's shareholders. This increase was entered in the Commercial Register of Barcelona on 30 November 2018.

There was no movement in 2020 and 2019.

At the dates of December 31, 2020 and 2019, in accordance with the notifications received by Company submitted by natural and legal persons holding rights of direct and indirect vote by a percentage equal to or greater than 10% Company are as follows:

	% interest	
	2020	**2019**
Jorge Mercader Miró	15.61	14.82
Mª del Carmen Escasany Miquel	11.74	11.67
Indumenta Pueri S.L	11.40	8.66
Bernadette Miquel Vacarisas	11.75	11.45

OWN SHARES

The General Shareholders' Meeting held in June 26, 2016 authorized the Company to acquire treasury shares up to 10% of the share capital for a term of five years. The General Shareholders' Meeting held on 20 June 2018 again authorised the Company to acquire treasury shares under the same terms.

By virtue of the resolutions adopted at such General Meetings, the Board of Directors, at meetings held on the same dates, agreed to approve the treasury share policy within the authorized limits and subject to the Internal Rules of Conduct.

The breakdown and movement of own shares in equity for the years 2020 and 2019, is as follows:

Description	Number of shares	Value of the operation (Thousand Euro)	Average price (Euro)	Nominal value (Thousand Euro)
Balance at 31-12-2018	**600,193**	**10,339**	**17.23**	**1,200**
Acquisition of own shares Subscription and acquisition on capital increase	696,817	11,144	15.99	1,394
Capital decrease	-	-	-	-
	-	-	-	-
Balance at 31-12-2019	**1,297,010**	**21,483**	**16.56**	**2,594**
Acquisition of own shares	725,001	9,509	13.11	1,450
Subscription and acquisition on capital increase	-	-	-	-
Capital decrease	-	-	-	-
Balance at 31-12-2020	**2,022,011**	**30,992**	**15.33**	**4,044**

During 2020 the parent company made use of the authorisation for the derivative acquisition of treasury shares and within the framework of the Programme for the repurchase of shares reported to the CNMV on 16 January and 27 November 2020 and the special operations which have been communicated on a timely basis, acquired 725,011 shares (696,817 shares in 2019) amounting to Euro 9,509 thousand (Euro 11,144 thousand in 2019).

Treasury shares held at 31 December 2020, after the operations carried out during the year, amount to 2,022,011 (1,297,010 shares in 2019).

SHARE PREMIUM

The balance and variations for the years ended at 31 December 2020 and 2019 are as follows:

	Share Premium
Balance at 31 December 2019	40
Balance at 31 December 2020	40

The share premium is subjected to the same restrictions and may be used for the same purposes as the voluntary reserves of the parent Company, including conversion into share capital.

(In thousand Euro)

11.2 Cumulative translation differences

The cumulative translation differences in 2020 and 2019 are as follows:

	Cumulative translation differences
Balance at 31 December 2018	**(70)**
Transfer to cumulative translation differences due to hyperinflation in Argentina (Note 2.3)	**(5,455)**
Balance at 1 January 2019	**(5,525)**
Movement for the year 2019	(73)
Balance at 31 December 2019	**(5,598)**
Balance at 1 January 2020	**(5,598)**
Movement for the year 2020	(481)
Balance at 31 December 2020	**(6,079)**

At year end 2020 and 2019 cumulative translation differences relate to Miquel y Costas Chile, S.R.L. and Miquel y Costas Argentina, S.A.

The Group, pursuant to the IFRIC's agenda decision of March 2020 in relation to IAS 29 on hyperinflation, reclassified exchange rate and hyperinflation adjustment differences from reserves to translation differences for all years presented. This reclassification has no impact on consolidated equity for the year.

(In thousand Euro)

11.3 Retained earnings and other reserves

The balances for the years ended 31 December 2020 and 2019 in the items forming "Retained earnings, other reserves and other equity instruments" are set out below:

	Legal reserves of the parent company	Other reserves of the parent company	Reserves in fully consolidated companies	Cumulative conversion differences	Interim dividend	Results for the year	Other equity instruments	Value adjustment (Note 6)	Total
Balance at 31 December 2018	8,260	107,081	64,190	(70)	(6,200)	37,277	233	7,433	218,204
Transfer to cumulative translation diff. Due to hyperinflation in Argentina (Note 2.3)	-	-	5,455	(5,455)	-	-	-	-	-
Balance at 1 January 2019	8,260	107,081	69,645	(5,525)	(6,200)	37,277	233	7,433	218,204
Balance at 31 December 2019	12,400	125,780	71,268	(5,598)	(6,600)	39,218	355	3,200	240,023
Balance at 31 December 2020	12,400	138,801	83,751	(6,079)	(10,200)	44,878	479	(1,452)	262,579

LEGAL RESERVE

The parent Company is obliged to transfer a minimum of 10% of the profit for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital by applying the part exceeding 10% of the share capital already increased.

Accordingly, the legal reserve was set up pursuant to Article 274 of the Spanish Companies Act, which stipulates that the Company is required to transfer at least 10% of profits for the year to a reserve until the reserve balance reaches at least 20% of share capital.

The balance in the reserve, up to 20% of share capital, is not available for distribution. Should it be used to offset losses in the event of no other reserves being available, it must be replenished out of future profits.

OTHER RESERVES OF THE PARENT COMPANY

This line includes the voluntary reserves of the parent Company, which are freely available for distribution. However, under current mercantile law, the distribution of profit is not permitted until the research and development expenses recorded under assets in the individual annual accounts as per the GAAP of the parent Company are fully amortised, unless the amount of the available reserves is at least equal to the amount of non-amortised expenses. These expenses were fully amortized as of December 31, 2015.

RESERVES IN FULLY CONSOLIDATED COMPANIES

These reserves relate to the difference between the carrying value of the shareholding in consolidated companies and the attributable portion of net book value. This line includes Euro 2,121 thousand relating to the legal reserve (Euro 1,738 thousand in 2019), which are subject to the same restrictions as those mentioned in the section “Legal reserves” above.

According to the provisions laid down by mercantile law, some of the Group companies restated the values of certain PPE at 31 December 1996, which generated a revaluation reserve totalling at December 31, 2020 and 2019 Euro 5,411 thousand. The balance of this account can be used, free of tax, to:

- Offset losses.
- Increase share capital.
- Distributable reserves, as from 31 December 2006.

As reported in previous years, the requirements set out in Royal Decree-Law 7/1996 of June 7 have been met, so that the Company can proceed with the transfer of the reserve revaluation to voluntary reserves.

However, the balance of the Revaluation Reserve Royal Decree-Law 7/1996 cannot be distributed, directly or indirectly, until the assets have been written off for accounting purposes or have been disposed of or derecognised.

INTERIM DIVIDEND

The dividend distribution policy consists of four payments, of which three are on account and one which is complementary.

In accordance with the resolutions of the Board of Directors, approved the distribution of interim dividends in 2020 which are listed below:

- By charge to 2019 profits:

  - Resolution dated 30 March: it was agreed to distribute a third interim dividend out of 2019 profits amounting to Euro 3,300 thousand, which in gross unit terms, with the allocation of the proportional part of the dividend rights of treasury shares held, amounted to Euro 0.11161354 per share. As it was paid after the year end 2019, this distribution met the relevant regulatory requirements as regards profits and liquidity.

- By charge to 2020 profits:

  - Resolution dated 28 September: it was agreed to distribute a third interim dividend out of 2020 profits amounting to Euro 3,400 thousand, which in gross unit terms, with the allocation of the proportional part of the dividend rights of treasury shares held, amounted to Euro 0.11628998 per share.

  - Resolution dated 30 November: it was agreed to distribute a second dividend out of 2020 profits amounting to Euro 6,800 thousand which in gross unit terms, with the allocation of the proportional part of the dividend rights of treasury shares held, amounted to Euro 0.23415972 per share.

All of them have been realized in 2020.

During 2019 the Board of Directors agreed to distribute the following interim dividends:

- By charge to 2018 profits:

  - Resolution dated 25 March: it was agreed to distribute a third interim dividend out of 2017 profits amounting to Euro 3,100 thousand, which in gross unit terms, with the allocation of the proportional part of the dividend rights of treasury shares held, amounted to Euro 0.10300775 per share. Al ser satisfecho con posterioridad al cierre del ejercicio 2018 dicha distribución cumplió con los requerimientos de resultado y liquidez exigidos a nivel regulatorio.

(In thousand Euro)

- By charge to 2019 profits:

  - Resolution dated 30 September: it was agreed to distribute an initial interim dividend out of 2019 profits amounting to Euro 3,300 thousand, which in gross unit terms, with the allocation of the proportional part of the dividend rights of treasury shares held, amounted to Euro 0.11095544 per share.

  - Resolution dated 25 November: it was agreed to distribute a second interim dividend out of 2019 profits amounting to Euro 3,300 thousand which, in gross unit terms, with the allocation of the proportional part of the dividend rights of the treasury shares held, amounted to Euro 0.11103727 per share, subsequent to the capital increase of November 2019.

All of them have been realized in 2019.

The amounts distributed as the sum of interim dividends and supplementary dividends as detailed in the following paragraph, did not exceed the results obtained since the end of last year, less estimated corporate income tax payable on these results, in line with the provisions of Article 277 of the Spanish Capital Companies Act 1/2010 of 2 July 2010.

	2020	**2019**
Dividends	17,300	13,350
Tax effect	(1,722)	(1,533)
Total	**15,578**	**11,817**

Of the gross amount of dividends paid, all shares which represent more than 5% of total shares and with a length equal to or exceeding one year, have enjoyed the right not to withhold tax pursuant to art. 21.1 a). of Law 27/2014 of 27 November related to Corporate Income Tax, in accordance with the exoneration of withholding tax rule provided by Article 128.4.d) of that Law.

(In thousand Euro)

The provisional accounting statement prepared in accordance with legal requirements and which revealed the existence of sufficient liquidity for the distribution of such dividends, are set out below:

- Provisional resolution of 28 September, 2020 to distribute a first interim dividend of the profits from 2019 of a total amount of 3,400 thousand Euro:

	2020
Profit distribution forecast	
Expected net results after tax at 28 September 2020	21,315
Maximum amount to be distributed as interim dividend	21,315
Interim dividend distributed	3,400
Treasury forecast for 1 year from the date of the interim dividend agreement:	
Available liquidity at date of interim dividend agreement **	114,053
Forecast receipts	161,000
Forecast payments (including interim dividend)	(158,460)
Forecast treasury balances at 26 September 2019	**116,593**

** Includes unused credit facilities with financial institutions.

(In thousand Euro)

- Provisional resolution of 30 November, 2020 to distribute a second interim dividend of the profits from 2019 of a total amount of 3,300 thousand Euro:

	2020
Profit distribution forecast:	
Profit for the period 1 January to 31 December 2019	30,321
Forecast profit for the period 1 January to 30 November 2020	29,040
Maximum amount to be distributed as interim dividend	59,361
Interim dividends paid by charge to 2019	13,700
Interim dividends paid by charge to 2020	3,400
Proposed dividends by charge to 2020	6,800
Treasury forecast for one year from the date of agreement for interim distribution	
Available liquidity at the date of agreement for distribution of interim dividend**	120,017
Forecast receipts	161,000
Projected payments (including dividends)	(166,342)
Projected cash and bank balances at 30 November 2021	**114,675**

**Includes unused credit facilities with financial institutions

SUPPLEMENTARY DIVIDEND

Under the resolution adopted by the General Shareholders Meeting dated in June 30, 2020, approved the distribution of dividends for the year, together with the ratification of payments and the agreement of payment of a complementary dividend for the results of 2019 amounting to Euro 3,800 thousand.

Under the resolution adopted by the General Shareholders Meeting dated in June 20, 2019, approved the distribution of dividends for the year, together with the ratification of payments and the agreement of payment of a complementary dividend for the results of 2018 amounting to Euro 3,650 thousand.

RETAINED EARNINGS

Relates to the earnings obtained in each year by the companies in the consolidation scope at 31 December 2020 and 2019.

OTHER EQUITY INSTRUMENTS

Relates to the amount recorded as a balancing item for staff costs arising from the "Stock Option Plan 2011" formalized in 2012, which expired in January 2017, and the new stock option plan arranged in 2017. At 31 December 2020 this amounts to 479 thousand Euro (Euro 2565 thousand in 2019).

- "2016 Stock option plan" - The General Shareholders' Meeting of the Parent Company held in June 22, 2016 approved a new stock option plan, applicable to those executive directors and executives of the Parent Company and Group companies that the Board of Directors appointed. The plan was developed, defined and drawn up by the Board of Directors in its meeting on 30 January 2017, drawing on the powers granted by the General Meeting. The plan states that each option carries one share and allocates 525,000 options of which 491,500 were in effect at the year end, increasing to 786,400 following the capital increase carried out in November 2018.

  The options are subject to certain conditions and the parent company is not under any legal or constructive obligation to buy back or settle the options in cash, since they will be settled using the parent's treasury shares.

  Based on the aforementioned agreements, the option exercise price was established at Euro 22.21 per share, Euro 13.88 following the adjustment relating to that capital increase, determined by the average share exchange rate for the preceding quarter less 5%.

  The plan includes the following phases:

  - Vesting phase: It begins on 7 February 2017 and lasts for five years.

  - Exercise phase: It begins on the day following the end of the vesting phase and lasts for three years. This phase marks the start of the period in which the beneficiaries may exercise the options.

(In thousand Euro)

The weighted average fair value of the stock options at the award date, determined using the Black-Scholes/Merton method, is as follows:

Due Date	Option value at grant date
27/01/2025	1.25

The main model inputs were the share price, the above-mentioned strike price, the standard deviation from the expected yield, a dividend yield, the option's expected life and an annual risk-free interest rate. Estimated volatility in the standard deviation from the expected share price performance is based on statistical analyses of daily share prices.

The value is taken to the income statement as a staff cost for the year, on an accrual basis, with a balancing item in equity. The amount of Euro 124 thousand was charged to the income statement at 31 December 2020 (124 thousand at 31 December 2019).

12 BORROWINGS

The breakdown of the current and non-current financial debt for the years ended at 31 December 2020 and 2019 is as follows:

	2020	2019
Non-current		
Bank loans	49,145	54,489
	49,145	**54,489**
Current		
Bank loans	18,511	15,519
Credit facilities	-	274
Interest accrued	71	86
	18,582	**15,879**
Total borrowings	**67,727**	**70,368**

(In thousand Euro)

The movement of short and long-term loans during 2020 and 2019 is the following:

	Long-term Borrowings	Short-term Borrowings
Balance at 31-12-18	**66,145**	**7,718**
Obtaining financing and value update	28,863	-
Amortization	(25,000)	(7,718)
Transfers from long to short term	(15,519)	15,519
Balance at 31-12-19	**54,489**	**15,519**
Obtaining financing and value update	26,476	-
Amortization	(13,309)	(15,519)
Transfers from long to short term	(18,511)	18,511
Balance at 31-12-20	**49,145**	**18,511**

The maturities of non-current borrowings are as follows:

	2020	2019
Up to 1 year	18,582	15,879
Between 1 and 3 years	32,304	30,765
Between 3 and 5 years	14,265	19,066
More than 5 years	2,576	4,658
	67,727	**70,368**

During 2020 the Group has received 6 loans from credit institutions, 2 of them granted by the Centre for the Development of Industrial Technology (CDTI) and 4 by financial institutions, for a total of Euro 26,446 thousand, with repayment terms of 3 to 10 years including grace periods ranging from 1 year to 3 years.

During 2019 the Group had received 6 loans from credit institutions, 5 of them granted by the Centre for the Development of Industrial Technology (CDTI) and 1 by financial institutions, for a total of Euro 28,836 thousand, with repayment terms of 5 to 12 years including grace periods ranging from 1 year to 4 years.

(In thousand Euro)

The Group at 31 December 2020 has loans at a zero interest rate with an outstanding capital of 5,060 thousand Euro (5,687 thousand Euro at 31 December 2019).

The rate of non-subsidized loans is fixed.

Of total loans at 31 December 2020, Euro 1,822 thousand relates to loans secured through a bank guarantee (Euro 2,140 thousand at 31 December 2019).

The parent company has contracted lines of short-term financing (credit facilities) to interest rate market with various financial institutions for a limited amount of 20,538 thousand Euro (26,170 thousand Euro in 2019) of which at the end of 2020 and 2019 had not provided Euros and 274 thousand Euro, respectively. Credit lines with a maturity of less than one year are subject to upcoming renovations in the year 2021.

The carrying value (in Euro) of the Group's bank loans is denominated in the following currencies:

	2020	**2019**
Euro	67,727	70,094
AUD	-	204
JPY	-	-
GBP	-	65
USD	-	5
Total borrowings	**67,727**	**70,368**

13 PENSION COMMITMENT LIABILITIES

The Group has different pension commitments based on its work centres and companies (see note 2.3).

13.1 Defined contribution commitments

The Group has two defined contribution plans as a result of the agreements with representatives of the workers at the Besos and Mislata work centres. The amount recorded during the year as staff costs in the income statement relates to the contributions made in the year 2020 which totals Euro 50 thousand (Euro 48 thousand in 2019) (Note 19).

The Group companies have also promoted a PPSE that has been nourished by company contributions, as the conditions established in the previous three years have been met, for those employees who have voluntarily chosen to take advantage of the PPSE.

There are also three other defined contribution plans for the companies Miquel y Costas & Miquel, S.A., MB Papeles Especiales, S.A., and Celulosa de Levante, S.A., for the executive Directors and Senior Management (Notes 24.3 and 24.4).

13.2 Defined benefit commitments

The other pension commitments of the Group are defined benefit contribution plans of the following two types:

- Commitments with retired personnel

  Miquel y Costas & Miquel, S.A., has payment commitments for pensions with a group of retired employees that increase annually on the basis of the increase in the remuneration agreed in the collective agreement for the paper, pulp and cartonboard industry. These commitments since 2002 have been transferred and insured through respective collective insurance policies.

- Commitment with current personnel

  Under the collective agreement for the paper, pulp and cartonboard industry, the Group bears an obligation with their current employees who can claim early retirement to pay them the retirement bonuses set down in the aforementioned collective agreement. This commitment is exteriorized and secured through a group insurance contract. In addition, the Group, at the time of the entry into force in January 1, 2013 of the Law 27/2011, of August 1, on updating, adapting and modernizing the Social Security system, becomes obliged under the same agreement, with part of their employee to grant early retirement at age 63. This is not a new pension commitment, but a collective increase of employees eligible for a retirement bonus. The insurance contracts were entered into in 2013 in order to meet the outsourcing of pension commitments, and they have been extended in 2016.

(In thousand Euro)

The breakdown of the amounts recognised in the balance sheet for long-term employee benefit obligations and the related charges in the income statement for the different types of defined benefit liabilities that the Group has with its employees is as follows:

	2020	2019
Charges in the consolidated income statement:		
- Financial restatement (Financial expenses) (Note 21.4)	-	1
- Current services costs (Note 19)	11	10
- Expected return on plant-related assets (Note 21.4)	-	(1)
	11	**10**
Charges/(credits) in Equity:		
- Actuarial gains and losses	(13)	161
- Tax effect	3	(40)
	(10)	**121**

The amounts recognised in the balance sheet are determined as follows:

	2020	2019
Current value of committed liabilities	(527)	(512)
Fair value of plan-related assets	198	228
Liabilities on the balance sheet (Note 14)	**(329)**	**(284)**

The movement in the fair value of the plan related assets has been as follows:

	2020	2019
Opening balance	**228**	**272**
Expected return on plan-related assets	-	1
Actuarial gains / (losses)	(9)	36
Contributions paid net of returned premiums	(21)	(9)
Closing balance	**198**	**228**

(In thousand Euro)

The movement in the fair value of the committed liabilities:

	2020	2019
Opening balance	**512**	**592**
Interest costs	-	1
Current services costs	12	10
Past service cost	-	109
Actuarial (gains) / losses	5	(197)
Contributions paid	(2)	(3)
Closing balance	**527**	**512**

- Valuation of defined benefit commitments:

  Group management has engaged an independent actuary to prepare an actuarial valuation at 31 December 2020 and 2019 of each pension plan mentioned above, in accordance with the criteria and methodology generally accepted for IFRS purposes.

  The main actuarial assumptions applied have been as follows:

Interest rate for valuing liabilities with current personnel at 31/12/2019	0.000%
Interest rate for valuing liabilities with current personnel at 31/12/2020	0.000%
Interest rate for valuing liabilities with retired personnel at 31/12/2019	0.000%
Interest rate for valuing liabilities with retired personnel at 31/12/2020	0.000%
Expected return on assets with current personnel	0.000%
Expected return on assets with retired personnel	0.000%
Annual growth in pensions at the beginning of 2020	0.25%
Annual growth in pensions at the end of 2020	0.25%
Mortality tables	PER-2020
Hypothesis of permanence	ORDER EHA/3433/2006 COD21
Retirement age	63 years

(In thousand Euro)

The interest rates used have been determined at market rates, on the balance sheet date, for the issues of high grade corporate bonds or debentures. Both the currency and the maturity of the bonds relates to the current and terms of payment estimated for the liabilities borne by the Group. In addition, the current labour regulation relating to retirement age has been considered.

The valuation method used has been the "projected credit unit". This system consists in proportionally accrediting the present value of the future expected benefits on the basis of past service at any time.

To determine the value of the net liability recognized in the commitments, the insurance policies arranged as affected asset have been considered, with their valuation determined by the amount of the secured obligations. This means that the commitments for retirement bonuses, being matched to the Group benefits and obligations, the value of the insurance policy is equal to the accrued obligations, resulting in a zero net value for all defined benefit obligations without assumption of permanence. For other commitments, the insurer has provided the valuation of the affected asset.

14 OTHER NON-CURRENT LIABILITIES

The breakdown of this account at the 2020 and 2019 year end is as follows:

	2020	**2019**
Grants	1,042	1,351
Long-term staff liabilities (Note 13.2)	329	284
Deposits and guarantees	23	23
Other	2,478	1,781
	3,872	**3,439**

(In thousand Euro)

a) Grants

The detail and movement of grants is as follows:

	Government grants	Subsidised interest rate	Emission rights (Note 25.2)	Total
Balance at 31-12-2018	**1,164**	**173**	**122**	**1,459**
Increases	138	146	1,558	1,842
Transferred to income statement	(194)	-	(1,583)	(1,777)
Decreases	-	(173)	-	(173)
Balance at 31-12-2019	**1,108**	**146**	**97**	**1,351**
Increases	17	116	1,464	1.597
Transferred to income statement	(199)	-	(1,561)	(1,760)
Decreases	-	(146)	-	(146)
Balance at 31-12-2020	**926**	**116**	**-**	**1,042**

Income relating to grant released to results for the year are carried under “Charge to non-financial fixed assets grants” in the consolidated income statement.

Grants awarded to the Company are non-repayable since all the necessary conditions attached to the grants for them to be considered non-repayable have been met.

(In thousand Euro)

Government grants at 31 December 2020 and 2019 include the capital grants from the Government of Catalonia, Energy Agency of Valencia, the C.D.T.I. and the ICAEN, mainly for the Group investments in environmental investigation for improving energy efficiency.

b) Long-term staff liabilities

The movement of long-term staff liabilities during 2020 and 2019 is as follows:

Balance 31-12-18	**320**
Provisions (Note 13)	10
Payments/collections	6
Actuarial gains and losses	(52)
Balance 31-12-19	**284**
Provisions (Note 13)	11
Payments/collections	18
Actuarial gains and losses	14
Balance 31-12-20	**329**

The Group has recorded at 2012 year end a provision amounting to Euro 400 thousand, as a result of the implementation of Law 27/2011, of August 1 on updating, improvement and modernization of the Social Security system and came into force 1 January 2013, resulting in an increase in employees entitled to early retirement during 2016 This provision totals Euro 329 thousand as of 31 December 2020 (Euro 284 thousand in 2019).

c) Others

A provision of Euro 259 thousand was posted to cover possible third-party liability as a lucrative participant in the current procedure against directors of Mutua Universal Mugenat and against it as a secondarily liable party, which is maintained in 2019 and 2020.

There is also a provision to cover risks related to the Group's operation amounting to Euro 0 thousand in 2020 and 8 thousand in 2019.

Additionally, this heading includes Euro 571 thousand relating to lease liabilities as a result of the application of IFRS 16 (Euro 628 thousand in 2019) and Euro 1,648 thousand (Euro 886 thousand in 2019), primarily relating to provisions for accrued variable remuneration. The current portion of this last item is included in accrued wages and salaries" (See Note 16).

15 TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE

This section only reflects the balance at 31 December 2020 and 2019 of trade creditors and payables. Of Euro 31,213 thousand in this balance at 31 December 2020, 3,527 thousand relate to trade creditors in foreign currency, basically US Dollars, translated into Euro (In 2019, of Euro 39,406 thousand in this balance at 31 December 2019, 32,435 thousand relate to trade creditors in foreign currency, basically US Dollars, translated into Euro).

The book value recognised does not differ from the fair value of balances under trade creditor and other accounts payable.

Additionally, the balance of Euro 31,213 thousand includes short-term fixed asset creditor balances amounting to Euro 2,790 thousand in 2020 (Euro 3,479 thousand in 2019).

According to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be included in the notes to the financial statements in relation to the average payment period, it is reported that as of December 31 2020 and 2019 it is as follows:

	31/12/2020	**31/12/2019**
	Days	**Days**
Average payment period to creditors	34	32
Ratio of operations paid	36	33
Ratio of operations pending payment	20	15
	Thousands of Euro	**Thousands of Euro**
Total payments made	104,305	115,417
Total outstanding payments	8,325	8,744

(In thousand Euro)

16 SHORT TERM PROVISIONS AND OTHER CURRENT LIABILITIES

The fair value of short term provisions and other current liabilities does not differ from their accounting value. This heading breaks down as follows:

	2020	2019
Non-trade creditors	8,096	6,255
Accrued salaries	5,092	4,991
Provision for gas emission rights (note 25.2)	2,459	1,577
Other current provisions	579	183
Accrued expenses	-	-
Accrual	777	643
Advance payments from customers	420	461
Other liabilities		
	17,423	**14,110**

Provisions for variable compensation and associated objectives established and agreed with the staff concerned are included under the heading of accrued salaries. In 2020 and 2019 a portion of these variable compensation is classified in the long term because it has a maturity of more than 1 year.

The Group has not received guarantees associated with these liabilities. Of the total of "Short-term provisions" and "current liabilities" of the Group at 31 December 2020, an amount of 359 thousand Euro are in non-euro currency (299 thousand Euro in 2019).

“Other liabilities” relate to the short-term amount as a result of the application of IFRS 16 (see note 2.3 “Leases”).

The information related to gas emission rights is disclosed in Note 25.2 of these consolidated financial statements.

a) Non-trade creditors

	2020	2019
Taxes payable to Public Administrations	6,901	5,365
Social Security	874	870
Other taxes payable	321	20
	8,096	**6,255**

The balance of creditor Treasury at year-end 2020 and 2019 includes essentially the amounts provided in respect of Income Tax of Physical Persons Tax and Value Added.

b) Other current provisions.

The Group records short-term provisions amounting to Euro 579 thousand (Euro 183 thousand in 2019), that mainly include contingent liabilities amounting to Euro 145 thousand relating to the business combination with Clariana, S.A. (Euro 145 thousand in 2019). Additionally, a provision for taxes has been established amounting to Euro 350 thousand.

17 TAX SITUATION

17.1 Consolidated tax regime

The parent Company, since it is the parent Company of a Group, is taxed in Spain for corporate income tax under the Consolidated Tax Regime. The consolidated tax group includes Miquel y Costas & Miquel, S.A., as the parent Company, while those Spanish companies that meet the requirements set down in tax legislation on the taxation of the consolidated profit of groups of companies, are classified as the subsidiary companies.

The companies in the tax consolidated group at 31 December 2019 were as follows:

Miquel y Costas & Miquel, S.A. (Parent Company)
Celulosa de Levante, S.A.
S.A. Payá Miralles
MB Papeles Especiales, S.A.
Miquel y Costas Energía y Medio Ambiente S.A.
Papeles Anoia, S.A.
Sociedad Española Zig-zag, S.A.
Miquel y Costas Tecnologías, S.A.
Desvi, S.A.
Terranova Papers, S.A.
Miquel y Costas Logística S.A.
Clariana S.A

Clariana, S.A. which was acquired by the Group on 25 July 2018 was added to the Tax Group on 1 January 2019 (Note 1).

The subsidiary companies Miquel y Costas Argentina, S.A., Miquel y Costas Chile, S.R.L. and Miquel y Costas Deutschland, GmbH file individual tax returns under the tax legislation of Argentina, Chile and Germany, respectively.

(In thousand Euro)

17.2 Corporate income tax

Corporate income tax on Group profit before taxes differs from the amount that would have been obtained using the weighted average tax rate applicable to the profit of the consolidated companies as follows:

	2020	2019
Profit before tax	58,262	51,066
Elimination of results of foreign companies for non-tax group consolidation*	(1,293)	(614)
Adjustments to taxable income	(2,714)	(345)
Taxable income	54,255	50,107
Result of tax rate on taxable income	13,564	12,527
Deductions and credits	(603)	(715)
Tax consolidation group	12,961	11,812
Corporate income tax expense for the year – non tax group *	552	290
Shortfall / excess corporate income tax expense for the previous year and other adjustments	3	4
IAS / IFRS adjustments and others	(132)	(258)
Tax expense	13,384	11,848

*Included effect of hyperinflation in subsidiary Miquel y Costas Argentina, S.A. See Note 2.1.

During the current year the Group applied the reduction to the corporate income tax base amounting to Euro 1,385 thousand (Euro 866 thousand in 2019) as a capitalization reserve. Since the company is taxed through a consolidated tax regime and in accordance with Article 62 of Law 27/2014 of income tax, the calculation of the reserve was made at the Group tax level and its provision has been made for each company depending on the increase in equity each company contributed to the group.

The average tax rate for 2020 is 22.99% against 23.2% in the prior year.

Adjustments to the tax base mainly relate to the capitalisation reserve and other permanent differences.

The IFRS adjustments are mainly generated by the revaluation in accordance with Law 16/2012, of 27 December, which the parent Company and certain subsidiaries of the Group (Papeles Anoia, S.A., Celulosa de Levante, S.A., MB Papeles Especiales, S.A., Miquel y Costas Tecnologías, S.A., S.A. Payá Miralles and Clariana, S.A.) have performed.

(In thousand Euro)

The Group has applied in the calculation of income tax for 2020 tax incentives amounting to Euro 603 thousand (Euro 715 thousand in 2019) mainly relating to deductions for the environment, research and development and technological innovation.

The companies not included in the tax group in 2020 are the foreign subsidiaries and Clariana, S.A. (Euros 88 thousand in 2019).

The Group's tax loss carryforwards at 31 December 2020 and 2019 amount to Euros 488 thousand, all of which were generated in 2018.

The Group has no unused tax credits in 2020 and 2019.

The net tax payable (receivable) over corporate income tax is charged to each of the Group companies on the date of payment of the tax.

	2020	**2019**
Net tax payable		
From Miquel y Costas & Miquel, S.A.	515	535
From subsidiaries consolidated for tax purposes		
Sociedad Española Zig-Zag, S.A.	1	1
S.A. Payá Miralles	56	15
Papeles Anoia, S.A.	133	87
MB Papeles Especiales, S.A.	334	275
Miquel y Costas Tecnologías, S.A.	(41)	(71)
Celulosa de Levante, S.A.	(231)	(147)
Desvi, S.A.	(85)	(50)
Miquel y Costas Logística S.A.	29	21
Miquel y Costas Energía y Medio Ambiente , S.A.	34	38
Terranova Papers, S.A.	(523)	(444)
Clariana, S.A.	315	39
Total	**537**	**299**

(In thousand Euro)

17.3 Deferred income tax assets and liabilities

The deferred income tax assets and liabilities are stated in the consolidated balance sheet without being offset.

The overall effect of the recognition of the deferred tax for 2020 and 2019 is as follows:

	2020	2019
Deferred income tax assets:		
- Deferred income tax assets to be recovered in more than 12 months	2,885	2,847
- Deferred income tax assets to be recovered in 12 months	236	196
	3,121	**3,043**
Deferred income tax liabilities:		
- Deferred income tax liabilities to be paid in more than 12 months	2,195	2,486
- Deferred income tax liabilities to be paid in 12 months	325	325
	2,520	**2,811**

The breakdown of deferred income tax assets and liabilities for 2020 and 2019 is as follows:

	2020	2019
Deferred income tax assets:		
Pension premiums	27	27
Limitation on the deduction of depreciation	848	1,022
Revaluations RD 16/2012	728	864
Accruals	1,143	913
Business combination	36	36
Other	339	181
	3,121	**3,043**

(In thousand Euro)

	2020	2019
Deferred income tax liabilities:		
Profit generated by business combinations	212	212
Accelerated tax depreciation	1,616	1,888
Business combination	200	200
Hyperinflation	422	438
Other	70	73
	2,520	**2,811**

The movements in deferred income tax assets and liabilities for 2020 and 2019 are as follows:

	2020	2019
Opening balance	**232**	**503**
Business combination	-	(164)
Charged in the income statement	366	(62)
Charged directly to equity	3	(45)
Closing balance	**601**	**232**

On November 27, 2014 the Law 27/2014 was approved establishing a decrease in the overall rate of corporation tax to 25% for the year 2016. However, such a reduction of the tax rate does not apply to the reversal of the limitation of 30% nor to the reversal of the balance sheet revaluation (both measures stated under Law 16/2012 of December 27).

17.4 Years open to inspection

On 24 July 2017, the parent company and one of its subsidiaries received notification of the start of tax inspections on the following taxes and periods:

- Corporate income tax: 2012 to 2015
- Value added tax: 07/2013 to 12/2015
- Withholdings/payments on account of earned income/professional fees: 07/2013 to 12/2015

(In thousand Euro)

Subsequently, on 30 November 2017, an inspection of another of the parent's subsidiaries commenced on the same taxes and periods.

On 20 March 2019 the assessments documenting the results of the tax inspection were signed, the Group disagreeing with certain aspects.

In September 2019 the Group was notified of the tax assessment resulting from the tax inspection. According to the assessment, Euro1,851 thousand is payable to the tax authorities which was placed on deposit by the Company on 5 November 2019. In keeping with the opinion of their advisors, the Directors have solid arguments to consider that following the submission of the relevant appeals, that amount will not give rise to a liability for the Group, and have recognised, with respect to the payment made, a long-term deferred tax asset amounting to Euro 1,710 thousand at 31 December 2020 (Euro 1,783 thousand at 31 December 2019), Euro 73 thousand having been recovered this year.

At the date of preparation of these annual accounts, the Group's returns for corporate income tax and the other main taxes to which it is subject are open to inspection since 2017. The Directors do not expect any additional significant liabilities to arise in the event of a tax inspection of these years.

18 NET TURNOVER AND OTHER OPERATING INCOME

Net turnover of the Group in 2020 and 2019 has totalled Euro 262,633 thousand and Euro 259,257 thousand, respectively, and relate to the sales of paper for cigarettes, paper for industrial use and printing and special pulp.

Furthermore, net turnover in 2020 includes Euro 51,333 thousand relating to sales in foreign currency (Euro 45,049 thousand in 2019).

Net turnover and other operating income by product lines in 2020 and 2019 have been as follows:

	2020	**2019**
Sales	274,151	262,633
Operating grants	373	856
Other sales and other ordinary income	2,539	3,171
Total	**277,063**	**266,660**

(In thousand Euro)

Net turnover by geographic area in 2020 and 2019 is as follows:

	2020	2019
Domestic market	28,615	31,277
Exports		
European Union	83,824	84,382
OECD countries	75,648	70,358
Other countries	86,064	76,616
Total	**274,151**	**262,633**

19 STAFF COSTS

Staff costs of the Group in 2020 and 2019 have been as follows:

	2020	2019
Wages and salaries	34,233	34,130
Social Security	10,123	10,315
Contribution to pension fund (Note 13.1 and 13.2)	61	58
Long-term benefits to staff equity instruments (Note 11.3)	123	124
Severances	193	421
TOTAL	**44,733**	**45,048**

The average number of employees in 2020 and 2019 has been as follows:

Professional category	2020	2019
Members of the Boards of Directors (executives)	3	3
Senior Management	6	6
Executives	25	25
Managers and Middle Management	104	110
Administrative and Technical personnel	179	181
Production staff	576	577
TOTAL	**893**	**902**

(In thousand Euro)

The breakdown by gender and category at the 2020 and 2019 year end, is as follows:

	2020		2019	
Professional category	**Men**	**Women**	**Men**	**Women**
Members of the Boards of Directors (executives)	3	-	3	-
Senior Management	5	1	5	1
Executives	23	2	24	1
Managers and Middle Management	97	9	102	8
Administrative and Technical personnel	82	102	80	101
Production staff	441	142	436	136
TOTAL	**651**	**256**	**650**	**247**

The average number of employees during the year of the companies included in the consolidation scope, with disabilities equal to or greater than 33%, by gender and category, is as follows:

	2020		2019	
Professional category	**Men**	**Women**	**Men**	**Women**
Managers and Middle Management	1	-	1	-
Administrative and Technical personnel	1	-	1	1
Production staff	3	-	3	-
TOTAL	**5**	**-**	**5**	**1**

(In thousand Euro)

20 OTHER OPERATING EXPENSES

Other operating expenses at 31 December 2020 and 2019 break down as follows:

	2020	2019
Leases and royalties	-	180
Independent professional services	4,186	3,818
Transport	9,446	8,919
Insurance premiums	1,320	1,056
Repairs and maintenance	5,469	5,157
Travel, publicity and advertising	3,352	4,805
Supplies	16,867	23,590
Subcontracted work	17,219	17,393
Other operating expenses	4,978	4,824
Variation in trade provisions (Note 8)	19	158
Provision for gas emission allowances	1,882	1,592
Total other operating expenses	**64,738**	**71,492**

“Other operating expenses” include an amount by Euro 2,966 thousand relating to transactions in non-Euro currencies. The currencies of the mentioned transactions are mainly the dollar and relate to the subsidiaries located in Argentina and Chile (Euro 3,188 thousand in 2019).

(In thousand Euro)

21 FINANCIAL INSTRUMENTS AND NET FINANCIAL RESULTS

21.1 Financial instruments by categories

The net book value of each category for the financial instruments at 31 December 2020 and 2019, are as follows:

Financial Assets at 31 December 2020	Deposit and guarantees (Note 6)	Trade accounts receivable (Note 8)	Shareholdings and loans associates (Note 6)	Other debtors (Note 9)	Other financial investments (Notes 6 and 9)
Investments at amortised cost	125	-	345	-	21,127
Financial assets available for sale	-	-		-	10,813
Total Non- Current Financial Assets	**125**	**-**	**345**	**-**	**31,940**
Investments at amortised cost	-	-	-	-	70,652
Loans and receivables	-	41,365	-	251	-
Total Current Financial Assets	**-**	**41,635**	**-**	**251**	**70,911**

Financial Assets at 31 December 2019	Deposit and guarantees (Note 6)	Trade accounts receivable (Note 8)	Shareholdings and loans associates (Note 6)	Other debtors (Note 9)	Other financial investments (Notes 6 and 9)
Investments at amortised cost	125	-	389	-	30,401
Financial assets available for sale	-	-	-	-	14,535
Loans and receivables	-	-	-	-	-
Total Non- Current Financial Assets	**125**	**-**	**389**	**-**	**44,936**
Investments at amortised cost	-	-	-	-	37,366
Loans and receivables	-	42,460	-	238	-
Total Current Financial Assets	**-**	**42,460**	**-**	**238**	**37,366**

(In thousand Euro)

Financial Liabilities at 31 December 2020	Banks Loans (Note 12)	Trade payables (Note 15)	Other payables (Note 14 and 16)
Liabilities at fair value with changes in results	-	-	-
Hedging derivatives	-	-	-
Other Financial Liabilities at amortized cost	49,145	-	571
Total Non – Current Financial Liabilities	**49,145**	**-**	**571**
Liabilities at fair value with changes in results	-	-	-
Hedging derivatives	-	-	-
Other Financial Liabilities at amortized cost	18,582	31,213	1,197
Total Current Financial Liabilities	**18,582**	**31,213**	**1,197**

Financial Liabilities at 31 December 2019	Banks Loans (Note 12)	Trade payables (Note 15)	Other payables (Note 14 and 16)
Liabilities at fair value with changes in results	-	-	-
Hedging derivatives	-	-	-
Other Financial Liabilities at amortized cost	54,489	-	628
Total Non – Current Financial Liabilities	**54,489**	**-**	**628**
Liabilities at fair value with changes in results	-	-	-
Hedging derivatives	-	-	-
Other Financial Liabilities at amortized cost	15,879	32,435	1,104
Total Current Financial Liabilities	**15,879**	**32,435**	**1,104**

Income and expenses arising from financial instrument category for 2020 and 2019 are as follows:

	2020	**2019**
Investment at amortised cost (Note 21.4)	1,079	1,635
Other financial liabilities at amortized cost (Note 21.4)	(460)	(558)
Total net	**619**	**1,077**

Income from held-to-maturity investments is included under the heading of financial income while the costs of other financial liabilities at amortized cost are included under the heading of financial expenses (see Note 21.4).

In order to evaluate the credit quality of the cash in bank accounts and short and long-term deposits, the Financial Department uses the credit qualification ("rating") given by external entities.

Regarding the evaluation of the credit quality for customers, the Group Credits-Clients department, together with Group senior management, asks for the credit qualification to an external insurance company and the coverage limit for each customer is individually settled.

21.2 Financial derivatives

The Group uses the financial instruments described below to hedge exchange rate fluctuation risk on its future commercial transactions, and recognised assets and liabilities, denominated in a functional currency that is not the functional currency of the Group.

The breakdown of the hedged exchange rate positions at 31 December 2020 is as follows:

Currency	Maturity	Nominal *	Profit/ (loss)
USD	2021	12,766	268
JTY	2021	(10,200)	-
AUD	2021	436	(8)
NOK	2021	334	(1)
Total (Pérdida) / Beneficio			**259**

*Expressed in Thousand Euro

The breakdown of the hedged exchange rate positions at 31 December 2019 is as follows:

Currency	Maturity	Nominal *	Profit/ (loss)
USD	2020	6,817	106
NOK	2020	674	(1)
AUD	2020	329	(2)
Total (Loss) / Profit			**(103)**

*Expressed in Thousand Euro

The profit or loss in the fair value of the financial instruments is recorded as financial income or expense in the consolidated income statement.

Fair value is the amount for which an asset could be exchanged for or a liability settled for between a buyer and a seller adequately informed and in a situation where both are independent. The valuations arise from financial entities own models based on financial principles and reasonable estimations related to future market conditions.

The derivatives held for trade are classified as current assets or liabilities. The total fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is greater than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. All financial instruments contracted by the Group relate to current assets and liabilities.

21.3 Fair value estimation

The table below provides an analysis of financial instruments that are measured at fair value classified by valuation method. The different levels are defined as follows in accordance with IFRS 13:

- Level 1: Trading prices (unadjusted) in active markets for identical assets and liabilities

- Level 2: Trading prices other than those included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) should reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about the risk.

The following table presents the Group's assets and liabilities measured at fair value at December 31, 2020

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets	10,813	259	-	11,072
Liabilities				
Financial liabilities	-	-	-	-

The following table presents the Group's assets and liabilities measured at fair value at December 31, 2019

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets	14,535	103	-	14,638
Liabilities				
Financial liabilities	-	-	-	-

For financial liabilities tied to variable interest rate, the Group has estimated that its carrying amount does not differ materially from its fair value due to the initial conditions of the Group's credit risk and counterparty having not been modified.

The fair value of financial instruments traded in active markets is based on market trading prices at the balance sheet date. A market is considered active if trading prices are readily and regularly available from an exchange, financial intermediaries, a sector institution, pricing service or regulatory agency, and those prices represent actual market transactions that regularly occur between parties that operate at arm's length. The market trading price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on conditions existing at each balance sheet date. The valuation techniques maximize the use of observable market data available and rely as little as possible on entity specific estimates. If all significant data required to calculate the fair value of an instrument is observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific techniques for measuring financial instruments include:

- Market trading prices or prices set by financial intermediaries for similar instruments.

- Other techniques, such as analysis of discounted cash flows, are used to analyse the fair value of other financial instruments.

(In thousand Euro)

21.4 Net financial results

The summary of the financial results at 31 December 2020 and 2019 is as follows:

	2020	2019
Financial income:		
- Other interest and income from cash and other cash equivalents	259	433
- Investments held to maturity	1,079	1,635
- Expected return from pension-related assets	-	1
Total Financial Income	1,338	2,069
Financial expenses:		
- Other financial liabilities at amortized cost- Bank Interest	(460)	(558)
- Other Bank Interest	-	(1)
- From restatement of provisions for employee benefits	-	(1)
Total financial expenses	(460)	(560)
Exchange differences:		
- Exchange losses	(2,835)	(3,093)
- Exchange gains	1,887	2,280
Total exchange differences	(948)	(813)
Impairment and result from disposal of financial instruments		
- Investments in capital	-	
Total impairment and result from disposal of financial instruments	-	
Net financial results	**(70)**	**696**

22 EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the profit attributable to the shareholders of the parent Company by the average weighted number of ordinary shares in circulation during the year, excluding the parent Company's own shares.

	2020	**2019**
Profit attributable to the Group's shareholders (in Euro thousands)	44,878	39,218
Weighted average number of ordinary shares in circulation (thousands)*	29,412	30,099
Basic earnings per share (Euro)	1.53	1.30

Diluted earnings per share are equal to basic earnings, since only one type of shares has been issued and there are no potential diluted shares or instruments on which they are based with a relevant impact.

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23 CASH FLOW GENERATED BY OPERATIONS

	2020	2019
Profit for the year before tax	**58,262**	**51,066**
Adjustments:	**19,811**	**14,750**
– Depreciation of property, plant and equipment (Note 4)	17,806	17,291
– Amortisation of intangible assets (Note 5)	307	293
– (Profit)/loss on sale of fixed assets	-	-
– Valuation corrections due to impairment	593	418
– Impairment and result from disposal of financial instruments (Note 21)	-	-
– Variation in provisions	1,125	(1,153)
– Release of grants (Note 26)	(1,760)	(194)
– Financial income (Note 21)	(1,338)	(2,069)
– Financial expenses (Note 21)	460	560
– Net exchange differences (Note 21)	1,013	(396)
– Other income and expense	1,605	-
Variations in working capital:	**5,200**	**(10,337)**
– Inventories	7,339	(11,266)
– Trade receivables	342	7,979
– Other current financial assets	(56)	(6)
– Trade and other payables	(2,425)	(7,238)
– Other current liabilities	-	194
– Other non-current assets and liabilities	-	-
Cash generated from operations	**83.273**	**55,479**

Cash generated from operations at 31 December 2020 has increased by Euro 31,284 thousand in respect last year.

(In thousand Euro)

24 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

24.1 Information on related parties

All transactions and balances of the parent Company with other group companies are eliminated in the process of preparing the consolidated annual accounts.

Furthermore, in accordance with the information received from the related parties during 2020 and 2019, no transactions have been undertaken and no outstanding balances exist between related parties and the parent Company (except for the investments detailed in Note 6). The parent Company, as per IAS 24, has identified the Board of Directors, Senior Management personnel, shareholders with a significant interest and the family members of the above-mentioned groups as related parties.

Conflict of interest situations of the Board of Directors

In the duty to avoid conflict with the interests of the Parent Company during the financial year the individuals who have occupied roles on the Board of Directors have complied with the obligations under Article 228 of the revised text of the Corporations Act. Also, they and those related to them, have refrained from engaging in the alleged conflict of interest under section 229 of the Act.

24.2 Control of the Board of Directors on the share capital of the parent Company

The members of the Board of Directors holding shares in the Company in 2020 are as follows:

Name of registered name of the board members	Office	Direct number of shares	Indirect number of shares	% share capital
Mr. Jordi Mercader Miró	Chairman	370,000	4,470,000	15.613%
Mr. Eusebio Díaz-Morera Puig-Sureda	Director	73,805	10,954	0.273%
Mr. Álvaro de la Serna Corral	Director	30,800	752	0.102%
Mr. Javier Basañez Villaluenga	Director	82,600	-	0.266%
Joanfra, S.A.	Director	2,480,000	-	8.000%
Mr. Joaquin Faura	Director	8,536	-	0.028%
Mr. Jorge Mercader Barata	Vice Chair	145,000	-	0.468%
Total		**3,190,741**	**4,481,706**	**24.750%**

(In thousand Euro)

The members of the Board of Directors holding shares in the Company in 2019 are as follows:

Name of registered name of the board members	Office	Direct number of shares	Indirect number of shares	% share capital
Mr. Jordi Mercader Miró	Chairman	278,949	4,316,337	14.824%
Mr. Eusebio Díaz-Morera Puig-Sureda	Director	28,380	10,954	0.127%
Mr. Álvaro de la Serna Corral	Director	30,800	752	0.102%
Mr. Javier Basañez Villaluenga	Director	82,600	-	0.266%
Joanfra, S.A.	Director	2,460,000	-	7.935%
Mr. Joaquin Faura	Director	8,536	-	0.028%
Mr. Jorge Mercader Barata	Vice Chair	145,000	-	0.468%
Total		**3,034,265**	**4,328,043**	**23.749%**

24.3 Remuneration of the Board of Directors

The members of the Board of Directors of the group's parent company receive, pursuant to the authorisation granted by the General Shareholders' Meeting:

a) Board members who are directors of the Company have received for their executive duties during the year 2020, through fixed compensation, expenses and other items, 1,089 thousand Euro (1,079 thousand in 2019) and variable remuneration amounting to 1,047 thousand Euro (898 thousand in 2019). No contributions were made to the long-term savings schemes this year or in the previous yea. Additionally, during 2017 upon the termination of the previous plan, the "2016 Stock Option Plan" was formalised which at year end 2020 is in the "vesting phase". This phase will last for five years and will subsequently give rise to the start of the "Exercise Phase" which will last for three years. This phase will market the tart of the period during which the beneficiaries may exercise the options.

b) For all members of the Board of Directors, the maximum total remuneration is equivalent to 5% of the net profits of the company Miquel y Costas & Miquel, S.A.,following compliance with applicable legal and by-law requirements. The amount accrued in this respect in 2020 and 2019 totals Euro 1,531 thousand (5% of profit after tax) and Euro 1,516 thousand (5% of profit after tax), respectively, which is recognised in Other operating expenses in the income statement and is usually settled in the following year, after fulfilling the requirements laid down in Articles 217 and 218 of the Companies Act and the Articles of Association.

The Parent Company has established a guarantee for liability coverage for its directors amounting to 15,000 thousand Euro for which a premium of Euro 28 thousand has been paid in the current year (18 thousand Euro in 2019).

Except for the abovementioned concepts there is no receivable or payable balance to the members of the Board of Directors a 31 December 2020 and 2019.

Except for the executive Directors, who have a contract with guarantee clause for cases of dismissal and the President and the General Manager, in case of change of control, the Company has not established any compensation agreement with other Directors in the event of resignation or termination for any reason.

During 2020 and 2019 no advances or loans have been granted to the Directors.

(In thousand Euro)

24.4 Remuneration paid to the members of Senior Management

The total fixed, variable and other items of remuneration of senior management personnel who are not executive directors during the year 2020 was 1,530 thousand Euro (1,475 thousand in 2019).

During 2017 the “2016 Stock Option Plan” was formalised. At year-end 2020 it is in the “Vesting Phase”. This phase will last for five years and will subsequently give rise to the start of the “Exercise Phase”, which will last for five years. This phase will mark the start of the period in which beneficiaries may exercise the options (Note 11.1).

The Group has no agreements in place with the members of Senior Management who are not executive directors other than those established in the Workers’ Statute for indemnities due to resignation or wrongful dismissal or if the employment relationship ends as a result of a takeover bid.

Members of senior management who are not executive directors are:

Name	**Position**
Mr. Ignasi Nieto Magaldi	Deputy Managing Director
Mr. José Maria Masifern Valón	Factory Manager (Besós)
Mr. Josep Payola Bassets	Director of MB Papeles Especiales, S.A.
Mr. Javier Ardiaca Colomer	Factory Manager (Mislata)
Mrs. Marina Jurado Salvado	Sales Manager of the smoking division
Mr. Javier García Blasco	Sales Manager of the booklets division

25 ENVIRONMENTAL POLICY

25.1 Environmental assets and expenses

The Group allocates major investment resources to the environmental improvement of its plants through an ongoing policy of action plans in its factories that include the reduction of water and energy consumption and selective waste collection, and manages evaluation, treatment and elimination through authorized entities.

Total net investment after deducting grants received and tax deductions applied has totalled Euro 3,976 thousand in 2020 (Euro 9,183 thousand in 2019).

(In thousand Euro)

The Group's main environmental investments in 2020 in the production process focused on reducing energy consumption, thus contributing to the prevention of climate change.

With respect to investment not directly related to the production process, resources were primarily invested in projects enhancing and improving the drying of sewage sludge and the installation of new photovoltaic panels, guaranteeing a more sustainable environmental alternative compared with conventional energy consumption thanks to the use of renewable sources such as solar energy.

Total expenses allocated to the protection and improvement of the environment, deducting the income obtained on the sale of byproducts, have totalled Euro 4,035 thousand in 2020 (Euro 3,754 thousand in 2019), of which there are not any unusual items, and relate basically to the local taxes for the use of water in the Regions, consumption of raw materials and energy in environmental protection equipment and other waste treatment.

There are no contingencies related to the protection and improvement of the environment of which the Group is aware at this date, in addition, no risks have been transferred to other entities. Additionally, the Group is the policyholder of insurance covering potential contingencies deriving from its actions in environmental policy.

25.2 Greenhouse gas emissions allowances

Under IAS 20 the gas emission allowances received free of charge have been recorded as intangible assets at their fair value.

The breakdown of the movement during 2020 and 2019 of this intangible asset is as follows:

	2020	2019
Opening balance	1,577	633
Increase due to new emissions	2,476	1,583
Return of emission rights from last year	(1,594)	(639)
Business combination	-	-
Closing balance	**2,459**	**1,577**

The amount of the provision at 31 December 2020 relates to the units not yet returned in respect of current year emissions measured at fair value at year end.

(In thousand Euro)

The movement in 2020 and 2019 under emissions allowances (Note 14) is as follows:

	2020		2019	
Thousand Euro	**Tn CO2**	**Value**	**Tn CO2**	**Value**
Opening balance	3,662	97	14,826	122
Rights granted	61,094	1,464	62,372	1,558
Consumption for the year	(64,756)	(1,561)	(73,536)	(1,583)
Closing balance			**3,662**	**97**

The Group has not sold emission allowances in 2020 or 2019.

Based on Royal Decree18/2019, the companies Miquel y Costas & Miquel and Celesa have taken part in the process for the gratuitous assignment of emission allowances for 2021-2025 which is in the approval phase.

The companies MB, Terranova, Clariana and Paya Miralles (included in the previous plan) requested their exclusion from the emission allowance trading plan for 2021-2025 on the understanding that they operate facilities with low emissions. This request was approved by the competent regional authorities this year, the commitment being to apply the mitigation measures described in Royal Decree 317/2019.

26 INVESTMENT GRANTS OF NON-FINANCIAL ASSETS

The income transferred to the consolidated income statement has been as follows:

	2020	**2019**
Capital grants transferred to the income statement (Note 14)	199	194
Greenhouse gas emission allowances (Note 14)	1,561	1,583
Total	**1,760**	**1,777**

27 CONTINGENCIES AND COMMITMENTS

Contingencies

The parent company and the Group are involved in litigations and disputes in the ordinary course of business. In 2020 there were no significant events and therefore there are no changes other than the submission of a contentious-administrative appeal against the assessment agreement raised by the tax inspectorate in relation to corporate income tax. In keeping with their advisors, the Directors continue to hold that, based on prevailing accounting legislation, the parent company should not recognise any additional amount in its consolidated annual accounts. The events that have taken place from the year end to the date of issue of this report are described in the following section on subsequent events.

The Group has contingent liabilities for bank guarantees and other guarantees related to the normal course of business which provides that no significant liability will arise. The Group has provided guarantees to third parties amounting to Euro 2,302 thousand at 2020 year-end (Euro 2,620 thousand in 2019), mainly responding to submissions for public contests, grants, proceedings in courts and tax authorities.

Commitments

The Group has no significant sales-purchase commitments signed at year end 2020 except for those mentioned in Note 4. There were no commitments in 2019.

28 AUDITORS' REMUNERATION

The fees accrued to PricewaterhouseCoopers Auditores, S.L., for auditing (usual and exceptional) and other assurance services for the year 2020 total Euro 136 thousand (Euro 150 thousand in 2019) and Euro 1 thousand (Euro 1 thousand in 2019), respectively. Other assurance services include in 2020 and 2019 the issue of reports on agreed-upon procedures on the statement of packaging compliance.

During 2020 Euro 0 thousand accrued in fees to other companies of the PwC network as a result of other services provided to the Group (Euro 0 thousand in 2019).

The fees accrued in 2020 by other auditors of subsidiaries (Miquel y Costas Argentina, S.A. for audit and other assurance services amounted to Euro 22 thousand in 2020 (Euro 23 thousand in 2019 for Miquel y Costas Argentina, S.A.). In 2019 and 2020 this includes the verification of the non-financial information statement.

29 IMPACTS COVID-19

The early and rigorous roll-out of internal protocols helped to prevent and minimise the risks of the spread of the coronavirus with respect to people and the Group's operations, enabling work centre to continue operating and therefore to deliver on their commitments in an exceptional situation.

During the different phases of the first state of emergency, some production assets were impacted by force majeure contingencies as production employees were affected by the total lockdown mandated in the Odena basin (Anoia region) by the authorities and which forced temporary lay-off proceedings to be introduced on the grounds of force majeure.

After the end of the first state of emergency and as a result of the fall in demand in the graphic arts and printing market triggered by the pandemic, partial temporary lay-off proceedings were brought in for economic, production and organisational reasons, affecting part of the workforce at the Mislata and Clariana production sites.

The parent company and its subsidiaries have analysed the possible accounting implications as a result of the pandemic and have not detected to date any effects which warrant specific disclosure.

In view of the evolution of the business in 2020 compared with the same period in the previous year, no risk is considered to exist regarding the application of the going -concern principle or the Group's ability to fulfil its obligations. No changes have been made to rental contracts in effect and there are no workforce restructuring plans for this reason. The parent company has not only maintained its dividend distribution policy throughout 2020 but in December brought forward the payment usually made in April of the following year. The parent company is not looking to make any adjustments to the stock option plan in effect besides those required under prevailing regulations.

With respect to the measurement of assets and liabilities on the balance sheet, the impact of items such as customer collectability, the net realisable value of inventories, investments in Group companies and associates or the recoverability of tax assets, has been assessed and where necessary, the corresponding value adjustment has been made. No significant impact has in any event been detected.

The exceptional expenses resulting from the situation caused by COVID-19 during the year amount to Euro 275 thousand and include, among other things, supplies of disinfectants, masks and gloves, tests and equipment in order to address the new health and safety measures defined and to some extent, the aforementioned employment measures.

At the present date, it is unknown whether there will be any future economic impacts deriving from the health crisis and the Group therefore continues to pay special attention to its business continuity plans and operational resilience, through ongoing monitoring.

30 SUBSEQUENT EVENTS

In January 2021 the Provincial Court of Barcelona delivered a judgement in the trial against the former distributor in Italy Tobacco's Import-Export SPA and confirmed the appropriateness of the termination of the distribution agreement by Miquel y Costas & Miquel, S.A, requiring the distributor to pay the pertinent indemnity for damages through the payment of Euro 1,999 thousand. On 1 February the defendant filed an appeal against the judgement with the Supreme Court and the admission process is under way.

No other significant subsequent events for the reporting period are known at the date of preparation of these consolidated annual accounts.

APPENDIX I

SUBSIDIARY COMPANIES IN THE CONSOLIDATION SCOPE 2020

				Shareholding of the parent Company		
Registered name	**Registered office**	**Activity**	**Share capital (Thousand Euro)**	**Direct Shareholding**	**Indirect shareholding**	**Note**
Celulosa de Levante, S.A.	Tarragona	Manufacture of paper pulp	1,503	97.41%	2.59%	1
Desvi, S.A.	Barcelona	Promotion and development of companies	3,000	96.67%	3.33%	4
Miquel y Costas Argentina, S.A.	Argentina	Manufacture and sale of paper	1,565	0.00%	100.00%	2
MB Papeles Especiales, S.A.	Barcelona	Manufacture and sale of special papers	722	99.9958%	0.0042%	1
Miquel y Costas Tecnologías, S.A.	Barcelona	Other technical services	500	45.00%	55.00%	4
Papeles Anoia, S.A.	Barcelona	Trading of all types of paper	2,054	99.00%	1.00%	1
Miquel y Costas Energía y Medio Ambiente, S.A.	Barcelona	Thermal electric plant	766	0.00%	100.00%	4
Payá Miralles, S.A.	Valencia	Industrial assets lease	1,878	99.89%	0.11%	4
Sociedad Española Zig-Zag, S.A.	Barcelona	Sale of paper	60	93.47%	6.53%	4
Terranova Papers, S.A.	Barcelona	Manufacture and sale of processed and handled paper	12,000	41.17%	58.83%	1
Miquel y Costas Deutschland, GMBH	Germany	Trading of all types of paper	25	0.00%	100%	4
Miquel y Costas Chile, SRL	Chile	Trading of all types of paper	29	0.00%	100%	4
Miquel y Costas Logística, S.A.	Barcelona	Logistics, storage, transport and distribution services	100	50.00%	50.00%	4
Fourtube, S.L.	Sevilla	Manufacture of paper	350	0.00%	40%	3
Clariana, S.A.	Vila-Real (Castellón)	Paper production and marketing	157	60%	40%	1

All companies in the Group are fully consolidated, except for the company Fourtube, S.L. which is consolidated under the participation method.

Note 1: The companies marked with a reference (1) are audited by PricewaterhouseCoopers Auditores, S.L.
Note 2: The companies marked with a reference (2) are audited by P&A Consultores, S.A.
Note 3: The companies marked with a reference (3) are audited by Mazars Auditores S.L.P.
Note 4: The companies marked with a reference (4) are not audited

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SUBSIDIARY COMPANIES IN THE CONSOLIDATION SCOPE 2019

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Desvi, S.A.	Barcelona	Promotion and development of companies	1,000	90.00%	10.00%	4
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Terranova Papers, S.A.	Barcelona	Manufacture and sale of processed and handled paper	12,000	41.17%	58.83%	1
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Miquel y Costas Chile, SRL	Chile	Trading of all types of paper	29	0.00%	100%	4
Miquel y Costas Logística, S.A.	Barcelona	Logistics, storage, transport and distribution services	100	50.00%	50.00%	4
Fourtube, S.L.	Sevilla	Manufacture of paper	350	0.00%	40%	3
Clariana, S.A.	Vila-Real (Castellón)	Paper production and marketing	157	60%	40%	1

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Note 4: The companies marked with a reference (4) are not audited

CONSOLIDATED RESULTS

During the successive declarations of a state of emergency which began with Royal Decree 463/2020 of 14 March, as a result of COVID-19, the Miquel y Costas Group's activities have been regarded as essential, so, other than in a limited number of exceptional cases, the Group has been able to operate throughout the healthcare crisis.

The early and rigorous roll-out of internal protocols helped to prevent and minimise the risks of the spread of the coronavirus with respect to people and the Group's operations, enabling work centre to continue operating and therefore to deliver on their commitments in an exceptional situation.

During the different phases of the first state of emergency, some production assets were impacted by force majeure contingencies as production employees were affected by the total lockdown implemented in the Odena basin (Anoia region), which was decreed by the authorities and forced temporary lay-off proceedings to be brought in on the grounds of force majeure.

After the end of the first state of emergency and as a result of the fall in demand in the graphic arts and printing market triggered by the pandemic, partial temporary lay-off proceedings were brought in for economic, production and organisational reasons, affecting part of the workforce at the Mislata and Clariana production sites.

Within this context, the main figures for results are set out below, all expressed in thousand euro.

Thousand Euro	2020	2019	Variation
Net turnover	274,151	262,633	4.4%
Gross operating profit (EBITDA)[1]	76,421	67,937	12.5%
Operating profit	58,308	50,353	15.8%
Profit before tax (PBT)	58,262	51,066	14.1%
Profit after tax (PAT)	44,878	39,218	14.4%
Cash-flow after tax (CFAT)[2]	62,991	56,802	10.9%

Consolidated revenues for 2020 amounted to Euro 274.2 million, up Euro 11.5 million compared with the same period in the previous year.

[1] Operating income plus depreciation.
[2] Profit after tax plus amortization.

By line of business, the Tobacco Industry business grew sales mainly thanks to the positive performance of paper and pulp sales in this line. The Industrial Product line also registered an increase in sales, primarily driven by Terranova's robust performance in the second half of the year which offset the fall in demand for certain special papers. Finally, "Others" posted an unequal performance, the fall in coloured paper due to the impact of the COVID-19 pandemic being particularly noteworthy.

The parent company's sales in the year amounted to Euro 168.6 million in line with the previous year.

Consolidated operating profits grew by 15.8% compared with the same period in 2019. All lines of business reflected the favourable evolution of pulp and energy prices and the fall in costs resulting from the investment programme.

In this way, the Tobacco Industry line posted improved results along with the Industrial Product line, driven by demand and the strong performance of the operations of Terranova and MB. Despite the fall in sales mentioned above, thanks to the improvement in costs, the results of the "Others" line were in line with the previous year.

The exceptional expenses resulting from the situation caused by COVID-19 during the year amount to Euro 275 thousand and include, among other things, supplies of disinfectants, masks and gloves, tests and equipment in order to address the new health and safety measures defined and to some extent, the aforementioned employment measures.

Consolidated profit before tax amounted to Euro 58.3 million, up Euro 7.2 million compared with the previous year, representing an increase of 14.1%, considering hyperinflation in Argentina to be insignificant.

On the other hand, profit after tax amounted to Euro 44.9 million, which is up 14.4% on the previous year. The effective tax rate estimated for the period amounted to 23.0%, slightly less than the previous year's 23.2%.

With respect to the parent company, profit after tax this year amounted to more than Euro 30.6 million, up 1.0% on the same period in the previous year, largely driven by the improvement in supply and energy prices and the return on investments.

CONSOLIDATED BALANCE SHEET

The balance sheet of the consolidated Group has been prepared under IFRS in force.

The main variations (in thousand Euro) in comparison with the same period of prior year are summarized as follows:

In thousand Euro	December 2020	December 2019
Net Fixed Assets[3]	174,696	170,482
NOF[4]	77,163	92,588
Other assets/Other liabilities Non-Current[6]	(1,561)	(1,885)
Capital used	**250,299**	**261,185**
Equity	(293,627)	(280,580)
Net Financial Debt[5]	43,329	19,395

Capital employed decreased by almost Euro 11.0 million, particularly, due to the variation in NOF, which is primarily attributable to the fall of Euro 11.6 million in raw materials and finished products and the increase in accounts payable and current provisions amounting to Euro 2.9 million.

[3] Property, plant and equipment and intangible assets - net.
[4] Inventories plus trade receivables, sundry receivables and non-current assets, less current provisions, trade and other payables, current tax liabilities and other non-current liabilities.
[5] Deferred tax assets and liabilities, non-current tax assets and other non-current liabilities
[6] Current and non-current financial assets, cash and cash equivalents less current and non-current bank borrowings

(IN THOUSAND EURO)

FINANCIAL POSITION

The consolidated Group's financial position, based on the information prepared in accordance with the international standards adopted, was as follows at year end and compared with the previous year:

Thousand Euro	December 2020	December 2019
Long-term borrowings	(49,145)	(54,489)
Short-term borrowings	(18,582)	(15,879)
Treasury and Current financial investments	78,646	44,313
Long-term financial investments[6]	32,410	45,450
Total net financial position[5]	**43,329**	**19,395**
Equity	**293,627**	**280,580**
Leverage index	n.a.	n.a.

The net financial position at year end reflects a debtor balance of Euro 43.3 million, which is Euro 23.9 million higher than that at the 2019 year end.

Given the uncertainty generated by the international spread of COVID-19 and in order to guarantee the Group has the necessary flexibility and liquidity in light of the difficulty in forecasting events, the Group increased its cash and cash equivalent position by Euro 34.3 million to Euro 78.6 million at 2020 year end.

Net operating cash flow generated in 2020 amounted to Euro 63.0 million, up 10.9% on the previous year, 2019. The parent company's cash flow amounted to Euro 39.5 million, up Euro 0.5 million on 2019.

Funds generated were primarily applied in investment in tangible and intangible assets in an amount of Euro 18.5 million, the acquisition of treasury shares, in an amount of Euro 9.5 million, the payment of dividends, in an amount of Euro 17.3 million and the increase in liquid assets or positions classified as outlined above.

(IN THOUSAND EURO)

STOCK EXCHANGE INFORMATION

The parent's stock market activity in 2020 is reflected in the following figures:

Trading days	257 days
Nº shares traded	8,328,718 shares
Value traded	Euro 106,223 thousand
Maximum quotation	Euro 16.72/ share
Minimum quotation	Euro 10.10 / share
Average quotation	Euro 12.76 / share
Final quotation	Euro 14.72 / share

TREASURY SHARES

During 2020 the parent company made use of the authorisation for the derivative acquisition of treasury shares granted to the General Shareholders' Meeting on 20 June 2018 within the framework of the Programme for the repurchase of shares reported to the CNMV, on 16 January and 27 November 2020 and the special operations which have been reported on a timely basis, and acquired 725,001 listed shares, representing 2.34% of share capital.

It should be noted that the stock option plan framed within the current employee remuneration plan is in the vesting period.

RELATED PARTIES OPERATIONS

During 2020, neither the parent Company nor the Group entities have made transactions, with other significant shareholders or related parties that must be reported under the OEHA 3050/2004, September 15.

Similarly, during this period there is no record of any significant operations being carried out by the parent company and other Group companies with the directors or executives or parties related to them, as is attested to by the express representations made by them, which must be reported, as established in section 1a) of article 229 of the Spanish Companies Act, except for the dividends paid, the remuneration received as directors and / or executives and if appropriate, the remuneration linked to the parent company's financial instruments.

In 2020 capital was increased in the subsidiaries Miquel y Costas Argentina, S.A. and DESVI, S.A. These capital increases were fully subscribed by Group companies which already had investments in these investees.

Except for the aforementioned capital increases and dividends paid, there were no significant operations which might trigger a conflict of interest between the Group companies. The operations performed i) formed part of the ordinary business of the companies or entities in terms of purpose and conditions and (ii) while forming part of the Company's ordinary business, were completed on an arm's length basis and are immaterial, understood as those not warranting disclosure in order to present a true and fair view of the Group's equity, financial position and results.

ENVIRONMENT

During 2020 the Group continued to carry out various actions aimed at preserving the environment and continuing to ensure the responsible use of natural resources, focusing investments in this area on energy saving and optimising energy consumption and reducing waste, favouring the development of the circular economy in its production activities.

Apart from the management effort, and in terms of financing, it applied financial resources amounting to Euro 8.0 million, aimed at reducing water and energy consumption and cutting the generation of waste coupled with waste management.

As a result of its commitment to sustainability and the circular economy, in 2020 the Group obtained an A-rating, for "leadership", the maximum rating assigned by the independent body CDP in the categories of CDP Climate Change and CDP Water. This classification is particularly important as it has only been awarded to 10 Spanish companies according to Europapress, the Group being the only one of its size and industrial sector.

R&D&i ACTIVITY

In 2020 the Group continued its R&D +i activities and expansion, and devoted Euro 3.2 million. During this period, activities continued and focused mainly on research, largely aimed at obtaining new products and the technological innovation of production processes.

PERSONNEL

The Group's top priority during the health crisis has been to implement all measures at its disposal to protect the health and safety of its employees and in turn, deliver on its commitments with stakeholders and specifically, customers and suppliers.

The situation has been managed through the Crisis Committee which was set up on 2 March last year. The Committee monitors in real time the unfolding of the pandemic and takes the necessary measures, guided by the need to look after the Group's employees. Additionally, this Committee coordinates actions in terms of managing and upholding its customers and suppliers' interests and anticipating actions that guarantee supplies and minimise the impacts that the situation triggers. To date, the measures adopted have proven to be effective, avoiding the spread of the virus at work locations and enabling the continuity of the business.

The average number of employees of the Group in 2020 was 893, in line with 2019. The funds assigned during the period to health and safety and occupational risk prevention amounted to Euro 2.9 million while funds invested in sundry training programmes were significantly reduced compared with previous years as a result of the current health situation caused by the pandemic.

MAIN RISKS AND OPPORTUNITIES

Given the international nature of the operations of the Company and most Group companies, they are exposed to exchange rate risk, their functional currency differing from the currencies used in operations on different markets. The effects of foreign currency fluctuations on sales are partly offset by cash flows in the opposite direction generated by imports. Additionally, given that in aggregate, the Group is a net exporter, the additional risk of fluctuation is mitigated through the arrangement of hedging.

At the same time, the Group operates in very different markets and with very different customers that expose it to insolvency risks linked to commercial loans. In order to control and if appropriate, minimise the risk, the Group has established and follows a strict internal credit rating policy and additionally, covers exposure through credit insurance.

Because the Group uses energy sources, mainly electricity and gas, it is affected by the price volatility of these products. In order to reduce the impact, the Group assigns a significant part of its investments to technologies aimed at improving production performance and so, reducing consumption and reliance on external energy sources, coupled with the effective management of supplies of such resources, The parent company and most of its subsidiaries present a solid balance sheet structure that provides strength and operational and structural financing capacity. When it is considered that there is objective evidence concerning the advisability of adjusting the value of a financial asset, a value adjustment is made based on judgements and estimates that are obtained from the information prepared by independent third parties.

The constant effort in research, development and innovation, essential in a global and competitive market, enables the Group to apply its know-how to obtaining and using new products based on new and often exclusive cutting- edge technology, in order to maintain and increase productivity and output of its product range and consistently satisfy demand for top quality, setting the stage for increasing needs going forward.

The parent company and the Group are involved in litigations and disputes in the ordinary course of business. In 2020 there were no significant events and therefore there were no changes other than the submission of a contentious-administrative appeal against the assessment agreement raised by the tax inspectorate in relation to corporate income tax. In keeping with their advisors, the Directors continue to hold that, based on prevailing accounting legislation, the parent company should not recognise any additional amount in its consolidated annual accounts. The events that have taken place from the year end to the date of issue of this report are described in the following section on subsequent events.

Although the Group has adopted all measures at its disposal in order to minimise the impact of COVID-19 on its workforce and operations, there is the risk of new surges which could affect both the Group's operating activities and demand. The Group has therefore worked and is working with potentially adverse scenarios within the framework of this pandemic and continues to have in place action plans to minimise its impact

SUBSEQUENT EVENTS

In January 2021 the Provincial Court of Barcelona delivered a judgement in the trial against the former distributor in Italy Tobacco's Import-Export SPA and confirmed the appropriateness of the termination of the distribution agreement by Miquel y Costas & Miquel, S.A, requiring the distributor to pay the pertinent indemnity for damages through the payment of Euro 1,999 thousand. On 1 February the defendant filed an appeal against the judgement with the Supreme Court and the admission process is under way.

No other significant subsequent events for the reporting period are known at the date of preparation of these consolidated annual accounts.

OUTLOOK

The Group's results in the fourth quarter of the year evidence the return on the investments made and better energy prices than expected, thus consolidating the improvement in results compared with that period in 2020.

The Group considers that this performance in terms of results will continue in the first quarter of 2021, exceeding those in the same period in the previous year.

However, as from the second quarter, the rise in raw material and energy prices and the volatility in demand make it difficult to predict how the situation will play out.

In any event, the Group expects to consolidate 2020 results in 2021 thanks mainly to the good start to the year and the return on the investments made.

ANNUAL CORPORATE GOVERNANCE REPORT

Attached as Appendix I is the "Corporate Governance Report" as an integral part of this Directors' Report.

NON FINANCIAL-INFORMATION

In accordance with the provisions of Law 11/2018, of December 28, on non-financial information and diversity, the Miquel and Costas Group has prepared the document "Non-financial information" for the year 2020, which is part, according to what is established in article 44 of the Commercial Code, of this report and that is attached as a document (Annex II).

(Free translation from Spanish)

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION

ENDING DATE OF REFERENCE FINANCIAL YEAR:	31/12/2020
TAX IDENTIFICATION CODE	A-08020729

REGISTERED NAME:

MIQUEL Y COSTAS & MIQUEL, S.A.

REGISTERED ADRESS:

TUSET, 10, BARCELONA

(Free translation from the original in Spanish)

MODEL OF ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A. OWNERSHIP STRUCTURE

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

Date of last change	Share Capital (€)	Number of shares	Nº of voting rights
30/11/2018	62,000,000	31,000,000	31,000,000

Please indicate whether or not there are different types of shares with different rights associated:

[ ] Yes
[✓] No

A.2. List the direct and indirect holders of significant ownership interests in your company at year-end, excluding directors:

Name or company name of shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
INSINGER DE BEAUFORT ASSET MANAGEMENT N.V.	0.00	4.16	0.00	0.00	4.16
MRS.BERNADETTE MIQUEL VACARISAS	0.33	11.42	0.00	0.00	11.75
MRS. MARIA DEL CARMEN ESCASANY MIQUEL	3.36	8.39	0.00	0.00	11.75
EDM GESTIÓN S.A. SGIIC	0.00	3.68	0.00	0.00	3.68
INDUMENTA PUERI, S.L.	0.00	11.40	0.00	0.00	11.40
QMC III IBERIAN CAPITAL FOUND FIL	3.02	0.00	0.00	0.00	3.02

Detail of the indirect holding:

Name or company name of the indirect holder	Name or company name of the direct holder	% voting rights attributed to the shares	% voting rights through financial instruments	% of total voting rights
INSINGER DE BEAUFORT ASSET MANGEMENT N.V.	INSTITUCIONES DE INVERSION COLECTIVA	4.16	0.00	4.16
MRS. BERNADETTE MIQUEL VACARISAS	AGRICOLA DEL SUDESTE ALMERIENSE, S.A.	3.41	0.00	3.41
MS. BERNADETTE MIQUEL VACARISAS	JOANFRA, S.A.	8.00	0.00	8.00
MRS. MARIA DEL CARMEN ESCASANY MIQUEL	ENKIDU INVERSIONES, S.L.	8.39	0.00	8.39
INDUMENTARIA PUERI S.L.	GLOBAL PORTFOLIO INVESTMENTS SL	11.05	0.00	11.05
EDM GESTION S.A. SGIIC	EDM INVERSIÓN FI	3.00	0.00	3.00
QMC III IBERIAN CAPITAL FOUND FIL	ALANTRA ASSET MANAGEMENT SCIIC S.A.	3.02	0.00	3.02

Indicate the most significant movements in the shareholding structure that occurred during the year

Significant movements

Mr. Jorge Mercader Miró Director of the Company, as detailed in section A.3, reported, on 07/10/2020, that it exceeded 15%

QMC III IBERIAN CAPITAL FUND FIL reported, on 05/08/2020, that it’s direct participation exceeded by 3%.

ALANTRA ASSET MANAGEMENT SGII S.A. reported, on 05/08/2020, that its indirect participation exceeded 3%.

INDUMENTA PUERI S.L., reported, on 09/29/2020, that its indirect participation exceeded by 11%.

SANTANDER ASSET MANAGEMENT S, A, SGIIC communicated, on 02/18/2020 that its indirect participation decreased by 5% and on 04/13/2020, which decreased by 3%.

SANTANDER SMALL CAPS ESPAÑOLA F.I. reported, on 03/04/2020, that its direct stake decreased by 3%.

The detail of the shares with insignificant value and whose reflection in the Report would be 0.00, have not been included in it.

A.3. Complete the following tables about members of the Company's Board of Directors who hold voting rights for shares in the Company:

Name or company name of director	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. JAVIER BASAÑEZ VILLALUENGA	0.27	0.00	0.00	0.00	0.27	0.00	0.00
MR. JOAQUÍN FAURA BATLLE	0.03	0.00	0.00	0.00	0.03	0.00	0.00
MR. JORGE MERCADER MIRÓ	1.19	14.42	0.00	0.00	15.61	0.00	0.00
MR. JORGE MERCADER BARATA	0.47	0.00	0.00	0.00	0.47	0.00	0.00
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	0.24	0.03	0.00	0.00	0.27	0.00	0.00
MR. ÁLVARO DE LA SERNA CORRAL	0.10	0.00	0.00	0.00	0.10	0.00	0.00
JOANFRA, S.A.	8.00	0.00	0.00	0.00	8.00	0.00	0.00

% total voting rights held by the Board of Directors	24.75

Detail of the indirect holding:

Name or company name of director	Name or company name of the direct holder	% voting rights attributed to the shares	% voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
MR. JORGE MERCADER MIRÓ	HACIA, S.A.	14.42	0.00	14.42	0.00

A.4. Indicate, where applicable, the family, commercial, contractual or corporate relations which could exist between the owners of significant stakes, provided they are known by the company, unless they are irrelevant or arise from normal trading activities, excluding those enquired about in section A.6:

Name or company name of related parties	Relationship type	Brief outline
No data		

A.5. Indicate, where applicable, the commercial, contractual or corporate relations which could exist between the holders of significant shares and the company and/or its group, unless they are irrelevant or arise from normal trading activities:

Name or company name of related parties	Relationship type	Brief outline
No data		

A.6. Describe the relationships, unless they are scarcely relevant to the two parties, that exist between the significant shareholders or those represented on the board and the directors, or their representatives, in the case of legal entity administrators.

Explain, where appropriate, how significant shareholders are represented. Specifically, give details of those directors who have been appointed on behalf of significant shareholders, those whose appointment would have been promoted by significant shareholders, or who are linked to significant shareholders and/or entities of their group, with a specification of the nature of such relationships. In particular, mention shall be made, where appropriate, of the existence, identity and position of board members, or representatives of directors, of the listed company, who are, in turn, members of the administrative body, or their representatives, in companies that hold significant holdings in the listed company or in entities of the group of said significant shareholders.

Name or company name of related director or representative	Name or company name of significant related shareholder	Company name of the significant shareholder group	Description of the relationship/position
MR. JORGE MERCADER BARATA	MR. JORGE MERCADER MIRÓ	HACIA, S.A.	MR. JORGE MERCADER BARATA is a Director and Secretary of HACIA S.A.
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	EDM GESTION S.A. SGIIC	EDM GESTION S.A. SGIIC	Mr. EUSEBIO DÍAZ-MORERA PUIG-SUREDA is Chairman of the EDM Group which the EDM company GESTIÓN S.A. SGIIC form part.
MR. ÁLVARO DE LA SERNA CORRAL	MRS. MARÍA DEL CARMEN ESCASANY MIQUEL	ENKIDU INVERSIONES, S.L	MR. ÁLVARO DE LA SERNA CORRAL is a Managing Director and Secretary of ENKIDU INVERSIONES, S.L.

Name or company name of related director or representative	Name or company name of significant related shareholder	Company name of the significant shareholder group	Description of the relationship/position
JOANFRA, S.A.	MRS. BERNADETTE MIQUEL VACARISAS	JOANFRA, S.A.	JOANFRA S.A. is a society controlled by MRs. BERNADETTE MIQUEL VACARISAS, where is Director and Secretary.

A.7. Indicate whether or not the Company has been notified of shareholders agreements that affect it as per Article 530 and 531 of the Corporate Enterprises Act. Where applicable, give a brief description and list the shareholders associated with the agreement:

[ ] Yes
[✓] No

Indicate whether or not the Company is aware of the existence of concerted actions between its shareholders. If so, briefly describe them:

[ ] Yes
[✓] No

If any modification or cancellation of said agreements or concerted actions has taken place during the year, indicate accordingly:

The Company is not aware of the existence of pacts, agreements or concerted actions among its shareholders.

A.8. Indicate whether any individual or legal entity currently exercise control or could exercise control over the company in accordance with article 5 of the Securities Market Act. If so, identify

[ ] Yes
[✓] No

A.9. Fill in the following tables regarding the company's treasury stock:

At the year-end:

Number of direct shares	Number of indirect shares (*)	% of total capital
2,022,011		6.52

(*) Through to:

Name or company name of the direct shoulder of the participation	Number of direct shares
No data	

A.10. Give details of the terms and conditions corresponding to the General Meeting of Shareholder's current mandate to the Board of Directors buy back and transfer treasury stock:

The acquisitions of the Company's own shares are underpinned by the General Meeting of Shareholders held on 20 June 2018 as follows:

The Board of Directors, Miquel y Costas & Miquel, S.A. and its majority owned subsidiaries, are authorized to acquire by purchase, exchange or other, and sell, with the intervention of authorized mediators, shares of the Company, to a maximum of 10% of the share capital, in accordance with the provisions of Article 146 of the Capital Companies Act. The minimum price will not be lower than the share nominal value, no higher, by 20%, to the market value of the prior day to the acquisition without prejudice to compliance with those other limitations resulting from the application of the regulations or regulations applicable at any time.

This authorization is granted for a period of five (5) years from the date thereof, observing in any event the provisions of Article 148 of the Companies Capital Act.

Leave the authorization granted to the Board of Directors by the Ordinary and Extraordinary General Meeting of June 22, 2016 without effect.

The Board of Directors are authorized to allocate, totally or partially, the shares acquired as part of the implementation of compensation programs aimed at or involving the delivery of shares or share options, or based in any way on the evolution of the share price, as set out in Article 146.1 a) of the Capital Companies Act.

The Board of Directors, in its meeting held on 20 June 2018, the according to execute the authorization of the General Meeting.

A.11. Estimated floating capital:

	%
Estimated floating capital	48.42

A.12. Indicate whether there is any restriction (statutory, legislative or of any other nature) on the transferability of securities and/or any restrictions on the voting rights. In particular, the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market, as well as those authorisation or prior notification systems that apply to acquisitions or transfers of financial instruments of the company through sectorial regulations, will be reported.

[ ] Yes
[✓] No

A.13. Indicate whether or not the General Meeting of Shareholders has agreed to adopt measures to neutralise a takeover bid by virtue of the provisions laid down in Act 6/2007:

[ ] Yes
[✓] No

Where applicable, explain the measures that have been adopted and the terms under which the inefficiency of the restrictions:

A.14. Indicate whether the company has issued securities not traded in a regulated market of the European Union.

[ ] Yes
[✓] No

If appropriate, indicate the different types of shares and, for each type of share, the rights and obligations conferred

B. GENERAL MEETING

B.1. Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum and constitution of the General Meeting.

[ ] Yes
[✓] No

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

[ ] Yes
[✓] No

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

The rules applicable to amendments of the company bylaws correspond to those contained in the Company's Capital Act.

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

Date of General Meeting	Attendance data				
	% physical presente	% represented	% remote voting		Total
			Electronic vote	Others	
20/06/2018	43.62	36.45	0.00	0.00	80.07
Of the floating capital	1.90	31.88	0.00	0.00	33.78
20/06/2019	43.51	23.89	0.00	4.19	71.59
Of the floating capital	3.51	18.63	0.00	4.19	26.33
30/06/2020	48.99	23.77	0.00	0.00	72.76
Of the floating capital	7.99	19.21	0.00	0.00	27.20

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

[ ] Yes
[✓] No

B.6. Indicate whether or not there is a statutory restriction to the minimum number of shares required to attend the General Meeting.

[✓] Yes
[ ] No

Number of shares necessary to attend the General Meeting	100
Number of shares required to vote remotely	

B.7. Indicate whether it has been established that certain decisions, other than those established by Law, which involve the acquisition, disposal, the contribution to another company of essential assets or other similar corporate operations must be submitted to approval of the general meeting of shareholders.

[ ] Yes
[✓] No

B.8. Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders over the company's website.

The corporate website of the Company, "www.miquelycostas.com". Its content responds to all information which they are considered of interest to shareholders and investors and incorporates all the content required by the regulations.

In the section "Shareholders and Investors Information" is the information related to Corporate Governance and General Meetings, to the which can be accessed from the home page through the following route: shareoldersandinverstorsinformation/corporategovernanceinformation/generalmeetings.

C. CORPORATE GOVERNANCE STRUCTURE

C.1. Board of Directors

C.1.1 State the maximum and minimum number of directors laid down in the articles of association:

Maximum number of directors	15
Minimum number of directors	4
Number of directors set by the General Meeting	10

C.1.2 Complete the following details on the members of the Board:

Name of director	Representative	Type of directorship	Office on the board	Date of first appointm.	Date of last appointm.	Election of procedure
MR. JOAQUÍN COELLO BRUFAU		Other External	DIRECTOR	26/06/2008	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MR. JOSÉ CLAUDIO ARANZADI MARTÍNEZ		Independent	DIRECTOR	20/06/2019	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MR. JAVIER BASAÑEZ VILLALUENGA		Executive	DIRECTOR	28/07/2008	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MRS. MARTA LACAMBRA PUIG		Independent	DIRECTOR	20/06/2019	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MR. JOAQUÍN FAURA BATLLE		Independent	COORDINATING INDEPENDENT DIRECTOR	29/10/2013	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MR. JORGE MERCADER MIRÓ		Executive	CHAIRMAN	05/11/1991	20/06/2019	SHAREHOLDERS MEETING AGREEMENT

Name of director	Represent-tative	Type of directorship	Office on the board	Date of first appointm.	Date of last appointm.	Election procedure
MR. JORGE MERCADER BARATA		Executive	VICECHAIRMAN	27/06/2012	20/06/2018	SHAREHOLDERS MEETING AGREEMENT
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA		Other External	DIRECTOR	18/04/1997	20/06/2018	SHAREHOLDERS MEETING AGREEMENT
MR. ÁLVARO DE LA SERNA CORRAL		External Proprietary Directors	DIRECTOR	28/07/2008	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
JOANFRA,S.A.	MRS. BERNADETTE MIQUEL VACARISAS	External Proprietary Directors	DIRECTOR	25/10/1999	20/06/2019	SHAREHOLDERS MEETING AGREEMENT

Total number of directors	10

Indicate the removals from office due to resignation, dismissal or for any other reason that have occurred on the Board of Directors during the reporting period:

Name or company name of director	Category	Date of last appointment	Date of vacancy	Specialist committees of which he or she was a member	Indicate whether the removal from office occurred before the end of the mandate
No data					

C.1.3 Provide the following details of the Members of the Board and their status:

EXECUTIVE DIRECTORS		
Name or company name of director	Position in the company's management structure	Profile
MR. JAVIER BASAÑEZ VILLALUENGA	GENERAL SECRETARY	Graduate in Political, Economic and Commercial Sciences from the Central University of Barcelona; Registered, non-practicing auditor of the Accounting Institute and Account Auditors; Certified for transportation services management. He is currently Secretary General of the Miquel y Costas Group and President of Bacesa de Inversiones, SICAV, S.A. as well as Director of Miquel y Costas & Miquel S.A.

Name or company name of director	Position in the company's management structure	Profile
MR. JORGE MERCADER MIRÓ	CHAIRMAN	Doctor in Industrial Engineering from the Technical School of Industrial Engineers of Barcelona and Master of Economics and Business from IESE (Institute for Higher Business Studies). He is currently President of Miquel y Costas & Miquel S.A. and from Hacia S.A. Additionally, he is a member of the Honorary Council of the Círculo de Economía Foundation, Trustee of the Princesa de Girona Foundation and of the Pasqual Maragall Foundation, Vice President of the Cerdà Institute and President of the Gala-Dalí Foundation.
MR. JORGE MERCADER BARATA	VICEPRESIDENT & GENERAL MANAGER	Industrial Engineer, specialty Chemistry; MBA from IESE (Institute of Higher Studies of the Company); CEIBS Exchange Program. Shanghai (China). Currently he is Vice President-General Director of Miquel y Costas & Miquel S.A. Additionally, Director of Hacia, S.A., Trustee of the Princesa de Girona Foundation, Member of the Advisory Council of UEA (Unió Empresarial Anoia) and Member of the Executive Committee of the IESE Alumni Association.

Total number of executive directors	3
% of the entire board	30.00

EXTERNAL PROPIERTARY DIRECTORS		
Name or company name of director	Name or title of significant shareholder represented by the director or that has proposed the director's appointment	Profile
MR. ÁLVARO DE LA SERNA CORRAL	ENKIDU INVERSIONES, S.L.	Graduate in Economics and Business Administration from the Autonomous University of Madrid and Master in Economics and Business from IESE (Institute of Higher Business Studies). He is currently a director of Credit Suisse AG, Branch in Spain and Director of Viña Castellar Invest SICAV. S.A. Enkidu Inversiones S.L., Sasekilia S.L. and Miquely Costas & Miquel S.A.
JOANFRA, S.A.	JOANFRA, S.A.	The representative natural person of Joanfra S.A., is licensed in Administration and Business Management (ADE) by the Universidad de Barcelona; Postgraduate in eBusiness Management by the Universidad Pompeu Fabra. He is currently Manager of Celler Cal Costas, S.L.U, Agrícola del Sudeste Almeriense S.A., and Joanfra S.A. and individual representative of Joanfra S.A. in the Board of Directors of Celler Cal Costas, S.L.U and Miquel y Costas & Miquel S.A.

Total number of external propiertary directors	2
% of the entire board	20.00

INDEPENDENT EXTERNAL DIRECTOR	
Name or company name of director	Profile
MR. JOSÉ CLAUDIO ARANZADI MARTÍNEZ	Industrial Engineer from the Higher School of Industrial Engineers of Bilbao and Bachelor of Economic Sciences from the University of Paris 1. He is currently Coordinator of the publication of the Ministry of Defense "Energy and Geostrategy", Member of the Advisory Committee of the GED company and Director of Miquel y Costas & Miquel S.A.
MRS. MARTA LACAMBRA I PUIG	Degree in Economic Sciences and Master in Economic Theory and Quantitative Methods from the Autonomous University of Barcelona; II Training program for managers by EAPC / IESE; Master in Economics and Management of the Autonomous and local Treasury from the Faculty of Economic Sciences of the University of Barcelona; Senior Management Program (PADE) by IESE. She is currently the General Director of the Fundación Cataluña - La Pedrera, CEO of Món St. Benet S.L., Member of the Board of the Círculo de Cultura; Member of the Academic Council of the Chair of Leadership and Democratic Governance of ESADE and Director of Miquel y Costas & Miquel S.A.
MR. JOAQUÍN FAURA BATLLE	Law degree from the University of Barcelona and Master in Economics and Business Management from IESE (Institute of Higher Business Studies). He is currently Strategic Advisor of Telefónica de España, Chairman of the bilateral Hispano-Korean Committee and Director of Miquel y Costas & Miquel, S.A.

Total number of Independent external directors	3
% of the entire board	30,00%

The Independent Directors have only received from the Company, in addition to their remuneration as Directors, the dividends corresponding to their shareholding, the amount of which is reflected in section D.3 of this report.

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

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

Name or Company of director	Description of relationship	Reasons
MR. JOAQUÍN FAURA BATLLE	Mr. Joaquín Faura Batlle performs functions of Strategic Advisor of Telefónica de España company that presents accessory services in	The Council considers in no incompatibility in the performance of its function as Independent Director because

Name or Company of director	Description of relationship	Reasons
	communications to Miquel y Costas Group.	that list is a traffic related or line of business of the Company and its Group.

Independent Directors have only received from the Company, in addition to their remuneration as directors, the dividends corresponding to their shareholding, the amount of which is reflected in section D.3 of this report.

OTHER EXTERNAL DIRECTORS			
Identify all other external Directors and explain why these cannot be considered proprietary or independent Directors and detail their relationships with the company, its executives or its shareholders.			
Name or Company of director	Reasons		Profile
MR. EUSEBIO DÍAZ-MORERA PUIG-SURERDA	Counselor initially independent that, with reason having reached the limit legally established in the continued exercise of your position, in accordance with section 4.i) of Article 529 duodecíes of the Law of Capital Companies in the moment of his reelection for the General Shareholders' Meeting held on June 20, 2018, happened to belong to this typology.	OTHER SHAREHOLDERS OF THE COMPANY	Bachelor of Science Economics and MBA from IESE (Institute of Higher Studies of the Company). Currently he is President of EDM Holding S.A. and Director of EDM Holding, S.A.; Cementos Molins, S.A. EDM Gestión SAU SGIIC and Others IIC and Miquel companies and Costas & Miquel S.A.
MR. JOAQUIN COELLO BRUFAU	Initially independent director who, due to exceeding the legally established limit in the continued exercise of his position, in accordance with section 4.i) of article 529 duodecíes of the Capital Companies Act, on June 20, 2020, became a member of this typology.		Naval Engineer from the Technical School of Naval Engineers of Madrid in both career specialties: Shipbuilding and Exploitation and Maritime Transport and MBA from IESE (Institute of Higher Studies of the Company). At present he is President of Asoport (State Association of Port Operating Companies). Full member of the Royal Academy of Engineering. Advisor to Meta Engineering (formerly Audingintraesa), Noatum Maritime, Ership, Tecnalia and Advisor to Comexi Group and Miquel y Costas & Miquel S.A

Total number of Other external directors	2
% of the entire board	20.00

Indicate any changes in the status of each director during the period in the type of directorship of each director:

Name or company name of director	Date of charge	Former category	Current category
MR. JOAQUIN COELLO BRUFAU	20/06/2020	Independent	Other External

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

	Number of female directors				% of total female directors of each type			
	Exercise 2020	Exercise 2019	Exercise 2018	Exercise 2017	Exercise 2019	Exercise 2018	Exercise 2017	Exercise 2016
Executives					0.00	0.00	0.00	0.00
Proprietary	1	1	1	1	10.00	10.00	10.00	10.00
Independent	1	1			10.00	10.00	0.00	0.00
Others External					0.00	0.00	0.00	0.00
Total:	2	2	1	1	20.00	20.00	10.00	10.00

C.1.5 Indicate whether the company has diversity policies in relation to the Board of Directors of the company with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized enterprises, in accordance with the definition contained in the Accounts Auditing Law, will at least have to report the policy they have established in relation to gender diversity

[✓] Yes
[ ] No
[ ] Partial policies

If yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained

The policy for the selection of Directors followed by the Company favors the diversity of knowledge, experience and gender. Gender diversity is one of the aspects that the Council considers in the selection processes, when they take place.

C.1.6 Explain the measures which, where appropriate, have been agreed by the Appointments Committee so that the selection procedures are unaffected by any implicit bias that hampers the selection of female directors, and which shows that the company purposefully seeks and includes women that satisfy the professional profile sought among the potential candidates and to achieve a balanced presence of women and men. Also indicate whether these measures include encouraging the company to have a significant number of senior managers:

Explanation of measures

The Regulations of the Board, includes among other functions of the Human Resources Committee, Nomination and Remuneration Committee shall report to the Board on matters of kind diversity.

The egulation provides that the election or appointment of Directors must be preceded by a proposal of the Committee on Human Resources, Nominations and Remuneration Committee**,** when it comes of independent directors, and a report in the case of the other Directors.

The Company's labor and Human Resources development policy has always been governed by the principle of non-discrimination, with respect for the rights and dignity of people (without distinction of gender) being one of its pillars. In keeping with this principle and following the spirit of current legislation to achieve effective equality between men and women, the company has an equality plan with the aim of contributing to the elimination of discriminatory behaviors in the workplace on the basis of gender and includes, among others, the implementation of measures that favor the incorporation, permanence and development of people in order to achieve a balanced participation between women and men at all levels of the organization.

When, despite the measures, if any, have been taken are few or no female directors, explain the reasons justifying:

Explanation of reasons

When in particular there are vacancies to fill and in all other cases, the selection of Board members is done in an objective manner, taking into consideration both sexes who fulfill the necessary conditions and capacities, depending on their prestige, knowledge and professional experience of the duties of the position.

C.1.7. Explain the Appointments Committee's on the verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors

Explanation of reasons

The Company, and particularly its Board and the Human Resources, Appointments and Remuneration Committee, considers it essential in the selection of Board members to evaluate the candidate's competence, knowledge, experience and aptitudes to actively collaborate with the Company, ensuring that During the aforementioned selection process, there is no discrimination on the basis of gender.

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

Name or company name of shareholder	Justification
Non data	

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

[ ] Yes
[✓] No

C.1.9. Indicate, in the event that they exist, the powers and faculties delegated by the Board of Directors to directors or to board committees:

Name or company name of the Director or committee	Brief outline
MR. JORGE MERCADER MIRÓ	He has extensive powers in accordance with his functions as President of the Company.
MR. JORGE MERCADER BARATA	It has been granted the standard powers established by the Company as "Management".

C.1.10. Identify, where applicable, the Board members holding positions of Administrators or Executives in other Companies forming part of the Group of the listed Company:

Name or Company name of director	Company name of Group entity	Position	Does the director hold executive Functions?
MR. JAVIER BASAÑEZ VILLALUENGA	S.A. PAYÁ MIRALLES	SECRETARY	NO
MR. JAVIER BASAÑEZ VILLALUENGA	DESVI, S.A.	CHAIRMAN	NO
MR. JAVIER BASAÑEZ VILLALUENGA	MB PAPELES ESPECIALES, S.A.	SECRETARY (PERSONAL REPRESENTATIVE)	NO
MR. JAVIER BASAÑEZ VILLALUENGA	MIQUEL Y COSTAS ENERGIA Y MEDIO AMBIENTE, S.A.	DIRECTOR	NO
MR. JORGE MERCADER MIRÓ	CELULOSA DE LEVANTE, S.A.	DIRECTOR	NO
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS DEUTSCHLAND, GMBH	SOLE DIRECTOR	YES
MR. JORGE MERCADER BARATA	PAPELES ANOIA, S.A.	CHAIRMAN	NO
MR. JORGE MERCADER BARATA	CELULOSA DE LEVANTE, S.A.	DIRECTOR	NO
MR. JORGE MERCADER BARATA	S.A. PAYA MIRALLES	DIRECTOR	NO
MR. JORGE MERCADER BARATA	CLARIANA, S.A.	DIRECTOR (PERSONAL REPRESENTATIVE)	NO
MR. JORGE MERCADER BARATA	SOCIEDAD ESPAÑOLA ZIG ZAG S.A.	CHAIRMAN	NO
MR. JORGE MERCADER BARATA	DESVI S.A.	DIRECTOR	NO
MR. JORGE MERCADER BARATA	MB PAPELES ESPECIALES, S.A.	CHAIRMAN (PERSONAL REPRESENTATIVE)	NO

Name or Company name of director	Company name of Group entity	Position	Does the director hold executive Functions?
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS ENERGIA Y MEDIO AMBIENTE, S.A.	CHAIRMAN	NO
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS TECNOLOGIAS, S.A.	CHAIRMAN	NO
MR. JORGE MERCADER BARATA	TERRANOVA PAPERS, S.A.	CHAIRMAN (PERSONAL REPRESENTATIVE)	NO
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS LOGÍSTICA, S.A.	CHAIRMAN (PERSONAL REPRESENTATIVE)	NO
MR. JORGE MERCADER BARATA	FOURTUBE, S.L.	DIRECTOR (PERSONAL REPRESENTATIVE)	NO

C.1.11. Identify, where applicable, the directors or representatives of legal persons of your company, who are members of the Board of Directors or director representatives, legal persons of other companies listed on regulated stock exchanges in Spain other than those of your group, that have been reported by the company:

Name or Company name of director	Company name of the Group entity	Position
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	CEMENTOS MOLINS, S.A.	DIRECTOR

C.1.12. Indicate and, where applicable, explain whether or not the Company has laid down rules on the number of Boards on which its directors can participate:

[✓] Yes
[ ] No

Explanation of the rules and identification of the document where it is regulated

The Regulations of the Board of Directors establish that in order for the Director to be able to dedicate the time and effort necessary to perform his function effectively, he may not be part of a number of boards of more than four.

A los efectos del cómputo del número de Consejos a los que se refiere el párrafo anterior, se tendrán en cuenta las siguientes reglas:

a) No se computarán aquellos Consejos de los que forme parte como Consejero dominical propuesto por Miquel y Costas y Miquel S.A. o por cualquier sociedad del Grupo de ésta.

b) Se computará como un solo Consejo todos los Consejos de Sociedades que formen parte de un mismo grupo, así como aquellos de los que forme parte en calidad de Consejero dominical de alguna Sociedad del grupo, aunque la participación en el capital de la sociedad o su grado de control no permita considerarla como integrante del grupo.

c) No se computarán aquellos Consejos de sociedades patrimoniales o que constituyan vehículos o complementos para el ejercicio profesional del propio consejero, de su cónyuge o persona análoga relación de afectividad, o de sus familiares cercanos.

d) No se considerarán para su cómputo aquellos Consejos de sociedades que, aunque tengan carácter mercantil, su finalidad sea complementaria o accesoria a otra actividad que para el Consejero suponga una actividad de ocio, asistencia o ayuda a terceros o cualquier otra que no suponga para el Consejero una propia y verdadera dedicación a un negocio mercantil."

C.1.13 Indicate the overall remuneration for the board of directors:

Remuneration of the board of directors (€ thousand)	3,667
Amount of overall remuneration corresponding to the rights accumulated by directors with respect to pensions (€ thousand)	649
Overall remunerations of the board of directors (€ thousand)	

Said remuneration includes variable remunerations in favour of the Executive Directors derived from compliance with the 2019-2021 Triannual Plan and the 2019-2021 Social Security Plan, whose accrual and consolidation occur in 2018, as this is the end of the triennium.

C.1.14 Identify members of the senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position (s)
MR. JAVIER GARCÍA BLASCO	COMMERCIAL MANAGER OF THE ROLLING PAPERS DIVISION
MRS. MARINA JURADO SALVADO	COMMERCIAL MANAGER OF THE SMOKING DIVISION.
MR. IGNASI NIETO MAGALDI	DEPUTY GENERAL MANAGER
MR. JOSE MARIA MASIFERN VALÓN	MANAGER OF THE BESÓS FACTORY.
MR. JOSEP PAYOLA BASETS	MANAGER OF MB PAPELES ESPECIALES, S.A.
MR. JAVIER ARDIACA COLOMER	MANAGER OF THE MISLATA FACTORY.

number of women in senior management	1
Percentage of the total members of senior management	16.66
Total senior management remuneration (€k)	1,530

C.1.15 Indicate whether or not there has been any modification to the regulations of the board during the year:

[ ] Yes
[✓] No

C.1.16 Indicate the procedures for the appointment, re-election, assessment and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria applicable in each procedure.

The Regulations of the Board of Directors, regarding the appointment of Directors, establish:

- Los Consejeros serán elegidos por la Junta General o designados por el Consejo de Administración en el supuesto de cooptación, de conformidad con las previsiones contenidas en la Ley de Sociedades de Capital y en los Estatutos Sociales. La elección o designación de los Consejeros deberá estar precedida de la correspondiente propuesta de la Comisión de Recursos Humanos, Nombramientos y Retribuciones cuando se trate de Consejeros independientes y de un informe en el caso de los restantes Consejeros.

- Los Consejeros designados deberán cumplir los requisitos exigidos estatutariamente para el ejercicio del cargo y no podrán estar incursos en las causas de inhabilitación establecidas legalmente.

- Los Consejeros ejercerán su cargo durante el plazo previsto en los Estatutos sociales, pudiendo ser reelegidos.

Los Estatutos Sociales establecen, en relación a los Consejeros, que no será necesario que ostenten la condición de accionistas y serán siempre elegidos y renovados por la Junta General y ejercerán el cargo por el plazo de cuatro años.

The Regulations of the Board of Directors on the removal of Directors also establishes that:

1. Los Consejeros cesarán en el cargo cuando haya transcurrido el período para el que fueron nombrados y cuando lo decida la Junta General en uso de las atribuciones que le otorga la Ley.

2. El Consejo propondrá a la Junta General el cese de los Consejeros, entre otros, en los siguientes supuestos:

a. Cuando se vean incursos en incompatibilidad o prohibición legal.

b. Cuando su permanencia en el Consejo pueda poner en riesgo los intereses de la Sociedad o cuando desaparezcan las razones por las que fueran nombrados. Se entenderá que se produce esta última circunstancia respecto de un Consejero dominical cuando se lleve a cabo la enajenación de la total participación accionarial de la que sea titular o a cuyos intereses represente y también cuando dicha participación disminuya hasta un nivel que exija la reducción del número de sus Consejeros dominicales.

3. Cuando un Consejero termine su mandato o por cualquier otra causa cese en el desempeño de su cargo no podrá prestar servicios en otra entidad que tenga relaciones con competidores de empresas del Grupo Miquel y Costas en el plazo de dos años.

4. Si el cese se produjera antes del término de su mandato, explicará las razones en una carta que se remitirá a todos los miembros del Consejo. El cese se comunicará a la CNMV como hecho relevante y se dará cuenta del mismo en el I. A. G. C.

C.1.17 Explain to what degree the self-assessment has led to significant changes in its internal organization and the procedures applicable to its activities:

Description of changes

The Board of Directors will assess at the next meeting, based on the conclusions obtained from its annual evaluation, the need or convenience of adopting measures that involve changes in its internal organization and the procedures applicable to its activities.

Describe the evaluation process and the areas evaluated by the Board of Directors, assisted by an outsourced consultant, regarding the operation and composition of its committees, and any other area or aspect that has been subject to evaluation

Description of the evaluation process and areas evaluated

In order to comply with the provisions of the Capital Companies Law, in the Regulations of the Company's Board of Directors and based on the recommendations established by the Code of Good Governance regarding the annual evaluation of the operation of the governing bodies. administration during the fiscal year, in February 2021, the Directors, assisted by an independent external consultant, have evaluated the performance of the functions of the Board of Directors, its Committees, those of the President and those of the Vice-President-General Director ..

From the annual evaluation carried out, it is concluded that the overall result of the self-evaluation has been positive and that the Directors consider satisfactory (i) the quality and efficiency of the operation of the Board of Directors, (ii) the operation and composition of its committees, (iii) the diversity in the composition and powers of the Board; (iv) the performance of the Chairman of the Board and his duties and (v) the performance of the Company's chief executive.

At the next meeting, the Board of Directors will assess the need or convenience of implementing action plans.

C.1.18 Explain, for any of the years in which the evaluation has been assisted by an external advisor, the business relationship the adviser or any group company maintains with the company or any group company.

The independent external consultant, who has assisted the Board in carrying out the evaluation, provides advisory services to the Company on contractual and stock market matters.

In compliance with the provisions of Recommendation 36 of the Code of Good Governance of Listed Companies, the members of the Human Resources, Appointments and Remuneration Committee verified the independence of the aforementioned external consultant, previously confirmed in writing by him, submitting his appointment to the consideration of the Board of Directors

C.1.19 Indicate the circumstances under which directors are obliged to resign.

The Regulations of the Board of Directors establish that the Board will propose to the General Meeting the dismissal of the Directors in the cases in which they are involved in incompatibility or legal prohibition, when their permanence on the Board may put at risk the interests of the Company or when the reasons for which they were appointed disappear, understanding that the latter circumstance occurs with respect to a proprietary Director when the sale of the total shareholding of which he is the owner or whose interests he represents and also when said participation takes place decrease to a level that requires the reduction of the number of your proprietary Directors.

The aforementioned Regulations also provide that, in relation to the Director's Information Duties, the latter must inform the Company of those personal circumstances that affect or may affect the Company's credit or reputation, especially the criminal cases in which it appears, as accused and its relevant procedural vicissitudes. The Board may require the Director, after examining the situation that the latter presents, to resign and this decision must be accepted by the Director.

Additionally, the Board may require the Director to resign due to non-observance of his general obligations established in said Regulations.

C.1.20 Are reinforced majorities other than those applicable by law required for any type of decision?

[ ] Yes
[✓] No

Where applicable, describe the differences

C.1.21 Explain whether there are specific requirements, other than those regarding directors, to be appointed chairman of the board.

[ ] Yes
[✓] No

C.1.22 Indicate whether the Articles of Association or the Board Regulations establish any age limit for directors:

[ ] Yes
[✓] No

C.1.23 Indicate whether the Articles of Association or the Board regulations set a limited term, or other requirements stricter than those legally determined, of office for independent directors different to the one established in the regulations.

[ ] Yes
[✓] No

C.1.24 Indicate whether the bylaws or the board regulations establish specific standards for proxy voting in the board of directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it is mandatory to grant proxy to a director of the same type. If so, briefly give details on such standards.

The Bylaws establish that, in the event of inability to attend a Board meeting, each of its components may delegate their representation and vote to a Director in writing and with special character for each session.

For its part, the Regulations of the Board of Directors establish that the representation in another Director will be conferred with instructions about the determinations to be adopted in the treatment of the different items on the Agenda of the meeting.

There is no maximum number of delegations established or limitation regarding the categories in which it is possible to delegate beyond the limitations imposed by legislation.

C.1.25 Indicate the number of meetings that the Board of Directors has held over the year. Also indicate, where applicable, how many times the Board has met without the Chairman being present. In calculating this number, proxies, given with specific instructions will be counted as attendance.

Number of meetings of the Board	11
Number of Board meetings without the Chairman attending	0

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

Number of meetings	0

Indicate the number of meetings held by the different Board Committees over the year:

Number of meeting held by the HUMAN RESOURCES, NOMINATIONS AND REMUNERATIONS COMMITTEE	5
Number of meeting held by the AUDIT COMMITTEE	7

C.1.26 Indicate the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies given with specific instructions will be counted as attendances:

Number of meetings attended in person by at least 80% of the directors	11
% of attendance over the total number of votes during the year	97.27
Number of meetings with attendance in person, or representations made with specific instructions of all the directors	8
% votes cast with attendance in person and representations made with specific instructions, on total votes during the year	97.27

C.1.27 Indicate if the individual and consolidated Annual Accounts submitted for approval to the Board are previously certified:

[✓] Yes
[ ] No

Identify, where applicable, the person(s) who has/have certified the Company’s individual and consolidated Annual Accounts in order to be formulated by the Board:

Name	Position
MRS. MARTA LACAMBRA I PUIG	MEMBER OF AUDIT COMMITTEE
MR. JOAQUÍN FAURA BATLLE	CHAIRMAN OF AUDIT COMMITTEE
MR. ÁLVARO DE LA SERNA CORRAL	MEMBER OF AUDIT COMMITTEE

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated annual accounts it prepares from being laid before the General Meeting of Shareholders with a qualified audit report

The Company and the Companies of the Miquel y Costas Group prepare their annual accounts following the legal precepts and faithfully applying the generally accepted principles of accounting under the supervision of the financial-economic department and the monitoring of the Audit Committee.

Each year those in charge of the economic-financial department together with the auditors will carry out an inspection and monitoring of the recommendations which arise from the work carried out in the auditing of accounts.

In the fulfilment of its powers, the Audit Committee meets with the external auditors in order to be informed about all those matters related to the process of conduct of the auditing of accounts and to deal with those matters which might give rise to possible reservations so as to make available the necessary steps to prevent them.

Finally, the Audit Committee takes the annual accounts to the Board of Directors for their formulation.

C.1.29 Is the Secretary of the Board a director?

[ ] Yes
[✓] No

Complete if the Secretary is not also a Director:

Name the Secretary	Representant
NONE	NONE

On July 27, 2020, Mr. Emilio Coco Foriscot submitted his resignation from the position of Non-Director Secretary, which was accepted by the Company's Board of Directors.

At the meeting of the Board of Directors of March 25, 2021, Ms. Victoria Lacasa Estébanez was appointed Non-Director Secretary of the Company's Board of Directors. This appointment was communicated by OIR sent to the CNMV on March 26, 2021.

C.1.30 Indicate the specific mechanisms introduced by the company to preserve the independence of the external auditors, as well as, if any, mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice

In accordance with the provisions of the Regulations of the Board of Directors, the Audit Committee annually issues, prior to the issuance of the accounts audit report, a report expressing its opinion on the independence of the auditors. Said Regulations include, among the basic responsibilities of the Audit Committee, that of maintaining adequate relations with the external auditors to receive information on those matters that may jeopardize their independence, for examination by the Committee, and any other related with the process of developing the auditing of accounts and, where appropriate, the authorization of services other than those prohibited under the applicable regulations, as well as those other communications provided for in the auditing legislation and in the technical auditing standards . In any case, the Audit Committee must receive annually from the auditors the written confirmation of its independence from the Company or entities directly or indirectly related to it, as well as detailed and individualized information on the additional services of any kind provided and the corresponding fees received from these entities by the aforementioned auditors, or by the persons or entities related to them, in accordance with the provisions of the legislation on auditing accounts.

In relation to financial analysts, investment banks and rating agencies, the Company preserves its independence by making available to the market, in public disclosure, all the Company information that is provided to say agents without giving any preferential treatment to none of them.

The aforementioned Regulation establishes that the Council will inform the public immediately about the following matters:

a) Relevant information capable of sensitively influencing the formation of stock prices.;

b) Changes to the ownership structure of the Company, such as variations in significant holdings, syndication agreements, and other forms of coalition, of which it has knowledge;

c) Significant changes to the rules of governance of the Company;

d) The own shares policies which intends to adopt for the Company subject to powers obtained at the General Meeting.

Likewise, the Internal Code of Conduct contemplates and determines the causes and conditions of information release to the different financial agents.

C.1.31 Indicate whether or not the external auditor has been changed during the year. Where applicable, identify the incoming and outgoing auditors.

[ ] Yes
[✓] No

In the case of disagreements with the outgoing auditor, explain the content of said disagreements:

[ ] Yes
[✓] No

C.1.32 Indicate if the audit Company performs other tasks for the Company and/or its Group other than auditing activities, and if so, state the amount of the fees received for said activities and their percentage of the fees billed to the Company and/or its Group.

[✓] Yes
[ ] No

	Company	Group	Total
Amount of tasks other than audit services (thousands euros)	1	0	1

	Company	Group	Total
Amount of tasks other than audit services / total amount invoiced by the Audit Company (in %)	1.05	0.00	0.54

C.1.33 Indicate if the auditor's report on the annual accounts corresponding to the previous year involves reservations or exceptions. Where applicable, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of the said reservations or exceptions

[ ] Yes
[✓] No

C.1.34 Indicate how many years the current audit Company has been auditing, without interruption, the Annual Accounts of the Company and/or its Group. Also indicate the percentage of the number of years audited by the current Audit Company over the total number of years that the Annual Accounts have been audited:

	Individual	Consolidated
Number of years without interruption	19	19

	Individual	Consolidated
Number of years audited by the current audit company / Number of years the company has been audited (in %)	59.38	59.38

C.1.35. Indicate and, where applicable, provide details of whether there is a procedure whereby directors can have external assessment:

[✓] Yes
[ ] No

Details of the procedure

The Regulations of the Board of Directors establishes in relation to the meetings of this Board that:

"La convocatoria incluirá siempre el Orden del Día de la sesión que deberá contemplar, entre otros puntos, los relativos a las informaciones de las sociedades filiales y de las Comisiones del Consejo, así como las propuestas y sugerencias que formulen el Presidente y los demás miembros del Consejo que serán cursadas con una antelación no menor a cinco días hábiles a la fecha del propio Consejo, de acuerdo con lo establecido en los Estatutos Sociales."

Each Director has a dossier for each Board meeting that is explained and, where appropriate, discussed, which contains detailed information on all the topics that are dealt with in the session. Those points of greater complexity, such as the annual budget, investment plan, strategic plan, and others of special significance, receive this treatment in a reinforced way. The Directors, in the period between councils, can consult and request as much necessary information as they require.

C.1.36 Indicate and, where applicable, give details of whether or not the Company has laid down rules that oblige the directors to report and, in cases that damage the Company's credit and reputation, resign:

[✓] Yes
[ ] No

Explain the rules

The Regulations of the Board of Directors, in relation to the information duties of the Director, establish that:

"*El Consejero deberá informar a la Sociedad de aquellas circunstancias personales que afecten o puedan afectar al crédito o reputación de la Sociedad, en especial, de las causas penales en que aparezca como imputado y de sus vicisitudes procesales relevantes, de todo lo cual se dará cuenta en el I.A.G.C.. El Consejo podrá exigir al Consejero después de examinar la situación que éste presente, su dimisión y esta decisión deberá ser acatada por el Consejero".*

C.1.37 Unless there are special circumstances that have been recorded in the minutes, indicate whether the Board has been informed of or has otherwise become aware of any situation that affects a director, whether or not it is related to his or her actions in the company, that could damage the company's credit and reputation:

[ ] Yes
[✓] No

C.1.38 Detail the major agreements, entered into by the company based on the takeover, and the effects of these agreements.

There are no significant agreements entered into by the Company that come into force, are modified or terminate in the event of a change of control as a result of a takeover bid.

C.1.39 Identify, individually, when referring to Directors and in aggregate form in all other cases, and provide detailed information on agreements between the Company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other type of operations.

Number of beneficiaries:	3
Type of beneficiary	Description of agreement:
Executive Directors	The contractual conditions determine that in the event of involuntary cessation of executive functions, except for serious breach, they will be entitled to compensation equivalent to a gross annuity. On the other hand, two beneficiaries will receive the same treatment in the event of a change of control. Both indemnities, that is, the one foreseen for the case of involuntary termination and the one foreseen for the case of change of control, are mutually exclusive and involve the recognition of one year of salary. Additionally, if once the termination has occurred, the Company restricts the Director's ability to attend, the Director

Type of beneficiary	Description of agreement:
	will be entitled to compensation equivalent to 50% of the gross monthly salary for a period of two years.

Indicate whether, beyond the cases stipulated by the regulations, these contracts have to be reported and/or approved by the bodies of the company or its group. If so, specify the procedures, assumptions foreseen and the nature of the bodies responsible for their approval or communication:

	Board of directors	General Meeting
Body authorising the clauses	✓	

	Yes	No
The general meeting of the clauses is reported?		✓

There is nothing established beyond the assumptions foreseen in the regulations.

C.2. Committees of the Board of Directors

C.2.1 Detail all the board committees, their members and the proportion of proprietary directors and independent directors sitting on them:

HUMAN RESOURCES, NOMINATIONS AND REMUNERATIONS COMMITTEE		
Name	**Position**	**Type**
MR. JOAQUÍN COELLO BRUFAU	BOARD MEMBER	Other External
MR. JOSÉ CLAUDIO ARANZADI MARTÍNEZ	CHAIRMAN	Independent
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	BOARD MEMBER	Other External
JOANFRA, S.A.	SECRETARY	Proprietary Director
MRS. MARTA LACAMBRA I PUIG	BOARD MEMBER	Independent

% executive directors	0.00
% proprietary directors	20.00
% independent directors	40.00
% other external	40.00

Explain the committee’s duties, other than those already described in section C.1.9, and describe the procedures and rules for the organisation and operation of the organisation. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, whether by law, by the Articles of Association or by other corporate agreements.

The regulatin of the Human Resources, Nominations and Remuneration Committee, are in of the Articles of Association and of the Regulations of the Board of the Company.

As of 31 December 2020, it is composed of five Directors, two of whom are independent and is chaired by a Director of this last Category.

The Regulation of the Board of Directors establishes that the Committee will meet at least once a year and will adopt its decisions by majority and report the content of its meetings to the Board of Directors.

The aforementioned Regulation states that "the Human Resources, Appointments and Remuneration Committee, in matters not foreseen in the present standards, will be governed by the operating guidelines of the Board of Directors ".

The basic duties attributed of the Human Resources, Nominations and Remuneration Committee is:

a) Propose to the Board of Directors the naming of independent Directors for appointment by co-optation or for submission to the decision of the Shareholders General Meeting and the re-election or removal of said Directors by the Shareholders General Meeting; the remuneration of Directors and the salary policy of top management personnel; the individual remuneration of executive Directors and other terms of their contracts; the basic conditions of contracts for senior executives; the general policy on Human Resources of the Group Companies.

b) Inform the Board of Directors of the naming of proprietary Directors and executives for appointment by co-optation or for submission to the decision of the Shareholders General Meeting, and their re-election or removal by the Shareholders General Meeting; the appointment of the Chairman of the Board of Directors; the appointments and removals of top management and the basic terms of their contracts; issues of gender diversity; appointments and removals of the top executives which the chief executive proposes to the Board; the appointment and removal of the Secretary of the Board of Directors.

c) Evaluate the profile of the most suitable candidates to form part of the various Committees, according to their knowledge, skills and experience; the competence, knowledge and skills of candidates for Directors; the succession of the Chairman and chief executive and, if necessary, make proposals to the Board of Directors so that this succession occurs in an orderly and planned fashion; compliance with internal codes of conduct and corporate governance rules.

During the 2020 financial year, the Human Resources, Appointments and Remuneration Committee has met five times to discuss, among others, the following topics: structure and evolution of the workforce, examination of the remuneration of Directors, evaluation and proposal of appointment of a new member for the Human Resources, Appointments and Remuneration Committee, appointment of the Chairman of the Commission, proposal for approval of the Social Welfare Plan 2019-2021, and take reason for the resignation presented by the non-director Secretary of the Board of Directors.

AUDIT COMMITTEE		
Name	Position	Type
MRS. MARTA LACAMBRA I PUIG	BOARD MEMBER	Independent
MR. JOAQUÍN FAURA BATLLE	CHAIRMAN	Independent
MR. ÁLVARO DE LA SERNA CORRAL	BOARD MEMBER	External Proprietary Director

% executives directors	0.00
% proprietary directors	33.33
% independent directors	66.67
% other external	0.00

Explain the functions, including, if applicable, those additional to those legally envisaged, which have been attributed to this committee, describe the procedures and rules for the organization and functioning of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it either in the law or in the articles of association or other corporate resolution.

The procedure of the Audit Committee, are regulated in of the Articles of Association and provisions of the Regulations of the Board of the Company.

As of 31 December 2020, it is composed of three Directors, two independent and presided over by one Director of this category.

The basic duties attributed of the Audit Committee are:

a) To inform the General Assembly of Shareholders on matters raised there by the shareholders on matters within its jurisdiction and in particular on the outcome of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Audit Committee has played in this process.

b) Establish and supervise a procedure that allows employees to communicate, in a confidential manner, and if deemed anonymous anonymity, irregularities of special importance, particularly financial and accounting that they notice wider Society.

c) Supervise the effectiveness of the Company's internal control and risk management systems including control systems over financial reporting and discuss with auditors or external audit firms the significant weaknesses of the internal control system detected in the Company. Development of the audit, without breaking their independence.

d) Know and supervise the process of preparation and presentation of regulated financial information. Prior to the adoption of the corresponding resolution by the Board, the Audit Committee shall inform the Board about the periodic financial information as well as other information that the Company must disclose to the markets and its supervisory bodies, presenting, where appropriate, recommendations or Proposals aimed at safeguarding the integrity of such information

e) Maintain adequate relationships with external auditors or audit companies to receive information on those matters that may jeopardize their independence, for consideration by the Committee, and any other related to the process of developing the audit of accounts, and, where appropriate, the authorization of services other than those prohibited under applicable regulations, as well as those other communications provided for in the auditing legislation and in the technical auditing standards.

In any case, the Audit Committee must receive annually from the auditors or external audit companies, the written confirmation of their independence from the Company or entities directly or indirectly related to it, as well as detailed and individualized information on the additional services of any kind provided and the corresponding fees received from these entities by the aforementioned external auditors or audit companies, or by the persons or entities related to them in accordance with the provisions of the legislation on audit of accounts.

f) The Committee must issue an annual report, prior to the release of the audit report, expressing an opinion about the auditors' or auditing firms' independence. This report must in any case pronounce on the provision of the additional services referred to in the previous section e).

g) Establish and supervise a procedure that allows employees to communicate, in a confidential manner, and if deemed anonymous anonymity, irregularities of special importance, particularly financial and accounting that they notice wider Society.

During financial year 2020, the Audit Committee met seven times in order to discuss, among others, the following issues: supervision of the Financial Statements and management information of the Company and the consolidated Group; review and information to the Council on the Periodic Public Information consisting of the semi-annual and intermediate reports; analysis and study of financial policy reporting it to the Board of Directors; examine the communications received through the Communications Channel, examine the Internal control for the prevention of criminal risks; Issue the Report on the Operation and Activities of the Committee in fiscal year 2019; Issue the Report on the Independence of the Auditors; Proposal for the reelection of the Auditors of Accounts of the Company and its Group

Identify the directors who are members of the Audit Committee who have been appointed on the basis of knowledge and experience of accounting or auditing, or both, and state the date the Chairman was appointed.

Name of directors with experience	MRS. MARTA LACAMBRA PUIG / MR. JOAQUÍN FAURA BATLLE / MR. ÁLVARO DE LA SERNA CORRAL
Date of appointment as Chairman	04/09/2019

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

	Number of female directors							
	Exercise 2020		Exercise 2019		Exercise 2018		Exercise 2017	
	Number	%	Number	%	Number	%	Number	%
HUMAN RESOURCES, NOMINATIONS AND REMUNERATIONS COMMITTEE	2	40.00	1	25.00	1	16.70	1	20.00
AUDIT COMMITTEE	1	33.33	1	33.30	0	0.00	0	0.00

C.2.3 Indicate, where applicable, the existence of Committee regulations, the location at which they are available for consultation, and the modifications that have been made during the financial year. Also indicate whether any annual report on each Committee's activities has been voluntarily drafted.

The powers and operating rules of the Human Resources, Appointments and Remuneration Committee and those of the Audit Committee are regulated in the Company Bylaws and in the Regulations of the Company's Board of Directors, the texts of which are available on the corporate website.

During the year, no changes were made to its regulations.

The Audit Committee prepares an Annual Activity Report.

D. RELATED-LINKED TRANSACTIONS AND INTRA-GROUP

D.1. Explain, if applicable, the procedures for approving related party or intra-group transactions.

The linked transactions, with related parties, if they take place and their significance so requires, must be submitted and approved by the Board of Directors.

D.2. Detail the significant operations that imply a transferral of resources or obligations between the Company and entities within its Group and the significant shareholders of the Company:

Name or Corporate Name of significant shareholder	Name or Corporate Name of the Company or Group Company	Nature of relationship	Type of operation	Amount (Thousand Euros)
INSINGER DE BEAUFORT ASSET MANAGEMENT N.V.	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	762
INDUMENTA PUERI, S.L.	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	1,909
SANTANDER ASSET MANAGEMENT S.A. SGIIC	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	103
MRS. BERNADETTE MIQUEL VACARISAS	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	667
MRS. MARIA DEL CARMEN ESCASANY MIQUEL	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	2,147
ALANTRA ASSET MANAGEMENT SCIIC S.A.	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	449
EDM GESTIÓN, S.A. SGIIC	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	555

D.3. Detail the significant operations that imply a transferral of resources or obligations between the Company and entities within its Group and the Directors or Executives of the Company:

Name or corporate name of the directors or executives	Name or Corporate Name of the Company or Group Company	Nature of relationship	Type of operation	Amount (Thousand Euros)
JOANFRA, S.A.	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	1,465
MR. JORGE MERCADER MIRÓ	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	2,818
MR. JAVIER BASAÑEZ VILLALUENGA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	49
MR. ÁLVARO DE LA SERNA CORRAL	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	18
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	50
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	86
MRS. MARINA JURADO SALVADO	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	25
MR. JAVIER ARDIACA COLOMER	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	14
MR. JOSEP PAYOLA BASETS	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	20
MR. JAVIER GARCÍA BLASCO	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	20
MR. JOAQUÍN FAURA BATLLE	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	5

Name or corporate name of the directors or executives	Name or Corporate Name of the Company or Group Company	Nature of relationship	Type of operation	Amount (Thousand Euros)
MRS. OLGA ENCUENTRA CATALÁN	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	8
MR. JOSÉ MARÍA MASIFERN VALÓN	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	15
MR. IGNASI NIETO MAGALDI	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	4
MR. JORDI PRAT CANADELL	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	2

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

In any event, provide information on any intra-group transaction with companies established in countries or territories considered tax havens

Name of Group Company	Brief description of operation:	Amount (Thousand Euros)
No data		N.A.

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

Name of related party	Brief description of operation:	Amount (Thousand Euros
No data		N.A.

D.6. Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or the Group, and its directors, Executives or significant shareholders.

In accordance with the Internal Rules of Conduct, people subject to it are obliged to inform the Secretary of the Board of Directors about the possible conflicts of interest to which they are subject as a result of their family relations, their personal property or for any other reason. Any doubt about the possibility of a conflict of interest, must be brought to the Secretary of the Board before adopting any decision which might be affected by the said conflict of interest.

The Regulations of the Board of Directors establishes that, before accepting any managerial position in another company or entity that may represent a conflict of interest, the Director should consult the Human Resources Committee.

In addition to the above, annually, the Board members make a declaration concerning the situation of conflict of interest of what the Secretary records in writing in the register of conflicts of interest.

D.7. Is there more than one listed Company of the Group in Spain?

[ ] Yes
[✓] No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

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

The Audit Committee complying tasks set out in the Bylaws and the Regulations of the Board of Directors business risk controls, supervises and directs the actions of the Internal Control Service relative risks the business in general and in particular those relating to information and observation of legality in its commercial, penal and tax issues.

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

1. - Human Resources, Nominations and Remunerations Committee:
Under its supervision and control are all aspects of the personnel providing the services: prevention and security, retention, replacement, etc.

2. - Audit Committee:
Understand and supervise the financial reporting and Internal Control Systems of the Company as well as the internal control report for the risk prevention of the Company.

3. - Managing Committee**:**
Belongs to the managerial level and control the industrial operational areas, both productive and logistics general, including environmental and trade.

4. - Risk and Control Committee:
Belongs to the managerial level and have assigned the functions of control economic, financial, and legal and credit risk control and risk of accidents in their prevention and insurance.

5. - Investments and Environment Committee
Belongs to the management level monitoring of risks associated with investments in fixed assets in all its considerations: management, environment, etc.

6. - Area Committees:
Monitoring the operational and commercial aspects of each of the business areas of the Group.

7.- Compliance Officer
Control, measures, evidence and, where appropriate, mitigating actions.

E.3. Indicate the main risks, including fiscal, to the extent that those derived from corruption are significant (the latter being understood to be within the scope of Royal Decree Law 18/2017) which may prevent the company from achieving its business targets

The principal risks identified and managed in the Miquel y Costas Group are summarised below:

Macro-economic risks:
Raw Materials and Energy
Economic and financial environment
Legal and regulatory in civil, commercial, and tax matters among others.

Operations and Markets:
Sector concentration
Quality and quality assurance
Research and development of new products

Facilitation:
Integrity of assets
IT systems

Human resources
Taxation

Penalty Risks

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

The Company considers that it has sufficient capacity and that it is adequately prepared to withstand and manage the risks it has identified.

The Board Regulations establish that it is the function of the Audit Committee to supervise the effectiveness of the internal control and risk management systems of the Company, particularly the internal control systems over financial information, and to discuss with the auditors of accounts or companies. external auditors, the significant weaknesses of the internal control system detected in the course of the audit, without violating its independence.

The Regulations of the Board also provide that the Audit Committee, in the development of the powers attributed to it, will identify the different types of risk that the Company faces, the level of risk that the Company considers acceptable, the measures provided to mitigate its impacts and the systems to control and manage the aforementioned risks, the application of which it will propose to the Board of Directors.

Likewise, the Audit Committee submits them to the audit examination and with it compares the established risk assessment processes, the description of those identified with an indication of the tolerance and the assessment that each one of them presents.

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

Risk materialized in the exercise: Legal. In the ongoing litigation that the Company maintains with a former distributor in Italy, as of the date of this report, a judgment issued by the Provincial Court has already been obtained establishing that the contractual resolution requested by the Company was justified. This ruling has been appealed by the distributor before the Supreme Court.

Risk arising during the year: Environmental Risk: The Management Committee has overseen and taken the appropriate measures to remedy any small incidents arising from the activity.

Risk materialized in the year: Fiscal. Filing of economic-administrative claim before the Central Administrative Economic Court against the settlement agreement of the tax inspection in relation to Corporation Tax.

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

The Company monitors all legislation that affects you through its Committees, its Executive Committee, of its internal and external collaboration of its advisory services. As soon as he is known, the channels through areas responsibility should be aware of it for proper compliance.

Additionally, the Board of Directors and, where appropriate, its Delegate Committees, carry out selective monitoring of the application, adaptation and observance of the aforementioned regulations.

Also in the field of taxation, it maintains a constant update of the tax regulations through its advisers, analyzes the economic facts to treat them with the greatest guarantees in the responsible Committees and activates the action procedures in cases where the Administration Tax so I asked.

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

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

F.1. The entity's control environment

Give information, describing the key features of at least:

F.1.1 which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision

Audit Committee, of the Regulations of the Board of Directors, which lists basic responsibilities entrusted with the monitoring of the effectiveness of internal control system of the Company, as well as knowledge and monitoring the process of preparing and presenting the Financial Information Regulated. Under his direction operates the internal audit service.

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

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

The goal of the Human Resources, Nomination and Remuneration Committee is the review and definition of the organizational structure and reporting and submission to the Board of Directors. Council acting by delegation, the General Management is responsible for implementing the resolutions of the Board in relation to the Group's organizational structure.

The Company has documented internal procedures to ensure the correct development of the assigned functions

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

The Company has an internal Code of Conduct approved by the Board of Directors which defines the principles and standards of practice in Stock Markets. Company's staffs are familiar with and understand such regulations, and a copy of the Code of Conduct is available in the corporate website and the CNMV website.

That regulation, since its original version, has been adapted how many legislative changes or other has been required, having adopted its current wording in the meeting of the Board of Directors on 27 July 2020.

Additionally it has procedures that establish the action guidelines and give the treatment to sensitive information.

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

The Audit Committee has an ethical channel in place through which the Organization's staff can transmit their suggestions or make recommendations on any matter whose content is related to the Group, as well as report on compliance irregularities or process complaints about illegal activities or suspect.

The communications and complaints that, for this channel and for these purposes, the staff transmits may be anonymous or have their identification at the option of their author, and will receive in all circumstances the qualification and treatment of confidentials.

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

The staff involved in the preparation and review of Financial Information and who are responsible for the evaluation of Internal Control Systems participate in training programs and are regularly updated in relation to accounting standards, internal control and risk management.

These training programs are mainly promoted by the directives of areas, with the Human Resources Department responsible for the supervision and mentoring.

F.2. Financial reporting risk assessment

Give information on at least:

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

- If the process exists and is documented.

For corporate risk management, the Company has designed a comprehensive risk map of the most important processes involved in determining Financial Information. This document is based on the model proposed by the COSO report and is updated on an on-going basis within the Internal Audit Plan.

This document establishes that corporate risk management is a process undertaken by the Board of Directors and the Committees, together with Management and other staff of the Company, and that its basic function is the identification and evaluation of potential occurrences that could jeopardize the attainment of the Company´s objectives.

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

The framework for corporate risk management is aimed primarily at achieving the objectives of the Company from the perspective of financial reporting and as part of the on-going process of risk evaluation includes verification of compliance with the following principles:

- Integrity.
- Appropriate registry.
- Proper valuation.
- Adequate cut-off on operations.
- Adequate presentation and classification.

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

Financial Management carries out an on-going identification process of the scope of consolidation of the MCM Group, continuously for which has multidepartment information sources.

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

Internal Control System is focused on assessing the risk of achieving the objectives related to the category Financial Information; however, the evaluation process includes objectives related to operational and regulatory compliance. An evaluation of risks related to the environment, quality, knowledge, development, intellectual and industrial property and reputation is included within these operational objectives and their performance.

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

Ultimately, the Board of Directors, through the Audit Committee, which has delegated the responsibility to periodically monitor the Internal Control System and the Risk Management of the Company.

F.3. Control activities

Give information on the main features, if at least the following exist:

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

The Interim Half Year Financial Reporting is analysed by the Audit Committee, in accordance with the authority delegated by the Board of Directors.

The Board of Directors is the body that decides, based on the Audit Committee's report, the terms of the Financial-Economic Information that the Company must make public.

The Accounting and Consolidation Department together with the Management Control Department prepare monthly Financial Information of all Group companies, manage and monitor the transactions supporting documentation and processes in response to risk prevention. This Financial Information is reviewed and analysed, together with estimates and valuations, within the Management Committee and the Committee of Control and Risk Management.

General Management presents to the Board of Directors at least monthly, the information of the period.

F.3.2 Internal control policies and procedures on information systems (inter alia, on access security, control of changes, operation thereof, operating continuity and separation of functions) which support the relevant processes of the company in drawing up and publishing financial information.

The Company has updated and disseminated internal policies and procedures on the operation of Information Systems and access security, the segregation of duties, as well as the development or maintenance of computer applications.

The management of access to Information Systems is assigned to the Information Systems Department, which has adequate human and technical resources for its correct performance, following the established organizational guidelines.
Regarding the control mechanisms for data recovery and ensuring the continuity of operations, the Group has a Contingency Plan that is permanently reviewed and updated.

The annual review of Internal Control carried out by the Group's external Auditors includes the verification of the Information Systems controls.

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

The processes of valuation, judgments or calculations to be carried out for the preparation and publication of the Financial Statements are carried out by the Internal Services as well as those other processes that may be relevant for the purposes of preparing said Financial Information.

Verification, auditing, evaluation services, etc. that affect different activities are, according to their idiosyncrasy, carried out with the periodicity established by external services, such as the Non-Financial Information Statement and the Evaluation of the Board of Directors, among others, and on industrial activity on specific topics.

F.4. Information and communication

Give information on the main features, if at least the following exist:

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

The Accounting and Management Control Department is responsible for defining and keeping up to date the accounting policies of the Group, as well as keeping those responsible for the applicable areas informed of any changes or updates to such policies, and resolving conflicts related to their interpretation.

The accounting policies applied by the Company are based on the framework established in the Code of Commerce, the General Accounting Plan in force and other corporate legislation, as well as the International Financial Reporting Standards and European Directives and Regulations in this regard taken by the European Union.

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

The Group’s information systems are mainly supported by an integrated corporate application (ERP) allowing a centralised and automated management of the different areas such as production, orders, sales, purchases, logistics, stock and control of warehousing, accounting, payroll, etc., and that provides reliability in the processes and a certain degree of security regarding the integrity, reliability and uniformity of the financial information obtained.

Affiliated companies that form part of the Consolidated Group in Spain, follow a single chart of accounts and homogeneous. The information is processed by the integrated management system which enables automatic capture of Financial Information and its preparation by the Corporate Accounting Department. The companies not integrated in this associated computer system and some of the foreign companies follow the criterion of maximum homogeneity and additionally the Group has implemented control measures that guarantee that the financial data collected by these companies are complete, accurate and timely in a timely manner.

F.5. Supervision of the system's operation

Give information, describing the key features of at least:

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

The Audit Committee: Its functions are focused on evaluating the proper design, implementation and effective functioning of all processes of the Company, as well as risk management systems and internal control, including SCIIF.

The Audit Committee approves the annual work Plan and performs periodic monitoring. At its meetings, the Audit Committee discusses the evaluations and recommendations that the control service has issued and proposes appropriate corrective measures and evaluates the effects of implementation.

F.5.2 Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform the senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information of whether there is an action plan to try to correct or mitigate the weaknesses observed.

The Audit Committee keeps in regular contact with the External Auditor and the Internal Supervicion Services. The Committee is the body that keeps the Board of Directors informed about the matters dealt with and the actions taken.

During the Committee’s meetings with the External Auditor it is discussed the work programme and conclusions thereof regarding the internal control carried out during the audit process of the annual accounts.

The Committee monitors the activity carried out and the compliance with the agreed action plans to reduce any weaknesses in the sector.

Financial management keeps in regular contact with the External Auditor to corroborate actions taken to prevent or redirect any weaknesses identified.

F.6. Other relevant information

F.7. External auditor report

Report of:

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

The Company believes that the implanted systems offer sufficient guarantee of quality of their financial information.

G. DEGREE OF COMPLIANCE OF THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations given in the Unified Code of Good Governance.

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

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

Complies ☑ Explain ☐

2. When the listed company is controlled, pursuant to the meaning established in Article 42 of the Commercial Code, by another listed or non-listed entity, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them, this is reported publicly, with specific information about:

   a) The respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.

   b) The mechanisms established to resolve any conflicts of interest that may arise.

Complies ☐ Complies partially ☐ Explain ☐ Not applicable☑

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

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

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

Complies ☑ Complies partially ☐ Explain ☐

4. The company should define and promote a policy for communication and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with the rules on market abuse and gives equal treatment to shareholders who are in the same position. The company should make said policy public through its website, including information regarding the way in which it has been implemented and the parties involved or those responsible its implementation.

Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

Complies ☐ Complies partially ☑ Explain ☐

The Company has established rules of action in relation to communication policy, which respect the legislation in force and the treatment appropriate to each recipient of information. These standards are included in various regulatory texts that are published on the corporate website.

The dissemination of information through the media is articulated through an external agency. Prior to dissemination through this channel, the information that will be made available to the market, investors and other stakeholders is rigorously reviewed internally by the Company in order to ensure that it is clear. and truthful.

Additionally, the Company holds meetings with the agents who request it in order to clarify and explain the information disclosed through the different channels, counting on this with a single centralized internal "spokesperson" that manages communications with financial analysts, investors and others. interest groups.

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

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

Complies ☑ Complies partially ☐ Explain ☐

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

a) Report on auditor independence.

b) Reports on the operation of the Audit and Control Committee and the Appointments and Remuneration Committee.

c) Audit Committee report on related party transactions.

Complies ☐ Complies partially ☐ Explain ☑

The Company prepares annually most of the reports included in this Recommendation.

Due to not being mandatory and considering that its main application is internal examination and analysis, it does not consider its publication on the corporate website necessary.

7. That the company transmit live, through its website, the holding of general shareholders' meetings.

And that the company has mechanisms that allow the delegation and the exercise of the vote by telematic means and even, in the case of companies with high capitalization and to the extent that it is proportionate, the attendance and active participation in the General Meeting.

Complies ☐ Complies partially ☑ Explain ☐

Due to the health emergency caused by the COVID-19 pandemic, the Company held the Ordinary General Shareholders' Meeting for the 2020 financial year exclusively telematically, with said General Meeting being broadcast live through the telematic assistance platform made available to provision on the corporate website (www.miquelycostas.com) for all registered shareholders, being able to delegate or exercise the vote electronically through the link provided for this purpose on said platform.

The Regulations of the General Meeting establish that the Board will arbitrate the appropriate procedures so that the Company and its shareholders can make use of all those electronic means that facilitate their communication, active participation and exercise of their political rights.

8. The Audit and Control Committee should strive to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation. And in those cases where the auditors includes any qualification in its report, the chairman of the Audit and Control Committee should give a clear explanation at the general meeting of their opinion regarding the scope and content, making a summary of that opinión available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the board.

Complies ☑ Complies partially ☐ Explain ☐

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

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

Complies ☑ Complies partially ☐ Explain ☐

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

a) Immediately circulate the supplementary items and new proposals.

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

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

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

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☑

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

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☑

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

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☑ Explain ☐

14. The board of directors should approve a policy aimed at promoting an appropriate composition of the board that:

a) Is concrete and verifiable.

b) Ensures that appointment or re-election proposals are based on a prior analysis of the Board's needs.

c) Favours diversity of knowledge, experience, age and gender. Therefore, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.

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

The Appointments Committee should run an annual check on compliance with this Policy and set out its findings in annual corporate governance report.

Complies ☐ Complies partially ☑ Explain ☐

The director selection policy followed by the Company complies with the requirements indicated in letters a) b) and c).

The selection process is aimed at ensuring that the members of the Board of Directors are endowed with the experience and knowledge necessary to fulfill their functions and responsibilities and to provide adequate specialization to cover the different committees set up by the Board.

Said selection process must at all times comply with the pillars of the Company and therefore, avoiding that during the same produces any type of discrimination based on age or gender; compliance with this is verified and endorsed by the Human Resources, Appointment and Remuneration Committee.

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

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that.

Complies ☐ Complies partially ☑ Explain ☐

The Company partially complies with the first part of the recommendation, the number of executive directors being three out of ten. The proprietary and independent directors, number two and three, respectively, constitute half of the members of the Board, it being important to note that the two directors who respond to the type of "other external", initially joined the Board as independent, being modified its original condition by reason of the term of its permanence in the same, in accordance with the provisions of the Capital Companies Law.

The Board of Directors has 20% female Directors. Although gender diversity is one of the aspects that the Board considers in the selection processes, it considers the suitability, knowledge and experience of the candidate to be more relevant. It should be noted that one of the latest additions during the exercise 2019 has been that of an independent director.

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

This criterion can be relaxed:

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

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

Complies ☑ Explain ☐

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

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

Complies ☑ Explain ☐

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

a) Background and professional experience.

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

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

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

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☑

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

Complies ☑ Complies partially ☐ Explain ☐ Not applicable ☐

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

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

Complies ☑ Explain ☐

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, related or not to their actions within the company, and tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

When the board is informed or becomes aware of any of the situations mentioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending to the particular circumstances, decide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. The board should give a reasoned account of all such determinations in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

Complies ☑ Complies partially ☐ Explain ☐

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

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

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

Complies ☑ Complies partially ☐ Explain ☐ Not applicable ☐

24. Directors who give up their position before their tenure expires, through resignation or resolution of the general meeting, should state the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the general meeting resolution, in a letter to be sent to all members of the board.

This should all be reported in the annual corporate governance report, and if it is relevant for investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons orcircumstances provided by the director.

Complies ☑ Complies partially ☐ Explain ☐ Not applicable ☐

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

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☑ Complies partially ☐ Explain ☐ Not Applicable ☐

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☑ Explain ☐ Not Applicable ☐

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

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☐ Complies partially ☑ Explain ☐ Not Applicable ☐

The powers granted to the Coordinating Director of the Company are those provided for in current legislation.

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

Complies ☑ Explain ☐

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

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

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

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

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

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

Complies ☑ Complies partially ☐ Explain ☐

37. When there is an executive committee, there should be at least two nonexecutive members, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.

Complies ☐ Complies partially ☐ Explain ☐ Not Applicable ☑

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

Complies ☐ Complies partially ☐ Explain ☐ Not Applicable ☑

39. All members of the Audit and Control Committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial**.**

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☐ Complies partially ☑ Explain ☐

The organic structure of the Company offers guarantees of supervision of the Information Systems and Internal Control and is complemented by the SCIIF control and criminal risk prevention service, which supervises the aforementioned Information Systems and Internal Control and reports directly to the Audit Committee..

41. The head of the unit handling the internal audit function should present an anual work programme to the Audit and Control Committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results and monitoring of its recommendations, and submit an activities report at the end of each year.

Complies☐ Complies partially ☑ Explain ☐ Not Applicable ☐

SCIIF control service and Criminal Risk Prevention defined according to the organizational dimension of the Company, it is included in recommendation 40 and, in its control function, submits to the Audit Committee for approval, its annual work plan, informs it of its execution, including incidents and limitations in its development, results and monitoring of your recommendations; Every six months it submits an activity report for your consideration.

42. The Audit and Control Committee have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where appropriate, to the group – including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption – reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the priorities and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risk); receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.

d) In general, ensure that the internal control policies and systems established are applied effectively in practice

2. With regard to the External Auditor:

a) In the event of resignation of the External Auditor, the Committee should investigate the issues giving rise to the resignation.

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

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

d) Ensure that the External Auditor has a yearly meeting with the Board in plenary session to inform them of the work undertaken and developments in the company's risk and accounting positions.

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☑ Complies partially ☐ Explain ☐ Not Applicable ☐

45. The risk control and management policies should identify at least:

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

b) A risk control and management model based on different levels, of which a specialised risk committee will form part when sector regulations provide or the company deems it appropriate.

c) The level of risk that the company considers acceptable.

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

e) The internal control and reporting systems to be sued to control and manage the above risks, including the contingent liabilities and off-balance sheet risks.

Complies ☑ Complies partially ☐ Explain ☐

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

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

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

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

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☐ Complies partially ☑ Explain ☐

This recommendation is observed by the Company, insofar as the members of the Human Resources, Appointments and Remuneration Committee have the knowledge, skills and experience appropriate to the functions they have to perform within it. In accordance with the provisions of the Capital Companies Act, the Committee is made up entirely of non-executive Directors and is chaired by an independent Director.

The option marked responds to the fact that the number of independent members is 40%, although it should be mentioned that two of the five members of the Committee respond to the typology of "Other External", whose previous condition was that of independent, modified in accordance with applicable regulations.

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

Complies ☐ Explain ☐ Not Applicable ☑

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

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

Complies ☑ Complies partially ☐ Explain ☐

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

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies ☑ Complies partially ☐ Explain ☐

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

Complies ☑ Complies partially ☐ Explain ☐

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

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies ☐ Complies partially ☐ Explain ☐ Not Applicable ☑

53. The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the Audit and Control Committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of selforganisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.

Complies ☐ Complies partially ☑ Explain ☐

The Company fully complies with the first part of the recommendation as the aforementioned powers are redistributed between its two committees, both made up of non-executive directors. However, the members that make up the Human Resources, Appointments and Remuneration Committee are not mostly independent.

54. The minimum functions referred to in the previous recommendation are as follows:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.

b) Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.

c) Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Ensure the company's environmental and social practices are in accordance with the established strategy and policy.

e) Monitor and evaluate the company's interaction with its stakeholder groups.

Complies ☑ Complies partially ☐ Explain ☐

55. Environmental and social sustainability policies should identify and include at least.

a) The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.

b) The methods or systems for monitoring compliance with policies, associated risks and their management.

c) The mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct.

d) Channels for stakeholder communication, participation and dialogue.

e) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies ☑ Complies partially ☐ Explain ☐

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not as high as to compromise the independent judgement of non-executive directors.

Complies ☑ Explain ☐

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies ☑ Complies partially ☐ Explain ☐

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards on going achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies ☑ Complies partially ☐ Explain ☐ Not Applicable ☐

59. The payment of the variable components of remuneration is subject to sufficient verification that previously established performance, or other, conditions have been effectively met. Entities should include in their annual directors' remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.

Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.

Complies ☑ Complies partially ☐ Explain ☐ Not Applicable ☐

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduces their amount.

Complies ☑ Complies partially ☐ Explain ☐ Not Applicable ☐

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies ☑ Complies partially ☐ Explain ☐ Not Applicable ☐

62. Following the award of shares, options or financial instruments corresponding to the remuneration schemes, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.

Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed anual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favourable assessment of the nomination and remuneration committee to address an extraordinary situation

Complies ☐ Complies partially☑ Explain☐ Not Applicable ☐

The Company has only granted share option powers. These stock options are personal and non-transferable and cannot be disposed of. The assigned options must be held until the end of the 5-year vesting period. Only once the shares are acquired are they freely available and disposed of.

The Company is considering the adaptation of the regulation itself of the instrument that is decided at any time, where the requirements set forth in the second part of the recommendation are incorporated.

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Complies ☑ Complies partially ☐ Explain ☐ Not Applicable ☐

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual noncompete agreements

Complies ☑ Complies partially ☐ Explain ☐ Not Applicable ☐

H. OTHER INFORMATION OF INTEREST

1. If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

2. This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report.

3. The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, mention will be made as to whether it has adhered to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) of 20 July 2010.

A.2

The figures presented correspond to those communicated by the holder to the CNMV and to the Company and, where appropriate, once adjusted for the corporate operations that have taken place. For these reasons, the values reported may not exactly match the reality of the participation.

It is also stated that the information that has been provided by an indirect owner to the Company, if it includes that of the direct titles, this is the one that is reported.

According to the Instructions for completing this report, only the direct holders who exceed 3% of the total voting rights are identified (1% if they are resident in a tax haven), so there may be discrepancies between the total of the indirect participation and the sum of the corresponding direct participations that are reported

C.1.4

Includes the natural person representative of the proprietary director Joanfra S.A

H.

The content mentioned in this report referred to the Spanish local legislation as well as the other information published by Miquel y Costas & Miquel, S.A. in Spain are available in the Company's corporate website (www.miquelycostas.com) and in the Comisión Nacional del Mercado de Valores (C.N.M.V.) website (www.cnmv.es).

The Company has not adhered to the Code of Good Tax Practices of July 20, 2010.

This annual report on corporate governance has been approved by the Company's Board of Directors on:

25/03/2021

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

[ ] Yes
[✓] No

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARIES
CONSOLIDATED MANAGEMENT REPORT CORRESPONDING TO 2020

mazars

Diputació, 260
08007 – Barcelona

+34 934 050 855
www.mazars.es

Independent Verification Report on the Non-Financial Information Statement

To the Shareholders of
MIQUEL y COSTAS & MIQUEL, S.A.

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Consolidated Non-Financial Information Statement ("NFIS") for the year ended 31st December 2020 of **MIQUEL y COSTAS & MIQUEL, S.A.** (hereinafter the parent Company) **and its subsidiaries** (hereinafter the Group) that forms part of the Group's Consolidated Management Report.

The content of the NFIS includes additional information to that required by current commercial legislation on non-financial reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in Appendix I "Traceability table under Law 11/2018" included in the accompanying NFIS.

Responsibility of the Directors

The preparation of the NFIS included in the Group's Consolidated Management Report and the content thereof are the responsibility of the Board of Directors of **MIQUEL y COSTAS & MIQUEL, S.A**. The NFIS has been drawn up in accordance with the provisions of current commercial legislation and with the selected *Sustainability Reporting Standards* of the *Global Reporting Initiative* ("GRI standards"), in line with the details provided for each matter in Appendix I "Traceability table under Law 11/2018" in the aforementioned NFIS.

This responsibility also includes the design, implementation and maintenance of the internal control that is considered necessary to ensure the NFIS is free from material misstatement, due to fraud or error.

The Directors of **MIQUEL y COSTAS & MIQUEL, S.A.** are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

Our Independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas en España").

In a limited assurance engagement, the procedures performed vary in terms of nature and timing of execution, and are more restricted than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several of the Group's units that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with personnel from the Group to ascertain the business model, policies and management approaches applied and the main risks related to these matters and to obtain the information required for the external review.

- Analysis of the scope, relevance and integrity of the content included in the NFIS for 2020 based on the materiality analysis carried out by the Group, considering the content required under current commercial legislation.

- Analysis of the procedures used to compile and validate the information presented in the NFIS for 2020.

- Review of the information concerning risks, policies and management approaches applied in relation to material issues presented in the NFIS for 2020.

- Verification, through sample testing, of the information relating to the content of the NFIS for 2020 and its adequate compilation using data supplied by the information sources.

- Obtainment of a management representation letter from the Directors and Management.

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Conclusions

Based on the procedures performed in our verification and on the evidence we have obtained, no matters have come to our attention which may lead us to believe that the 2020 NFIS of **MIQUEL y COSTAS & MIQUEL, S.A. and subsidiaries** for the year ended 31 December 2020 has not been prepared, in all material respects, in accordance with the provisions of current commercial legislation and with the selected GRI standards in line with the details provided for each matter in Appendix I "Traceability table under Law 11/2018" of the aforementioned NFIS.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

Barcelona, 22nd April 2021

MAZARS AUDITORES, S.L.P.

Original in Spanish signed
by Juan Luque Gala

Annex II NON-FINANCIAL INFORMATION

The present Non-Financial Information Statement (NFIS) has been elaborated to comply with Law 11/2018 of 28 December in non-financial information and diversity, which entails the transposition to the Spanish legal system of the European Directive 2014/95, and is elaborated in accordance with recognised international frameworks, such as the Sustainability Reporting Standards of Global Reporting Initiative (GRI Standards) and those contained in the Law.

The reporting perimeter of the present NFIS coincides with that of the Consolidated Financial Statements and all exceptions to the delimited scope have been appropriately identified in each case.

The report shows a brief description of the Group's business model, a summary of due diligence policies and procedures applied in the identification, assessment, prevention and mitigation of risks and significant impacts, together with the results from applied policies.

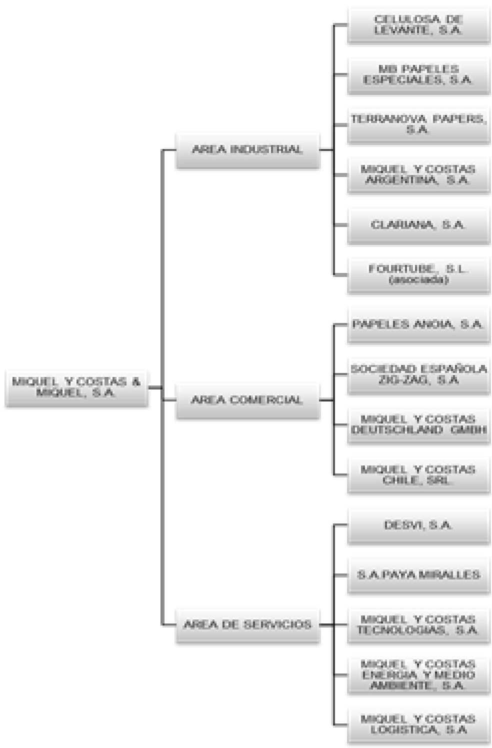
For the purpose of offering comparability in the reported information, for a large portion of indicators, data related to the previous year (2019) are included.

Materiality:

Miquel y Costas & Miquel, S.A. and Subsidiaries (hereinafter the Group), with a view to comply with the principle of materiality, have internally analysed and assessed the legal requirements established by Law 11/2018, of 28 December, in non-financial information and diversity, and have determined that all mentioned matters are relevant for the Group, except for actions to fight the food waste, given that the activity carried out by the organisation is not linked to the generation of this type of waste.

1. The Group's business model

Miquel y Costas & Miquel, S.A. is the parent company of the Miquel y Costas Group, an industrial group having its registered office at calle Tuset, 8 and 10, 7ª plant, 08006-Barcelona. The Group's current parent company was incorporated as a public limited liability company ("sociedad anónima") in 1929 and the Group is now formed by 15 subsidiaries and 1 associate. While still a paper business, the Group's activities range from industrial manufacturing to marketing and services. The Group companies are shown below:



The main corporate purpose since the outset has been the manufacture of low-grammage fine and specialty papers, the main specialty being high-tech paper for cigarettes, as well as printing paper, specialty paper and cellulose pulp (from annual plantations). Following the acquisition of the company Clariana, S.A. in the middle of 2018, the Group's business also includes the manufacture of coloured paper and card.

The Group currently has three main lines of business: the so-called "Tobacco Industry", that covers the sale of pulp and paper connected with the tobacco industry, "Industrial Products", connected with paper for use in industrial products and "Other" which covers marketing, services and other activities.

The Group's in-depth knowledge of the manufacture of specialty papers, perfected by means of systematic research and technological experience, has allowed it to extend the portfolio to include other products based on similar technical fundamentals.

This effort and experience is reflected in the quality of the cigarette paper, specialty paper for industry, printing paper and specialty pulps manufactured, placing the Miquel y Costas Group in a leading position in Spain's paper industry among manufacturers of low-grammage papers, as well as in a pre-eminent position worldwide.

The industrial activity is highly integrated, so synergies are generated in the research and technology areas both to develop new products and in relation to process control and management, where the Group has made considerable progress.

The Group has industrial plants in Besós (Barcelona), Capellades (Barcelona) and Mislata (Valencia) engaged in the production of fine and specialty lightweight and converted papers, particularly for the cigarette industry; in Tortosa (Tarragona), where it produces textile pulps using flax and hemp for the cigarette industry and other fibres for other industrial sectors; in La Pobla de Claramunt (Barcelona), where it has a plant producing speciality papers for industrial uses and another making highly porous specialty papers; in Villarreal (Castellón), which manufactures coloured paper and card, and in Avellaneda (Buenos Aires, Argentina), making cigarette rolling paper packs and other converted papers. The Group also has an associate, Fourtube (Seville), engaged in the manufacture of converted paper. Additionally, the Group counts with a company that manages a logistics centre to carry out storage services, transportation and product distribution, located in the province of Barcelona. In turn, the Group also counts with offices in most of the abovementioned locations.

The high-tech nature of the business, thanks to the Group’s own developments, has earned it a place in the majority of the world’s markets. In addition to meeting domestic demand, a highly significant portion of the Group’s sales are exports, which are deeply rooted in the Group, as shown by the fact that nearly one hundred and twenty-five years ago the Company already had its own sales agencies and a large number of customers in La Habana, México D.F., Valparaíso, New York, etc. Export sales accounted for 90% in 2020, the main market being the European Union at a little over 30%, while OECD countries and the rest of the world accounted for almost 28% and 32%, respectively.

The international arena in which the parent company and most of the Group companies operate exposes them to foreign exchange risk. Currency fluctuations are partially offset by monetary flows from imports and exports. In aggregate terms, the Group is a net exporter.

As sales are made in a wide variety of markets, the Group is also exposed to trade credit risks, which are managed by means of internal credit policies and credit risk insurance policies.

In a global, fiercely competitive market, the Group invests continuously in research, development and innovation, giving rise to new products that meet the highest standards of quality and consistency, and emerging needs, while the latest generation technology, much of which is exclusive, assures an increase in productivity and quality in the range of products.

The Group consumes power, mainly electricity and gas, so a significant part of its investments is made in technologies designed to enhance production yields and reduce energy consumption, while also managing these resources effectively. Procurement policies are also in place for the main raw materials to minimise the possible impacts of purchase price fluctuations.

In reference to the impact from the COVID-19 pandemic in the Group's business in 2020, the early and rigorous application of internal protocols has allowed preventing and minimising risks of propagation for most people and operations in the Group, allowing working centres to maintain their main activities, complying with their commitments within the exceptional situation. See further detail in section 3 of this document "Social and personnel-related matters".

The Board of Directors is the Company's ultimate decision-making body, barring matters reserved for the General Meeting in current regulation. The relevant information is set out in the Annual Corporate Governance Report, which is part of the 2020 Annual Accounts, as well as in the corporate website http://www.miquelycostas.com/esp/ReportGobierno.php?Ejercicio=2020.

2. Environmental matters

- Effect from the business activity in the environment

Miquel y Costas Group is part of the paper sector through the manufacturing and trading of papers for the tobacco industry, industrial products and impression papers. Its high technological level and specialisation allow the Group to be present in most worldwide markets, with the highest quality standards, focusing on the client and their needs as reference for the activity.

In this sense, the environmental policy of Miquel y Costas Group basically has two defined, established and spread objectives: 1) to ensure that products supplied to clients comply with set requirements, that this compliance is permanent and that the necessary operating and human conditions are established for an ongoing and profitable improvement of the product quality; and 2) to develop activities with the highest respect for the environment, minimising impacts that may derive from the core operations and from auxiliary operations in all production centres.

In accordance with the above, and as established on the Group's Corporate Social Responsibility Policy, in addition to ensuring the strict compliance with legal obligations in force, the Group has voluntarily integrated, among others, environmental concerns in the governance, management and business strategy such as the promotion of a sustainable forest management and the efficient use of resources, thus demonstrating a high degree of commitment with the environmental protection.

Activities developed by Miquel y Costas Group follow objectives to contribute to the preservation of the environment, causing direct and indirect effects in the sustainability: participation in an appropriate forest management, efficient and responsible production, contribution to improving the quality of life and wealth generation in the environment, and leadership in recovery and recycling.

The wood used to produce cellulose is exclusively obtained from forest plantations of fast-growing species, indirectly resulting in environmental (particularly, forest-related), social and economic benefits. Concerning the environmental benefits, they help to increase forested areas and conserve natural woodland, while acting as efficient CO_2 sinks and providing effective erosion control.

Concerning social and economic benefits, we highlight our indirect contribution to the rural development as driver for the creation of employment and wealth, and to the dynamization of the sustainable growth of the forest sector.

Additionally, the production of pulp and paper intensively consumes energy and water extraction. In order to counteract the above, the Miquel y Costas Group works for the development and application of new technologies that are increasingly environment-friendly, and in the design and utilisation of production processes aimed to minimise the consumption of energy, water and other natural resources, as well as the amount of generated emissions, effluents and waste. Moreover, the Group has strongly committed to the cogeneration and clean and renewable fuels.

As detailed below, significant achievements are being made in the savings of natural resources and reduction of emissions, discharges and waste generated in the different processes.

- Environmental assessment or certification procedures

In order to achieve the objectives of product quality, environment and security, the Miquel y Costas Group has established a Quality, Environment, Custody Chain and Product Safety Management System.

The Integrated Management System (IMS) complies with the current version of:

- Standard UNE-EN ISO 9001 and UNE-EN ISO 14001, for all production centres located in Spain, in addition to the headquarters.

  This certification UNE-EN ISO 14001, of environmental management systems, was achieved on 10-10-2006. This covers the design, manufacturing and sales of cigarette, plug wrap and tipping papers for the tobacco industry, rolling papers, thin papers for the publishing, printing and packaging industry and special filter and absorbent papers. Design, manufacturing of special cellulose pulps made of non-wood fibres..

- Standard IATF 16949, for MB Papeles Especiales and Terranova Papers, which defines the basic requirements of the automotive quality management system for automotive and spare parts companies.

- Standard BRCGS Packaging Materials, for Terranova Papers, which is an international standard that defines hygiene-sanitary requirements to be met by packages to ensure the food security, legality and quality to the consumer.

- Custody chain standards FSC-STD-40-003, FSC-STD-40-004, FSC-STD-50-001, PEFC-ST-2002:2013 and PEFC-ST-2001:2008, for all production centres, except for Celulosa de Levante, for which it is not applicable, which cover the necessary requirements to ensure that raw materials of a forest origin come from responsibly managed forests and to guarantee their traceability throughout the supply chain.

  The production centres of the Miquel y Costas Group except for Celulosa de Levante, S.A., for which it is not applicable, have been custody chain certified since 16-10-2009. This covers fine and specialty papers, filter and absorbent paper for the cigarette industry, printing paper and coloured paper, cigarette rolling paper packs.

Within the IMS, the Miquel y Costas Group has defined and implemented the following policies:

- The Quality, Environment and Product Security and Safety Policy (POLCAM) at the companies Miquel y Costas & Miquel, S.A., MB Papeles Especiales, S.A., Terranova Papers, S.A., Celulosa de Levante, S.A. (Celesa) and Clariana, S.A.

- The Custody Chain Policy (POLCDC) at the companies Miquel y Costas & Miquel, S.A., MB Papeles Especiales, S.A., Terranova Papers, S.A. and Clariana, S.A.

As a result of the IMS and the application of these policies, three procedures are applied to identify, assess, prevent and mitigate significant risks and impacts, as well as for verification and control purposes.

- The general supplier assessment procedure (PRCOM02) states that all raw material inputs into the custody chain (wood pulp) must go through the stipulated due diligence system, which is also necessary to comply with Regulation (EU) No. 995/2010 (EUTR) in the case of non-EU suppliers.

  As a consequence of the POLCDC and the PRCOM02, only FSC or PEFC certified or FSC controlled wood material is purchased, thereby eliminating the risk of using timber managed in a non-sustainable way.

- The general risk and opportunity analysis procedure (PRRYO01) states that each plant that is ISO 9001 and ISO 14001 certified must identify risks and opportunities of all the processes that make up the IMS annually based on the context and stakeholders of each organisation. The procedure is based on a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis and an FMEA (Failure Mode and Effects Analysis). As a result, preventive actions and improvement plans/objectives are developed to address the risks and opportunities for inclusion, among others, in the annual investment plan.

  The main risks in the IMS environmental control process identified by means of the PRRYO01 have been the following:

    - Possible breach of the thresholds laid down in Integrated Environmental Authorisations (IEAs) for each environmental aspect (emissions, waste, discharges, noise, light and soil).
    - Possible incorrect functioning of the environmental Best Available Techniques (BATs) in place in the plants.
    - Lack of knowledge of amendments to environmental legislation.
    - Failure to meet deadlines for environmental legal formalities.

- The procedure for identifying and assessing environmental impacts (PRSAM01) establishes the methodology for identifying and assessing the environmental impacts related to the activities, products and services of companies that have implemented the IMS, from a life cycle perspective, the main ones being:

    - Consumption of natural resources: decrease, abiotic depletion, global warming and indirect impacts associated with the manufacture of the good consumed.
    - Emissions and smells: air pollution, abiotic depletion and global warming.
    - Waste: impacts associated with waste management (decrease in natural resources, air pollution, water pollution and landfill clogging).

- Discharges or sewage: reduction in water quality, aquatic ecotoxicity and indirect impacts associated with water purification.
- Noise and light: disturbance and possible harm to health.
- Soil: pollution of water and soil, abiotic depletion and aquatic ecotoxicity.

In order to monitor the application of these environmental policies, procedures and objectives, the Group counts with the general Internal Audit Procedure (PRAUD01), which formalises the annual performance of internal audits in all production centres under standards and rules applicable in each centre. And, on a half-year basis, the Group verifies the correct functioning of the defined operating control, as well as the compliance with the environmental policy, objectives and legal requirements established in each centre, as described in the PRAUD01 and in the operating control procedure (PRSAM04).

Additionally, annual external audits are performed by companies certified under the abovementioned standards.

Moreover, and in order to reduce the impact in the climate change, the Miquel y Costas Group considers that it is necessary to involve its supply chain, thus guaranteeing its commitment, as detailed in the POLCAM. In this sense, annual assessments are performed on product and service suppliers with a specific section of environment, assessing environmental certificates and behaviours. The rating obtained, together with other elements, such as the performance of second party audits, is used in the purchase decision-making. For more information, consult section 6 (Society) of this report.

- Resources dedicated to environmental risks prevention

The Miquel y Costas Group permanently dedicates resources to the prevention of environmental risks and to the reduction of the climate impact. In 2020, total net environmental investments in national companies, deducting grants received, have amounts to €3,976 thousand (€9,183 thousand in 2019). In the previous year, the total amount was sensitively higher, due to an extraordinary action of a special magnitude in one of the paper machines.

Within the production process, resources have mainly focused on the reduction of the energy and water consumption, thus contributing to the climate change prevention.

And, concerning investments not directly related to the production process, resources have mainly been dedicated to projects for the guarantee and improvement of the drying of the purifying system’s muds and to the installation of photovoltaic panels, as a more environmentally sustainable alternative given the use of a renewable source, such as the solar energy.

- Environmental protection and responsibility

Environmental protection costs incurred by the Group in 2020, after deducting revenue from the sale of by-products, amounted to €4,035 thousand (€3,754 thousand in 2019). They included no extraordinary items and related mainly to fees paid for the use of water to regional governments, consumption of raw materials and energy in environmental protection activities and waste collection and treatment. There are no contingencies related to environmental protection and improvement of which the Group is currently aware.

In addition, the Miquel y Costas Group has an environmental liability insurance policy which includes all national production centres.
Production centres of the Miquel y Costas Group that are involved in the reporting of environmental data are listed below:

Centre	Location	Company
Production centre Besós	Barcelona	Miquel y Costas & Miquel, S.A.
Production centre Mislata	Valencia	Miquel y Costas & Miquel, S.A. S.A. Payá Miralles
Production centre MB	La Pobla de Claramunt (Barcelona)	MB Papeles Especiales, S.A.
Production centre TP	La Pobla de Claramunt (Barcelona)	Terranova Papers, S.A.
Production centre Celesa	Tortosa (Tarragona)	Celulosa de Levante, S.A.
Production centre Clariana	Villarreal (Castellón)	Clariana, S.A.

The present report does not include data related to the production centre of Miquel y Costas & Miquel, S.A., located in Capellades (Barcelona), the logistics centre of Miquel y Costas Logística, S.A. and the working centre located in Tuset (Barcelona), given the scarce relevance of their environmental aspects. Additionally, for the same reason, the present report does not include data on foreign subsidiaries.

Reported data below use the following produced tonnes as basis:

t prod	2019	2020
Product	95,369	90,436

The figure corresponding to 2019 has been recalculated due to a change in the reporting criterion, in order to allow the comparability with the figure reported in 2020. As a consequence, the set of indicators related to production presented in this report have been adapted to the reported figure above.

<u>Pollution and Climate Change</u>

The main greenhouse gases (hereinafter, GHG) emitted by the Miquel y Costas Group relate to combustion equipment that generates the steam used in pulp and paper manufacturing processes. Also, a small percentage of emissions linked to the fuel consumption for the periodic launch of auxiliary emergency equipment is taken into account. During the period 2013-2020, these facilities have been included in the European Union's emission allowance trading scheme and have been regulated accordingly.

Moreover, emissions related to the electricity generated by cogeneration plants, which do not perceive allowances in this allocation scheme, are also relevant.

Emissions linked to the abovementioned facilities are annually verified by an authorised external entity and are reported to the authorities in order for an equivalent number of allowances to be surrendered, thereby compensating for the emissions generated.

The GHG protocol standard lays down a classification of emissions in terms of “scopes”. Scope 1 refers to direct emissions from sources owned or controlled, while scope 2 includes indirect emissions due to the generation of purchased electricity; and scope 3 comprises indirect emissions produced in the company’s value chain.

Data are as follows for the Group as a whole:

t CO_2/t prod	2019	2020
Scope 1	0.78	0.84
Scope 2*	0.37	0.36

*The information is calculated based on the emission factor annually published by the National Markets and Competition Commission (CNMC). When calculating the information for 2020, the same factor as for 2019 has been considered, given that the corresponding information, at the date of issuance of the present report, has not yet been published by the CNMC.

Additionally, the Group annually reports data on emissions and management in relation to the carbon footprint, through the questionnaire CDP Climate Change.

CDP is a non-profit organisation that measures the transparency, commitment, strategy and management of companies and cities, at worldwide level, to promote the evolution towards a sustainable economy.

The CDP valuation report allows understanding our current position and those aspects that require attention, allowing the company to continuously progress in the environmental management and to improve the climate governance through the assessment and comparison (A Leadership, B Management, C Awareness, D Outreach).

There are 3 types of questionnaires:

- CDP Climate Change promotes the efficient management of the carbon and climate change risk.
- CDP Water Security boosts the reduction of the impact on the hydric footprint, which is an environmental indicator that defines the total volume of water used in the manufacturing of goods and services.
- CDP Forest provides an action framework to restore forests and ecosystems.

As a consequence of the significant effort made in the implementation of the best current practices, for the promotion of the environmental management and investments carried out in each production centre, the Miquel y Costas Group has achieved a rating A- in the questionnaire CDP Climate Change filed in 2020, which is within the range of “Leadership”. For comparison purposes, it is higher than the regional average in Europe, than the paper and forest sector’s average, and than the global average, which ratings are within the range of “Awareness” (rating C).

Rating	2019	2020
CDP Climate Change	B	A-

It should be noted that achieving this rating A-, synonym of excellence, both in the module CDP Climate Change and in the one mentioned below, related to the hydric footprint, allows the Miquel y Costas Group to be one of the 10 single Spanish companies that enjoy this double recognition («Ten Spanish companies among the 131 European companies that lead the environmental transparency and action», Europa Press, December 8, 2020). We also highlight the fact that we are the single company in this list of honour that is exclusively industrial and with a significantly smaller size than the rest.

This result reaffirms the Group's commitment to the sustainability, the promotion of the decarbonisation in all production processes, and the transparency in the communication.

In the abovementioned questionnaire, risks are separated into 4 types:

- Risks of changes to legislation (EU ETS, energy, climate change, etc.)
- Risks due to new technologies (adaptation to best techniques available)
- Risks of changes to physical climate parameters (natural catastrophes and changes to climate conditions)
- Risks of other changes related to the market (corporate reputation and image and purchase of raw materials)

As a consequence of measures adopted in the transition towards a decarbonised economy, the Group has reduced scope 1 and 2 GHG emissions by 21%, thus exceeding absolute and specific objectives set at the short-term for the period 2005-2020.

- At the mid-term, in the period 2005-2030, and following the EU objectives, the Group reviews the objectives established above to set a reduction of GHG emissions by 43%.

Moreover, and in order to reach such an ambitious target, the Miquel y Costas Group has implemented programmes to reduce emissions and improve the energy efficiency:

- Acceleration of the plan to develop the clean energy generation (for instance, photovoltaic facilities and biomass boiler studies).
- Performance of periodic energy audits, which are helping to identify following energy improvement and efficiency actions.

For such purpose, important initiatives have been carried out:

- Development of large projects to increase the energy generation with cleaner sources: optimisation of conventional and cogeneration boilers; launch of the photovoltaic technology implementation plan.
- Execution of an intensive programme of energy efficiency actions in all production centres, which results have contributed to minimising the Group's carbon footprint.

The following table presents the achievement of objectives established by the Group with regard to scope 1 and 2 emissions. As it may be observed, in 2020, all objectives set at the short-term were achieved:

		2005	2019	2020	Variation 2005-2020	Objective 2005-2020	Objective 2005-2025	Objective 2005-2030
Scope 1	**t CO_2**	118,184	74,264	75,664	-36.0%	-21,0%	-32,0%	-43,0%
	t CO_2/t product	1.35	0.78	0.84	-37.8%			
	t CO_2/km^2 product	53.10	25.21	27.49	-48.2%			
Scope 1+2	**t CO_2**	153,817	109,447	107,919	-29.8%			
	t CO_2/t product	1.76	1.15	1.19	-32.4%			
	t CO_2/km^2 product	69.11	37.15	39.23	-43.2%			

For information purposes, scope 3 emissions (t CO_2) are also included:

Scope 3*	2019	2020
Upstream	*134,239*	*134,451*
Downstream	*5,110*	*5,132*

* Estimated Scope 3 emissions, based on the analysis of life cycle in 2015 of the two main traded products, extrapolated to the set of the production in the year.

NO_x and SO_x emissions from the combustion boilers are measured periodically, as indicated in the relevant IEAs.

kg/t prod	2019	2020
NO_x	0.85	0.93
SO_x	0.05	0.03

The Miquel y Costas Group has established objectives for the reduction of NOx emissions, in each production centre, to ensure the compliance with Royal Decree 1042/2017 in all combustion facilities for 2025:

Facility	Limits RD 1042/2017 NO_x (mg/Nm^3)	O_2 % reference
Cogeneration plants	150	15
	190	15
Conventional boilers	200	3

The main energy sources consumed by the Miquel y Costas Group are natural gas and electricity:

Consumption natural gas and electricity	2019	2020
Natural gas (thousands of Nm^3/t prod)	0.36	0.39
Electricity consumed by company (MWh/t prod)	1.37	1.32

Circular economy and waste prevention and management

- Circular economy

Concerning the consumption of the paper factories' main raw material, virgin wood pulp, 100% of the pulp acquired in 2020 has been provided by suppliers that are certified both in FSC® (FSC-C041521) and in PEFC which, as explained above, being those certifications the ones that apply the most demanding standards concerning the environment and sustainability.

Moreover, in most manufacturing processes, the paper that is generated, as waste, within the production process is recovered.

The future objective with regard to the supply of raw material is to maintain this 100% of purchases of wood pulp from suppliers certified both in FSC and in PEFC, also guaranteeing in all cases the traceability of the wood or paper to the place of origin.

The Group considers that it is necessary to collaborate with suppliers to tackle the raw materials' impact in the environment. Accordingly, the Group assess that 100% of our suppliers are certified through the implemented custody chain, ensuring that the pulp produced or acquired originates from sustainable sources. Moreover, all entries of wood pulp, before becoming part of the custody chain, are subject to the due diligence system established in the PRCOM02.

The main raw materials are wood pulp and non-wood fibres. The figures below do not include other fibres employed in the production process, such as synthetic fibres, nor those purchased from Group companies.

t fibre	2019	2020
Wood pulp and non-wood fibres	79,818	77,587

In 2020, the Miquel y Costas Group has participated, for the first time, in the CDP Forest questionnaire, reporting on management data of raw materials with a forest origin used in their production centres, thus demonstrating the Group's commitment to the decrease of the deforestation.

- Waste prevention and management

Waste is managed through authorised companies, always observing the hierarchy of prevention, reuse, recycling, other types of recovery and disposal.

kg waste/t prod	2019	2020
Hazardous waste	2.24	2.18
Non-hazardous waste	107.54	106.72

The destination of waste generated by the Miquel y Costas Group has been the following:

kg waste/kg total waste	2019	2020
Waste recovered	96%	98%
Waste disposed of	4%	2%

According to the POLCAM and the PRSAM01, all centres analyse their annual waste generation and, if it is significant, establish waste reduction objectives, both for hazardous and non-hazardous waste.

Among others, measures established to reduce the amount of non-hazardous waste include the following:

- Reduction of the paper waste for a better utilisation of the cutting generated in the factory, promoting circular economy.
- Optimisation of the muds' dehydration system in order to generate a lower amount of moist sludges and to increase their valorisation possibility.

In turn, production centres that generate more than 10 tonnes of hazardous waste per year are compelled to present a hazardous waste minimisation study every four years, as established by Royal Decree 952/1997. Minimisation is understood as any action that tends to the reduction of hazardous waste in amount or in hazard, and covers aspects related to changes of process, internal recycling or to the adoption of best practices.

As a consequence of the above, the affected Group's factories periodically assess such aspects and implement measures, considering technological, environmental and economic feasibility criteria, to reduce the main hazardous waste generated (such as polluted containers, used oils, fluorescents, waste of chemical products, absorbents).

The following are some of the main measures established to decrease the amount of hazardous waste:

- Optimisation of purchases of hazardous products.
- Control of product stock.
- Appropriate segregation of packages.
- Use of larger packages
- Efficient management of maintenance plans and cleaning procedures for equipment and facilities.
- Change of the light installation for LED lighting, implying the reduction of fluorescent waste.
- Workers' training and awareness.

As a result of this effort, production centres to which the above is applicable have achieved the compliance with 93% of objectives established in the hazardous waste minimisation study of the previous period.

For the following four years, new objectives have been established for the minimisation of hazardous waste, highlighting the reduction of:

- Laboratory waste by 5%
- Polluted packages from 5% to 9%
- Organic chemical products by 9%
- Fluorescent tubes by 10%
- Waste of chemical products by 26%
- Ink waste by 5%

Additionally, the Group commits not to generate a larger amount of other hazardous waste identified in the different centres.

- <u>Sustainable use of resources</u>

The paper industry employs water in its production processes, mainly as a means of transport to generate the physical and chemical reactions that are necessary to make pulp, paper and board. It should be noted that paper plants use water from different sources, but only a small percentage is consumed, since most of it is reintroduced to the receiving medium. The paper industry cannot therefore be strictly classed as a large "consumer" of water, but as a user (source: Voluntary agreement between the Environmental Ministry and Aspaper dated 2009).

Extracted water used in the production process is mainly obtained from natural sources owned by the Miquel y Costas Group. Each production facility has water treatment and fibre recovery plants (fibre is reintroduced into the production process).

For the set of the Group's production plants, the origin of water is the following:

m^3/t prod	2019	2020
Underground water	22.21	23.42
Municipal water	0.11	0.10

Water is finally discharged primarily through the municipal sewers and natural effluents:

m^3/t prod	2019	2020
Discharge	20.15	21.44

The Miquel y Costas Group is deeply aware of the current problem related to the shortage of water. Accordingly, internally and at all levels, the Group promotes a sustainable management of this resource. The main objective is to minimise risks related to the hydric stress and any impact in ecosystems.

In this sense, the company create a Water Committee, in 2015, to analyse and manage in further detail the targets at the short and long term, related to this field. This Committee, led by the CEO and the General Director of the Miquel y Costas Group, in addition to dealing with the issue of the hydric stress, focuses on the best practices of each production centre. This Committee holds periodic meetings to review the strategy related to the sustainable management of water and set objectives. One of this Committee's results has been the implementation of the Water Reduction Plan.

Additionally, the Group annually reports on its water cycle consumption, extraction and management data through the CDP Water Security questionnaire, which measures the organisation's transparency, commitment, strategy and management in relation to its hydric footprint, demonstrating the Group's commitment with the conservation of resources.

As a consequence of the application of the strategic plan, identification of risks and opportunities, best practices in all production centres and new implemented technologies, the Miquel y Costas Group has achieved a rating A- in 2020, within the range of "Leadership". For comparison purposes, this rating is higher than the European average, than the average in the paper and forest sector, and than the global average, which ratings are within the range of "Management" (rating B) and is an improvement compared to 2019.

Rating	2019	2020
CDP Water Security	B-	A-

As indicated above, in reference to the module CDP Climate Change, it should be noted that this rating of A-, synonym of excellence, reaffirms the Group's commitment to the sustainability, the promotion of the circular economy in all processes, and the transparency in the communication.

Objectives established for the conservation of hydric resources are the following:

- At the short term, in the period 2014-2025, the main objective focuses on the reduction of the water extraction by 12%, while reducing the hydric stress.

Moreover, and in order to reach such a strict objective, the Miquel y Costas Group is carrying out actions and implementing new technologies, such as, for instance, advanced filtration technologies to maximise the reutilisation of water.

- It should be noted that the set objectives are not solely absolute (m3/per year), but also include specific values that allow measuring the Group's development in the reduction of its hydric footprint per tonne of product and surface of product.

- During this period, the Group has also set the objective, in all production centres, to maintain a path without any kind of environmental incident, which has been satisfactorily achieved in 2020 thanks to the Group's good practice.

In order to achieve thiese objectives, the company monitors different variables, such as for example, the amount of extracted water, quality parameters both in the entry and exit, the discharged volume or the amount of recycled water in the production process.

- Moreover, the Group has established the objective to reduce by 20% the generation of sludges in 2025 with regard to 2014 data. Therefore, the Group commits to favour the circular economy and reduce its carbon footprint due to the transportation and management of these sludges.

The following table presents the achievement of objectives set by the Group:

	2014	2019	2020	Variation 2014-2020	Objective 2014- 2025
Extracted water (thousands of m^3)	2,271	2,129	2,126	-6.4%	-12.0%
Extracted water (thousands of m^3)/t product	0.025	0.022	0.024	-4.0%	
Extracted water (thousands of m^3)/km^2 product	0.888	0.723	0.774	-12.8%	
Environmental incidents	0	0	0	NA	0
t sludges	5,485	4,837	4,707	-14.2%	-20.0%
t sludges/t product	0.061	0.051	0.052	-14.8%	-20.0%

On its zeal for decreasing the hydric footprint, the Miquel y Costas Group involves its supply chain. Accordingly, in addition to the assessment of suppliers from an environmental standpoint, the company identifies (among the most important suppliers) those most aware in this field (such as, for example, through the involvement in the CDP Water Security). In the future, the company will try to promote a sustainable water management among its suppliers and will take this into account as an important factor on its purchase decisions.

Biodiversity

Production plants are located in areas that are not protected or regarded as high value in biodiversity terms. Even so, certain measures are taken for its preservation.

In this sense, some factories carry out controls by calculating biodiversity indicators.

The IBMWP index is a tool to assess the status of the quality and ecologic potential of waters in river. It consists on the recount of the families of invertebrates present in sampling points.

The Miquel y Costas Group performs annual analyses of this index on its facilities of La Pobla de Claramunt and Tortosa, according to the corresponding IEA, given the discharge on public waterways.

Results obtained in analyses performed both in 2019 and in 2020 determine that, based on the index obtained, there are no differences related to the level of biological quality, and therefore the factories' discharge does not influence the wealth of invertebrates in rivers.

3. Social and personnel-related matters

The early and rigorous application of internal protocols has helped preventing and minimizing risks of the spread of the coronavirus for the Group's people and operations, actions that have allowed the workplaces to maintain their activities and, with this, have complied with its commitments within the exceptional situation.

Derived from the COVID-19 pandemic, in 2020 and during the different stages of the state of alert, some production assets were subject to force majeure contingencies given that the related production staff was affected by a total territorial lockdown decreed by the authorities, which forced the presentation of a force majeure ERTE (temporary layoff plan) in the production centres of Terranova Papers, from 17/03/2020 to 05/04/2020, a total of 38 affected workers, MB Papeles Especiales, from 13/03/2020 to 05/04/2020, with a total of 74 affected employees, and in the logistics centre MCL, from 13/03/2020 to 05/04/2020, with a total of 6 affected workers.

Due to the mobility restrictions related to the state of alert, for the GPVs of Papers Anoia, company dedicated to the trading of products, in the period from 10/04/2020 to 06/07/2020 an ERTE for economic, productive and organisational causes was filed, caused by the COVID, with a reduction of working hours for 7 workers.

Following the completion of the first state of alert and as a consequence of the reduction of demand worsened and accelerated by the pandemic in the markets of graphic arts and printing, an ERTE for economic, productive and organisational causes was filed, caused by the COVID, in a portion of production centres of Mislata, from 01/10/2020 to 31/12/20210 with a total of 58 affected employees, Clariana, from 10/06/2020 to 23/12/2020, with un total of 51 affected workers. It should be noted that, through the periods described above, there have been periods in which these employees’ ERTEs have been halted and resumed, resulting in a lower impact than anticipated.

For 2021, the Mislata centre has processed an ERTE for production causes, from 01/01/2021 to 31/12/2021, for a total of 83 days of suspension, applied based on the factory’s production load, and which affects 59 people.

Despite the above, the average number of employees in this year has been of 893 (average number of employees in 2019 of 902) and the total number of workers of the Miquel y Costas Group at 2020 closing is of 907. For reporting purposes, the number of workers at year-end closing is used, given the high stability of the payroll, with the following classification by gender and professional category:

Classification by gender and professional category	**Men**	**Women**	**Total**
Board members	3	0	3
Senior management	5	1	6
Directors	23	2	25
Supervisors and middle management	97	9	106
Administrative and technical personnel	82	102	184
Production personnel	441	142	583
Total	**651**	**256**	**907**

The classification by age and gender is as follows:

Classification by age and gender	**Men**	**Women**	**Total**
<= 20	1	0	1
21 to 30	46	21	67
31 to 40	122	49	171
41 to 50	223	89	312
51 to 60	190	74	264
>= 60	69	23	92
Total	**651**	**256**	**907**

The distribution by country is as follows:

Distribution by country	**Men**	**Women**	**Total**
Spain	631	234	865
Argentina	16	22	38
Chile	1	0	1
Germany	2	0	2
Philippines	1	0	1
Total	651	256	**907**

As regard to the individual figures for Miquel y Costas & Miquel, S.A., the headcount at the year end is shown below:

Classification by gender and professional category	**Women**	**Men**	**Total**
Board Members	0	3	3
Senior Management	1	4	5
Directors	2	8	10
Supervisors and middle management	5	56	61
Administrative and technical personnel	60	48	108
Production personnel	116	233	349
Total	**184**	**352**	**536**

The prevalent feature of the Group's labour and human resources development policy has always been the non-discrimination principle, which is based on respect for people's rights and dignity (irrespective of gender), conduct that is upright, honest and responsible, and the avoidance of all forms of discrimination.

In line with these guiding principles and with Law 3/2007 on the effective equality of women and men, the parent Company has an Equality Plan to help to eradicate discriminatory behaviour in the workplace by reason of gender, including measures to favour hiring, continuance and personal development so as to:

- Achieve a balance of women and men at all levels of business organisation.

- Promote measures that favour a work-life balance.

- Tackle any incidents that may arise in connection with moral or gender harassment.

In the latter case, the Company has implemented an internal procedure to prevent moral or gender harassment in the workplace, the purpose being to discourage and, if necessary, penalise any act of harassment that takes place.

The total number and distribution of employment contracts in the Group as a whole is set out below:

Classification by contract	**Women**	**Men**	**Total**
Indefinite-term contract	28%	72%	812
Temporary contract	31%	69%	95
Total			**907**

At year-end closing, there are no employees with a part-time contract, and only those employees who have requested a reduction of working hours or partial retirement work for less hours than in a full-time contract.

In the case of the individual company Miquel y Costas & Miquel, S.A., the number and distribution of contracts has been the following:

Classification by contract	**Women**	**Men**	**Total**
Indefinite-term contract	34%	66%	477
Temporary contract	41%	59%	59
Total			**536**

With regards to the annual distribution by range of age of indefinite-term and temporary contracts in the Group companies has been the following:

Classification contracts by age	Temporary	Indefinite	Total
< 20	1	0	1
21 to 30	23	44	67
31 to 40	29	142	171
41 to 50	36	276	312
51 to 60	6	258	264
> 60	0	92	92
Total	**95**	**812**	**907**

As shown in the figure above, 89.5% of the employees have a permanent contract.

And the distribution by category and gender is the following:

Classification by category and gender	Women		Men		Total
	Temporary	Indefinite	Temporary	Indefinite	
Executive board members	0	0	0	3	3
Senior management	0	1	0	5	6
Directors	0	2	0	23	25
Supervisors and middle management	1	8	4	93	106
Administrative and technical personnel	17	85	12	70	184
Production personnel	11	131	50	391	583
Total	**29**	**227**	**66**	**585**	**907**

The 88.7% of the Group's female employees have a permanent contract, while this ratio rises to 89.8% in the case of male employees.

During 2020, the number of dismissals by age, gender and professional classification for national companies is detailed below:

Dismissals by gender and age	Women	Men	Total
< 20	0	0	0
21 to 30	0	0	0
31 to 40	0	4	4
41 to 50	0	1	1
51 to 60	0	2	2
> 60	1	0	1
Total	**1**	**7**	**8**

* Data on foreign subsidiaries are not included.

Dismissals by professional classification and gender	Women	Men	Total
Executive board members	0	0	0
Senior management	0	0	0
Directors	0	2	2
Supervisors and middle management	0	3	3
Administrative and technical personnel	0	0	0
Production personnel	1	2	3
Total	**1**	**7**	**8**

* Data on foreign subsidiaries are not included.

Remunerations to all Group employees comply with all statutory obligations established in the collective bargaining agreements in force. Additionally, Group employees have the voluntary option to adopt the pension plan in progress, which accrual is made in three years, subject to the compliance with conditions established in said plan. Meanwhile, certain groups of employees count (subject to certain conditions) with contributions to social welfare plans, remunerations and variables incentives linked to the achievement of certain objectives, access to stock option plan in the company (currently, in vesting period) and life insurance.

Gross average remunerations, by gender, age and professional classification, for national companies have been the following:

Category	MEN (5)		WOMEN (5)		Wage gap by professional category
	Age	Average wage	Age	Average wage	
Senior management + Directors	<=30	0.00	<=30	0.00	29%
	31-49	84,923.12	31-49	0.00	
	>=50	115,322.52	>=50	137,169.53	
		106,636.98		137,169.53	
Supervisors and middle management	<=30		<=30	0.00	-10%
	31-49	48,835.66	31-49	47,519.87	
	>=50	52,588.99	>=50		
		51,291.05		46,107.42	
Administrative and technical personnel (1)	<=30	21,122.18	<=30	22,562.36	-18%
	31-49	37,630.80	31-49	30,353.22	
	>=50	50,405.42	>=50	40,407.78	
		40,728.40		33,559.69	
Production personnel (2) (4)	<=30	26,185.96	<=30		-18%
	31-49	31,889.94	31-49	26,514.33	
	>=50	33,485.80	>=50		
		32,225.91		26,290.59	
Non-continuous production personnel (3) (4)	<=30		<=30	0.00	-6%
	31-49	26,438.57	31-49	22,955.04	
	>=50	22,676.73	>=50	24,866.01	
		25,355.31		23,865.88	

(*) Dark shaded boxes without data relate to information on a single person.
(1) Difference between men and women in the "Administrative and technical personnel" group: the men are sales representatives and engineers, while the women are administrative personnel and sales assistants.
(2) Difference between men and women in the "Production personnel" group aged 31 to 49: the women are mostly labourers while the men are operatives in all categories.
(3) Difference between men and women in the "Non-continuous production personnel" group: the men are maintenance workers, and the women are paper conversion workers.
(4) Production personnel relates to employees subject to the Pulp, Paper and Cardboard Collective Agreement, while non-continuous production personnel are subject to the Graphic Arts Collective Agreement.
(5) Employees whose contract corresponds to personnel that have been working less than 12 months have not been included.

Average remunerations by gender, age and professional classification for national companies in the previous year were the following:

Category	MEN (5)		WOMEN (5)		Wage gap by professional category
	Age	Average wage	Age	Average wage	
Senior management + Directors	<=30	0.00	<=30	0.00	17%
	31-49	99,556.79	31-49	0.00	
	>=50	120,581.08	>=50	134,582.40	
		115,325.01		134,582.40	
Supervisors and middle management	<=30	[redacted]	<=30	0.00	-10%
	31-49	46,559.02	31-49	46,162.15	
	>=50	51,709.44	>=50	[redacted]	
		49,575.02		44,847.94	
Administrative and technical personnel (1)	<=30	26,648.92	<=30	24,180.19	-20%
	31-49	38,384.12	31-49	28,720.18	
	>=50	48,456.77	>=50	38,947.95	
		40,947.31		32,818.86	
Production personnel (2) (4)	<=30	25,877.66	<=30	27,029.29	-16%
	31-49	31,929.70	31-49	27,528.37	
	>=50	33,281.17	>=50	25,370.22	
		32,070.97		26,849.04	
Non-continuous production personnel (3) (4)	<=30	0.00	<=30	0.00	-11%
	31-49	26,474.10	31-49	22,682.69	
	>=50	24,564.46	>=50	23,834.45	
		26,168.56		23,280.44	

(*) Dark shaded boxes without data relate to information on a single person.
(1) Difference between men and women in the "Administrative and technical personnel" group: the men are sales representatives and engineers, while the women are administrative personnel and sales assistants.
(2) Difference between men and women in the "Production personnel" group aged 31 to 49: the women are mostly labourers while the men are operatives in all categories.
(3) Difference between men and women in the "Non-continuous production personnel" group: the men are maintenance workers, and the women are paper conversion workers.
(4) Production personnel relates to employees subject to the Pulp, Paper and Cardboard Collective Agreement, while non-continuous production personnel are subject to the Graphic Arts Collective Agreement.
(5) Employees on contracts relating to partial retirement have not been included. Employees working less than 12 months, on reduced timetables or the employees of the foreign companies have not been included.

The information related to the remuneration of Board Members and Directors may be consulted in the Corporate Governance Annual Report which is part of the Annual Accounts of 2020, and also in the Board Members' Remuneration Report, both available in the following corporate website: http://www.miquelycostas.com/

Concerning the average remuneration media of Directors, including all concepts established by Law. the detail is the following:

Senior management + Directors	Men	Women
	138,147.38	180,883.03

With regards to the employment of people with disability, data related to the gender and type of contract in national companies have been the following:

People with disability by category and gender	Women	Men	Total
Executive board members	0	0	0
Senior management	0	0	0
Directors	0	0	0
Supervisors and middle management	0	1	1
Administrative and technical personnel	0	1	1
Production personnel	0	3	3
Total	**0**	**5**	**5**

** Data on foreign subsidiaries are not included.*

The Miquel y Costas Group complies (except for Clariana and Terranova Papers, under review) with all requirements of legal provisions in force and comprehensive of disabled people's rights. In this case, and for the purpose of complying with the General Law of disabled people's rights and social inclusion, given the particular nature and complexity, from the perspective of the labour security, of work posts in the paper industry, the parent company and one of its subsidiaries have opted for requesting the certificate of exceptionality, while the remaining companies comply wit their own personnel. This option and legal alternative allows complying with legal provisions in force by contracting certain production works with Special Employment Centres, which option implies an assistance and collaboration to the creation of employment through said Centres. The Group has not adapted work posts for disabled people.

Data related to absenteeism for 2020 include the hours lost for illness, occupational accident and maternity or paternity:

Hours of absenteeism	Hours
Hours of absenteeism for Temporary Disability	76,771.74
Hours of absenteeism por health contingencies derived from Covid-19	12,281.06
Hours of absenteeism for Occupational accident	11,823.95
Hours of absenteeism for maternity/paternity	6,773.15

* Data on foreign subsidiaries are not included.

The current work calendar applies to all the employees and is in line with legislation in each country. The measures put in place to promote a work-life balance and the co-responsible use of this right by both parents are laid down in prevailing legislation, such as the reduction in working hours for child care, parental leave, etc. The office personnel have a flexible working day, while production work is organised in rotating morning, evening and night shifts, as well as a non-stop system (depending on the plant). In 2020, taking into account health recommendations set to slow down the expansion of the Covid-19, the Group has promoted, as far as possible, the remote work for office personnel.

Work is regulated and organised as laid down in collective bargaining agreements. Each plant comes under the national collective agreements for the pulp, paper and board industry or for graphic arts, paper conversion, board conversion, publishing and ancillary industries. Trade union membership rights are guaranteed through freedom of association for workers, facilitating the creation of trade union platforms. The Group has not implemented a right to disconnect policy because the situations in question have not been identified and priority has not been afforded to developing and regulating such a policy.

As regard social dialogue, the Group is covered by the above-mentioned collective bargaining agreements and holds periodic meetings with the employees' legal representatives, besides the communication mechanisms that are common practice in the business world. Meetings are regularly held with the employees' representatives (works committee and delegates) to discuss various matters affecting labour relations in the plants and with the health and safety committees.

The employees' representatives are quarterly informed of trends in the economic sector, the Company's business situation and performance, forecast new contracts and absenteeism statistics. A channel for communicating with the Audit committee, a delegated body of the Board, is available in the form of an open inbox. The Group applies national employment legislation in each country in which it has employees, all of whom are covered at national level by collective bargaining agreements.

The Miquel y Costas Group management understands that occupational risk prevention is a key aspect of business management to which all those involved must pay the utmost attention so as to continue ensuring a safe and healthy work environment in all of the Group's facilities, both hired and external staff.

With the aim of guiding all those members with management responsibilities in the Company, whether senior or middle management, the Miquel y Costas Group adopts the present Prevention Policy, expressed in the following principles:

- Personal health and safety (SST in Spanish) must be managed in agreement with the international standard ISO 45001:2008, with the same professional rigor as any other of the Company's key areas and all managers must specifically consider these aspects in all activities they carry out or order, and in all decisions taken, as an integral part therein.

- Work with security must be inherent to the activity developed and, in order to enable this, the necessary resources will be provided to reach set objectives with the commitment to eliminate eventual dangers.

- Through express delegation from the General Management, ongoing implementation and improvement of the SST management system, sustained in the leadership of each Factory's Management, the commitment and involvement at all levels and functions within the organisation. In order to achieve this, the authority and responsibility of each Area's Management and chain of command will be essential to guarantee the compliance with procedures, correct status of equipment and installations, as well as the appropriate use of protection equipment, both collective and individual.

- The Group will maintain and reinforce systems to enable the ongoing identification of dangers and assessment of labour risks as basis for the establishment of appropriate measures and control programmes, to walk towards an ongoing improvement.

- Actions will be reinforced for the training and motivation in occupational security and health to be part of the professional training of all employees, in order to guarantee sufficient training and information to all employees on risks, preventive and emergency measures in their corresponding work posts.

- Mechanisms will be boosted for the participation and consultation of workers' representatives to enable a fluent communication in prevention and to promote their involvement in the risk assessment processes and in the design and application of preventive programmes.

- Management will keep operating and monitor the necessary prevention plans and programmes to allow, in addition to the compliance with legal requirements and others subscribed by the company, the achievement of objectives set in the path towards a continuous improvement.

The collective bargaining agreements applicable at the Miquel y Costas Group's plants, encourage compliance with the provisions of current occupational health and safety legislation, particularly Law 31/1995 of 8 November on Occupational Risk Prevention and related enabling regulations.

In addition, the national collective agreement for the pulp, paper and board industry urges the greatest possible cooperation from all industry companies, the Group participating actively through the ORP Technical Forum, which focuses on ensuring that preventive measures effectively reduce risks and potential accidents during the production process.

Work centres' accident data for each plant in 2020 are as follows:

Occupational accident with sick leave at workplace				
Centre [1]	No. accidents (men)	No. accidents (women)	FR [2]	SR [3]
Miquel y Costas & Miquel, Tuset work centre	0	0	0	0
Papers Anoia	0	0	0	0
Miquel y Costas Tecnologías	0	0	0	0
MCEMA	0	0	0	0
Desvi	0	0	0	0
Miquel y Costas & Miquel, Besós Production centre	9	0	27.3	1.6
Miquel y Costas Logística	1	0	70.4	0.7
Production centre Celesa	5	0	35.8	2.7
Miquel y Costas & Miquel, Mislata Production centre	6	0	46.9	1.3
Miquel y Costas & Miquel, Capellades Production centre	2	2	16.5	0.7
MB Production centre	7	0	49.2	2.7
Terranova Production centre	4	0	44	1.1
Clariana Production centre	1	0	10	0.1

Occupational accident with sick leave on the way to/from work		
Centre [1]	No. accidents (men)	No. accidents (women)
Miquel y Costas & Miquel, Tuset work centre	0	1
Miquel y Costas & Miquel, Besós Production centre	2	0
Papers Anoia	0	0
Miquel y Costas Tecnologías	0	0
MCEMA	0	0
Desvi	0	0
Miquel y Costas Logística	0	0
Celesa Production centre	0	0
Miquel y Costas & Miquel, Mislata Production centre	0	0
Miquel y Costas & Miquel, Capellades Production centre	0	0
MB Production centre	0	0
Terranova Production centre	0	0
Clariana Production centre	1	0

(1) Foreign subsidiaries are not included
(2) Frequency rate: number of accidents per million of worked hours
(3) Severity rate: number of days lost per thousand of worked hours

The occupational risk prevention system identifies, assesses and controls the risk that there may be workers engaged in professional activities showing a high incidence or risk of certain diseases. No professional disease was identified or declared in 2020.

During 2020, the Group was certified under standard ISO 45001:2018 in the work centres of Tuset (headquarters), production centre of Besós (Barcelona), production centre of Capellades (Barcelona), production centre of Mislata (Valencia), production centre of MB Papeles Especiales (La Pobla de Claramunt), production centre of Terranova Papers (La Pobla de Claramunt), production centre of Celesa (Tortosa) and production centre of Clariana. For 2021, the Group expects Miquel y Costas Logística to be certified under standards ISO 45001:2018.

ISO 45001:2018 is a top-level certification that substitutes the standard OHSAS 18001:2007 from 2021, which certifies the company since 2011.

Standard ISO 45001:2018 facilitates the integration of the quality and environment management systems and proposes the ongoing improvement through methodology PDCA, in order to establish processes to rely on the control, performance as planned and achievement of results established in the occupational security and health management system.

An annual Training Plan is drawn up after defining the work posts and identifying training needs arising from objectives set (defined by the department/area head, plant manager, general manager and/or division manager, relating to new products, processes or facilities, due to regulations applicable to a product or process, requirements of the Quality, Environment, Custody Chain and Occupational Safety Management System or changes to the Integrated Management System). This guarantees training for personnel that could influence product quality, customer service, environmental aspects and all matters related to the posts they hold, which could improve their performance.

On an annual basis, the Group establishes the training plan for all employees, providing them (per category and position) with the necessary training for the development their daily activity. The objective of such training sessions could be the acquisition of new knowledge linked to their daily functions, improvements of skills or achievement of certificates.

Additionally, in certain cases, and based on established career plans, the company has provided access to certain directors to specialised technical courses.

The number of training hours per category professional in 2020 for the national companies has been the following:

No. hours training by professional category	**Hours**
Directors	51
Supervisors and middle management	802
Administrative and technical personnel	1,431
Production personnel	945
Total	**3,229**

4. Respect for human rights

The management of Miquel y Costas & Miquel, S.A. and its Group companies declares a firm commitment to assuring respect for human rights in all areas and at all levels of the organisation. The prevalent feature of the Group's labour and human resources development policy has always been the non-discrimination principle, the guiding principles being:

- Respect for personal rights and dignity, regardless of gender.
- Upright, honest and responsible conduct.
- Rejection of any form of discrimination.

Business policies have been defined in strict compliance with the fundamental principles and values promoted by the main international human rights organisations, such as the United Nations or the World Labour Organisation. Also, and on a continuous basis, the Miquel y Costas Group works for the improvement of individual and collective labour rights for all its workers, beyond those required by international bodies.

Labour policies approved by the Group are always established under the prevailing employment legislation, developing the corresponding due diligence procedures to assure compliance.

Compliance with legislation on contracting and working conditions excludes the possibility of work situations that are abusive, forced or regarded as unlawful, such as child labour.

The different applicable collective bargaining agreements that govern labour relationships in the Miquel y Costas Group are industry-wide, and negotiations are always outside the company's core. Currently, the State's collective bargaining agreement of the sector of pulps, paper and cardboard is being negotiated for the period starting on January 1, 2021. Nonetheless, throughout time, negotiations are being held within the company, which usually end with adapted agreements and try to perfect rights defined at State level in the different collective bargaining agreements.

Union and meeting rights are guaranteed for all workers, as legally established, as well as rights and guarantees set in the labour regulations for members of the existing workers' legal representation in all centres.

The Miquel y Costas Group makes available to the different workers' legal representations and different union representations the necessary material and space means for the good development of their functions, in interest of their organisations and represented parties, thus easing the holding of meetings and/or assemblies.

The union percentage is known and relatively low, as a consequence of having healthy and collaborative labour relationships, not exempt from occasional differences, but also not exempt from the search of ways to solve possible discrepancies.

With the approval of the Code of Ethics by the Board of Directors, on November 27, 2017, the Miquel y Costas Group's will to develop its activity based on its values of integrity, transparency, equality, commitment and excellence becomes evident, as guide for its employees' conduct, as well as for the Senior Management and the Board of Directors. The Code of Ethics ensures the Group's commitment to the development of its activities in agreement with solid ethical values, and to the compliance with the legislation in force.

The Code of Ethics is applicable in all companies integrated in the Miquel y Costas Group and reaches all personnel who deliver services for the Group. The Board of Directors and Management are responsible for setting the tone and, through the Compliance Officer, to spread and guide all collaborators in the compliance with the principles and standards therein established.

In turn, it is also extendable and must be known and adhered by all third parties who, in a way or another, collaborate with the Miquel y Costas Group.

In addition to the compliance with legal obligations, and in agreement with the Corporate Social Responsibility Policy implemented, social, labour, environmental concerns and respect for human rights related to the relationship with the stakeholders are voluntarily integrated in the governance, management and business strategies.

In attention to the guiding principles, the parent company has implemented an “Equality Plan” in order to contribute to ensuring the inexistence of discriminatory behaviours for gender in the labour sphere, through the implementation of measures that favour the incorporation, permanence and development of the people, in order to:

- Promote a balanced involvement between women and men at all levels within the business organisation.
- Ensure the compliance with those existing legal measures that favour the balancing of the family and professional life.
- Facing with full guarantees any incident that could derive from sexual, moral or gender harassment.

Additionally, the Group has implemented an “Internal procedure to prevent sexual, moral or gender harassment at work”, establishing penalties for any case of harassment in the Group companies.

Furthermore, and in agreement with the “People management procedure (PRGESRH)”, the Miquel y Costas Group, twice a year, employee satisfaction surveys, measuring and analysing the results and, based on the values obtained in the different items, improvement actions are implemented. Currently, the Group is elaborating complementary surveys to acquire a greater knowledge and level of satisfaction.

Given that ethical values drive the activity and substantiate the trust on the personnel and the environment, it is essential to ensure the respect for human rights and business policies, claiming any non-compliance with these principles. For such purpose, the Group has implemented a Whistleblowing Channel which, in agreement with the “European Directive related to the protection of people who report illegal activities and abuses”, all reports received will be diligently processed, with absolute confidentiality and ensuring the rights of the parties involved: the figure of the whistle-blower will be protected by the Audit Committee (delegated body of the Board of Directors) against any type of retaliation, direct or indirect; additionally, the rights of any person who could be unjustly accused or in bad faith will be protected.

In 2020, the Group has not received any claim related to discrimination, harassment or lack of respect of human rights.

Moreover, and in order to guarantee the compliance with the guiding principles of the labour policy, the Group carries out training plans on ethics standards for all staff.

Additionally, all new joiners receive, at their arrival, a Welcoming Manual which includes, among others, information related to policies and procedures concerning business ethics and their compulsory compliance and penalising system.

5. Fight against corruption and bribery

The Audit Committee, as delegated responsible body, agreed, on November 27, 2017, and the Board of Directors ultimately ratified, on December 18, 2017, the Anticorruption and Antibribery Policy, in addition to the Code of Ethics and the Corporate Social Responsibility Policy.

The Code of Ethics, Corporate Social Responsibility Policy and Anticorruption and Antibribery Policy are applicable to all the companies of the Miquel y Costas Group and all their personnel.

In turn, they are also extendable, and their knowledge and adhesion is compulsory for all third parties who, in a way or another, collaborate with the Miquel y Costas Group, through representations and guarantees of anticorruption conduct (clauses of ethics in contracts, due diligences).

The Anticorruption and Antibribery Policy reinforces the commitment held by the Miquel y Costas Group to develop its activities in agreement with the legislation in force, substantiated in the values and principles of the Code of Ethics (integrity, transparency, equality, commitment and excellence). Also, the Anticorruption and Antibribery Policy includes the necessary mechanisms to prevent the money laundering risk.

Likewise, the Corporate Social Responsibility Policy is established with the aim for, in addition to the strict compliance with legal obligations in force, the voluntary integration in the government, management and business strategies, of the social, labour, environmental concerns and respect for human rights related to the stakeholders who form the environment and constitute the Miquel y Costas Group's sustainable value.

In order to comply with the Code of Ethics, the Corporate Social Responsibility Policy and the Anticorruption and Antibribery Policy, the control model implemented to prevent risks is applied..

The Miquel y Costas Group, since 2016, has implemented the "Internal Control Model to Prevent Criminal Risks". This management and organisation model has been designed under the conviction and will to cover all areas of activity and includes the necessary measures of surveillance and control to prevent and detect the commission of crimes (and paying more attention to criminal breaches that could affect the legal entity), guaranteeing before third parties the company's good will.

Through the Compliance Officer, legal regulations in force are complied with through the review, analysis and periodic supervision of control activities applied in the different processes exposed to the risk, in order to identify criminally punishable conducts and procedures, both internally and by third parties, and which occur within the Group or its activities, and to adopt appropriate measures in each case.

Based on the implementation of the management system to control criminal risks, criminal acts that could have a greater incidence are detected and prioritised, while identifying areas and processes that are most strongly exposed to the risk and mitigating control mechanisms. The management model is updated and, for such purpose, the following actions are performed:

- Periodic supervision of the effectiveness of existing controls;
- Action plans to establish new control mechanisms or improve existing mechanisms;
- Internal audit plan of critical controls; and
- External audit to assess the management model.

Periodically, the Group performs an internal follow-up of the compliance with the control mechanisms implemented in the most exposed processes, extracting conclusions on the suitability of their design, assessing their operating effectiveness in the prevention or detection of particularly criminal offences, and deriving actions.

Additionally, and on an annual basis, a diagnosis report is performed by the external audit, assessing the compliance management system, in order to verify the degree of maturity and effectiveness, and its alignment with technical aspects and needs defined in the UNE 19601. Exceptionally, it has not been possible to perform the external audit in 2020, given the circumstances caused by the situation of worldwide pandemic.

The Audit Committee (delegated body of the Board of Directors) is in charge of supervising and approving actions performed and results obtained.

The Code of Ethics, as well as the Corporate Social Responsibility Policy and the Anticorruption and Antibribery Policy in force in all Miquel y Costas Group companies is public, consultable and accessible (both internally and externally) in the following website: http://www.miquelycostas-gob.com/

The management of the compliance with this set of policies and procedures related to business ethics, and the resolution of consultations derived from them, are centralised in the Audit Committee through the figure of the Compliance Officer, as well as the thorough examination of possible claims or suspicions of the commission of illegal actions that could be processed through channels available in the Group.

In order to ease the reporting by the staff and third parties of actions of non-compliance or illegal actions or suspicions thereof, it is compulsory to count with channels and internal reporting procedures. The Miquel y Costas Group has therefore implemented the Whistleblowing Channel.

Through a contact mailbox on its corporate governance site (mainly, for external use), and physical mailboxes available at each working centre (for internal use), all communications are collected and registered by the Compliance Officer, before being conveyed to the Audit Committee, who studies them, assesses them and adopts measures, with the due diligence, as deemed convenient in each case within the framework of the Miquel y Costas Group's internal control.

In agreement with the “European Directive related to the protection of people who report illegal activities and abuses”, all reports received will be diligently processed, with absolute confidentiality and ensuring the rights of the parties involved: the figure of the whistle-blower will be protected by the Audit Committee against any type of retaliation, direct or indirect; additionally, the rights of any person who could be unjustly accused or in bad faith will be protected.

In the period subject to the present report, there are no confirmed cases of corruption. As a consequence, derived from this:

- There has not been any warning or dismissal of any employee.
- There has not been any termination or lack of renewal of contracts with any business partner.
- The Group has not received lawsuits for this reason, neither against the organisation or any of its employees.

The totality of centres located in the national territory and the most significant risks related to corruption have been assessed.

Centres distributed per typology are the following:

- Industrial: Miquel y Costas and Miquel S.A. (Besós centre, Mislata centre, Capellades centre), MB Papeles Especiales S.A., Terranova Papers S.A., Celulosa de Levante S.A., Miquel y Costas Logística S.A., Clariana S.A.
- Commercial: Papers Anoia S.A., Sociedad Española Zig-Zag S.A.
- Services: Miquel y Costas & Miquel (Tuset centre), Miquel y Costas Tecnología S.A., Miquel y Costas Energía y Medioambiente S.A.

The most relevant risks related to the corruption and linked to the group’s activities are detailed below:

- Fraud and swindles.
- Frustration of enforcement.
- Criminal insolvency.
- Money laundering.
- Bribery.
- Influence peddling.

In order to strengthen the position related to the zero tolerance with actions of corruption or any crime, the Group carries out training plans on ethics standards, aimed to all staff. The training is not only given to key employees exposed to high risks, but to all personnel.

Additionally, all new joiners receive, at their arrival, a Welcoming Manual (described in section 4. Respect for human rights).

These training programmes are aimed to guarantee the application of the risk prevention procedure and to identify possible warning signs, as well as to spread and ensure the compliance with the principles of the Code of Ethics, the Corporate Social Responsibility Policy and the Anticorruption and Antibribery Policy.

At 2020 closing:

- All members of the governing body have received information on business ethics policies and training on the procedures available in the organisation to fight against the corruption.

- 100% of new joiners, this year, have been informed about policies and procedures that govern the Group's activities and ethical principles that define its conduct, including the Anticorruption and Antibribery Policy.

- 90% of the personnel have received training on organisation's ethics standards, where the outstanding percentage corresponds to recent joiners or temporary disabilities.

6. Society

The Group keeps permanently in contact with its local communities, including education authorities, businesses, municipal entities and their sectors. The purpose of this relationship is to obtain information on potential collaborators and establish close contacts among industry companies and associations so as to improve the management and knowledge of different situations, or in the interests of economic development in the local population or zone in which the companies are located.

Through the Miquel y Costas Foundation, promoted within the Group, the majority of collaborations with the different stakeholders are materialised, such as, for illustrative purposes, the collaboration for the recovery of the Historic Heritage of a paper mill (a singular building from the 18th century that is being fully recovered) or collaborations in educational programmes in our stakeholders' communities, among others.

Concerning the relationship with business associations, the Group through its companies or through the Miquel y Costas Foundation is a sponsoring member of Museu Molí Paperer de Capellades (Barcelona) and is member of the business association of the region of the Anoia UEA (Unió Empresarial de l'Anoia).

Donations made by the Group in the year have amounted to €73, out of which €70 thousand have been offered to the Miquel y Costas Foundation, which in turn has almost totally reverted it to society.

Purchases

As regard the supply chain, the procurement department assesses suppliers of materials for industrial and business activity taking into account aspects related to quality, price, delivery period, technical service and assistance, and the environment. Regular audits are carried out covering all these matters, including internal questionnaires that must be completed and visits to the supplier's facilities by the Group's technical personnel, over 164 reviews having been carried out with an average score of 91.2 out of 100, as well as visits to suppliers' facilities by the Group's technicians. Exceptionally, in 2020, the Group has not made any visit to suppliers' facilities, as a consequence of the situation caused by the Covid-19.

The procurement department manages raw material orders regularly with each supplier, analysing available stocks and future needs. Raw materials are then assigned to the plants as necessary. As regard the other production materials, the department negotiates prices and delivery terms with each supplier and each plant is responsible for quantifying material needs (product, quantity and delivery date). The procurement department then prepares and sends the orders to the suppliers.

For supplier approval purposes, the Miquel y Costas Group has a general supplier assessment procedure (PRCOM02) that describes the selection, evaluation and monitoring of suppliers in their facilities, determining their capacity to meet quality requirements for each product and service, including environmental criteria for all suppliers and custody chain criteria for raw materials of forest origin. When contracting all its suppliers, particularly those linked to the production activity, the Group also informs them of its Code of Ethics, Corporate Social Responsibility and Anticorruption Policy, and verifies CSR aspects in the supplier audits.

In addition, an operational control procedure (PRSAM04) is applied for environmental aspects associated with equipment and facility maintenance activities and those performed by subcontractors.

Specifically for subcontractors that carry out work in the facilities of Miquel y Costas & Miquel, S.A. and its Group, the CTAIMA platform is used to coordinate business activities, informing the companies of the environmental requirements to be fulfilled in order to work inside the facilities.

Finally, a Welcoming Manual is provided to all subcontracted personnel who are to work for the Group containing environmental information, among other aspects.

Tax information

The Group makes contributions to the territories in which it is located. Certain assistance is also received to promote public policies aligned with those of the Group. Details of this assistance may be found in note 14 a) to the 2020 Consolidated Annual Accounts.

Net profits obtained by country in 2020 are as follows:

COUNTRY	PROFIT BEFORE TAX	CORPORATE INCOME TAX PAYMENTS
SPAIN	**56,969**	**11,304**
OTHER COUNTRIES (Subsidiaries)	**1,293**	**552**
TOTAL	**58,262**	**11,856**

* Data in thousands of Euros.

Regarding the net benefits obtained by country in 2019, the information is as follows:

COUNTRY	PROFIT BEFORE TAXES	INCOME TAX PAYMENTS
SPAIN	50,452	11,604
OTHER COUNTRIES (Subsidiaries)	614	176
TOTAL	51,066	11,780

* Data in thousands of euros.

Consumers

The Group complies with legislation in force in the countries where its products are sold. Most are industrial products that are included in other companies' production processes. Products used in the food industry fulfil all requirements to guarantee the health and safety of consumers and, in the case of Terranova Papers, meet the BRC-IOP standard. Product technical specifications are defined by customers, no claim of customers having been received in relation to consumer health. Derived from the quality management system certified under standard ISO 9001, procedures have been established for the communication, reception, management and resolution of any incident or claim that could take place by our clients.

This report is available in the website www.miquelycostas.com

Appendix I. Traceability table under Law 11/2018

SCOPE	Content	GRI Reference Standards	Section of this report
Business model	Brief description of the group's business model, including: 1.) business context 2.) organization and structure 3.) markets in which it operates 4.) objectives and strategies 5.) main factors and trends that may affect its future performance.	102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-15, 102-45	1. The Group's business model
Policies	A description of the policies applied by the group in relation to environmental matters, social issues, respect for human rights, combating corruption and bribery, and those related to personnel, including any measures that may have been adopted under the principle of equal treatment and opportunities for women and men, non-discrimination and inclusion of the disabled and universal accessibility	103-2	These policies are described throughout the chapters of this NFIS
S/T, M/T and L/T risks	The main risks related to these matters and the group activities including, where relevant and proportionate, its commercial relationships, products or services that could have adverse effects on those areas; and * how the group manages those risks, * explaining the procedures employed to detect and assess them in accordance with the national, European or international reference frameworks for each matter. * Information must be included on any impacts detected, providing a breakdown, particularly of the main short-, medium- and long-term risks	102-15, 102-30	Risks are described throughout the chapters of this NFIS
Environmental matters	**Overall Environment**		
	1.) Detailed information on the current and foreseeable effects of the company's activities on the environment and, if applicable, on health and safety, environmental assessment or certification procedures; 2.) Resources devoted to preventing environmental risks; 3.) Application of the precautionary principle, the amount of provisions and guarantees for environmental risks. (e.g. under environmental responsibility legislation).	103-2, 102-11, 307-1	2. Environmental matters
	Pollution		
	1. Measures to prevent, reduce or repair carbon emissions that seriously affect the environment.	305-6, 305-7, 303-4	2. Environmental matters
	2. Taking into account any form of atmospheric pollution specific to an activity, including noise and light.		

SCOPE	Content	GRI Reference Standards	Section of this report
	Circular economy and waste prevention and management		
	Circular economy;	301-2, 301-3, 306-4, 306-5, 103-2	2. Environmental matters
	Waste: Measure for the prevention, recycling, reuse, other forms of recovery and disposal of waste;		
	Actions to combat food waste.		Not reported, non-material
	Sustainable use of resources		
	Consumption of water and water supply in accordance with local limits;	303-1, 303-2, 303-3 103-2 301-1, 302-1	2. Environmental matters
	Consumption of raw materials and measures adopted to use them more efficiently;		
	Direct and indirect consumption of energy, measures taken to improve energy efficiency and the use of renewable energies.		
	Climate change		
	Significant aspects of the greenhouse gas emissions generated by the company's activities, including the use of the goods and services produced;	305-1 305-2, 305-5	2. Environmental matters
	Measures to adapt to the consequences of climate change;		
	Medium- and long-term reduction targets set voluntarily for greenhouse gas emissions and the means implemented to achieve them.		
	Protection of biodiversity		
	Measures taken to preserve or restore biodiversity;	103-2, 304-1 304-2	2. Environmental matters
	Impacts of activities or operations on protected areas.		
Social and personnel-related matters	**Employment**		
	Total number and distribution of employees by gender, age, country and professional category;	102-8 405-1	3. Social and personnel-related matters
	Total number and distribution of employment contract types;		
	Annual average indefinite contracts, temporary contracts and part-time contracts by gender, age and professional category;		

SCOPE	Content	GRI Reference Standards	Section of this report
	Number of lay-offs by gender, age and professional category;	401-1	3. Social and personnel-related matters
	Average remuneration and trends by gender, age and professional category or equivalent value;	102-35, 102-36	3. Social and personnel-related matters
	Wage gap, remuneration for the same positions or the company's average remuneration;	405-2	3. Social and personnel-related matters
	Average remuneration of Board directors and executives, including variable remuneration, per diems, indemnities, payments to long-term pension schemes and any other remuneration broken down by gender;	102-38, 102-39	3. Social and personnel-related matters
	Implementation of right to disconnect policies;	103-2	3. Social and personnel-related matters
	Disabled employees.	405-1	3. Social and personnel-related matters
	Work organization		
	Organization of working hours;	103-2	3. Social and personnel-related matters
	Number of hours of absenteeism;	403-2	3. Social and personnel-related matters
	Measures to facilitate a work-life balance and encourage the co-responsibility of both parents.	103-2	3. Social and personnel-related matters
	Health and safety		
	Health and safety in the workplace;	403-1, 403-3	3. Social and personnel-related matters
	Occupational accidents, particularly frequency and severity, professional diseases, broken down by gender.	403-2	3. Social and personnel-related matters

SCOPE	Content	GRI Reference Standards	Section of this report
	Labour relations		
	Organization of social dialogue, including procedures to inform, consult and negotiate with personnel;	103-2	3. Social and personnel-related matters
	Percentage of employees covered by collective bargaining agreements by country;	102-41	3. Social and personnel-related matters
	Main content of the collective agreements, particularly in relation to occupational health and safety.	403-4	3. Social and personnel-related matters
	Training		
	Implemented training policies;	103-2	3. Social and personnel-related matters
	Total training hours by professional category.	404-1	3. Social and personnel-related matters
	Universal accessibility for the disabled	405-1	3. Social and personnel-related matters
	Equality		
	Measures adopted to promote equal treatment and opportunities for women and men;	103-2, 405-1	3. Social and personnel-related matters
	Equality plans (Chapter III of Organic Law 3/2007 of 22 March on the effective equality of women and men), measures taken to promote employment, sexual and gender harassment protocols, integration and universal accessibility for the disabled;		
	The policy on all kinds of discrimination and, if applicable, on diversity management.		
Human rights	**Human rights**		
	Application of due diligence procedures in relation to human rights; Prevention of risks of infringement of human rights and, if applicable, measures to mitigate, manage and repair any abuses committed;	102-16, 412-1	4. Human rights

SCOPE	Content	GRI Reference Standards	Section of this report
	Claims for the infringement of human rights;	102-17, 406-1, 419-1, 411-1	4. Human rights
	Promotion and fulfilment of the provisions of the fundamental conventions of the International Labour Organization relating to freedom of association and the right to collective negotiation;	407-1 409-1 408-1	4. Human rights
	Elimination of discrimination in the field of employment and occupation;		
	Elimination of forced or compulsory labour;		
	Effective abolition of child labour.		
Corruption and bribery	**Corruption and bribery**		
	Measures taken to prevent corruption and bribery;	103-1, 102-16 205-1	5. Fight against corruption and bribery
	Measures to combat money laundering.	102-16, 103-2	5. Fight against corruption and bribery
	Contributions to foundations and non-profit entities.	102-13	5. Fight against corruption and bribery
Society	**Company's commitments to sustainable development**		
	The impact of the company's activity on employment and local development;	103-2	6. Society
	The impact of the company's activity on local populations and on the territory;	203-1, 413-1	6. Society
	Relations and modes of dialogue with members of local communities;	102-43	6. Society
	Associations or sponsorships.	102-12	6. Society
	Subcontracting and suppliers		
	The inclusion in the procurement policy of social, gender equality and environmental matters; Consideration of social and environmental responsibility in relations with suppliers and subcontractors;	102-9 308-1 414-1	6. Society

SCOPE	Content	GRI Reference Standards	Section of this report
	Oversight systems, audits and related findings.	308-2, 414-2	6. Society
	Consumers		
	Consumer health and safety measures;	416-1, 416-2, 417-1	6. Society
	Claim systems, complaints received and solutions.	102-43, 102-44, 418-1	6. Society
	Tax information		
	Profits obtained by country	207-4	6. Society
	Income tax paid	207-4	6. Society
	Government grants received	201-4	6. Society