



## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

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### IDENTIFICATION DATA OF THE ISSUER

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End date of the period of reference:

31/12/2018

CIF [Tax Identity Number]:

A-28060903

Company Name:

**CORPORACION FINANCIERA ALBA, S.A.**

Registered office:

CASTELLO, 77, 5ª PLANTA MADRID



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### A. THE COMPANY'S REMUNERATIONS POLICY FOR THE CURRENT YEAR

- A.1. Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.

Specific calculations for the year in progress should be described, for the remuneration of directors in their status as such as well as for their executive functions carried out for the Board pursuant to the contracts signed with executive directors and to the remuneration policy approved by the General Shareholders' Meeting.

In any event, the following aspects should be reported:

- Description of the company's procedures and bodies involved in the calculation and approval of the remuneration policy and its terms and conditions.
- State whether comparable companies have been considered to establish the company's remuneration policy, and if so provide details.
- Information about whether any external advisors were involved in this process, and if so provide details.

In accordance with that outlined in articles 529 novodecies and concordant provisions of the Capital Companies Act, for the calculation and approval of the Remuneration Policy of the Board of Directors of Corporación Financiera Alba, the Appointments and Remuneration Committee approves the corresponding report on the Remuneration Policy and submits the Proposed Remuneration Policy to the Board of Directors, which is submitted for approval to the General Shareholders' Meeting of Corporación Financiera Alba, S.A.

In relation to the members of the Board of Directors in their position of such, the Remuneration Policy must calculate their remuneration within the system put forth by statutory regulations and include the maximum amount of annual remuneration to satisfy the group of them in their capacity of Directors.

In relation to the Directors performing executive functions (Executive Directors), the Remuneration Policy must consider the amount of the annual fixed compensation, the parameters for fixing the variable components, and the main terms and conditions of their contracts.

Any remuneration received by the Directors for the exercise or termination of their position and for the performance of executive functions must be consistent with the applicable Remuneration Policy at each time, except for remunerations expressly approved by the General Shareholders' Meeting.

The general principles upheld by the Remunerations Policy are as follows:

- Balance and moderation.
- Alignment with generally accepted compensation practices.
- Generally monitoring the recommendations on good corporate governance relating to the remuneration of the Directors.
- Compatibility with (i) adequate and effective risk management, not providing incentives to take risks that are based on the level of risk tolerated, and (ii) the Group's long-term business strategy, goals, values and interests, avoiding potential conflicts of interest, and
- Being subject to the decisions taken by the General Shareholders' Meeting.

The Remunerations Policy distinguishes the remuneration of the Directors in their capacity as such and the remuneration of the Directors for their performance of executive functions.

The compensation of Directors as such is based on the following principles:

- Sufficiency to compensate for their dedication, skill and responsibility, but without this being so high as to compromise their independence.
- Relationship with the effective dedication.
- Connection with the responsibility and the development of their functions by the various Directors.
- Absence of variable components.
- Incentive by nature, but in measures that do not affect their independence.
- To take into account, as reference, market criteria, focusing on the remuneration foreseen for Directors of listed companies with which a comparison can be established.

So any reference to compensation for directors who perform executive functions are based on the following principles:

- To reward the performance of their functions with a comprehensive offer of cash and non-cash elements that meet the variety of needs and expectations in a professional environment, and that serve as a tool for the communication of organizational and business objectives.
- To align performance with the objectives of the group at different time lines, encouraging the sustainability of results.
- To recognise the capacity for creating value, as well as personal abilities and characteristics.
- To promote a culture of commitment of the group's objectives, taking into account that it is essential to have the contribution of both the individual and the team.
- To evaluate professional development and the results of activities using standardised criteria.
- To provide equitable and competitive remuneration, bearing in mind the responsibilities of the position and a flexible approach to the market, in order to attract and retain the best professionals.



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- To review the systems and remuneration updates so that, the necessary adjustments can be introduced, where appropriate, addressing the results and the capacity for motivation.

The Appointments and Remuneration Committee examined the preparatory work of the Remuneration Policy, which included a comparison to the remuneration of the Directors of other listed companies, with this one being one of the principles in which the Directors' remuneration is based on their capacity as such.

Characteristics of the comparative study were as follows:

- Sample of companies having similarities with Corporación Financiera Alba, S.A.: family firms, companies of similar share capital to Alba, international holdings and companies from the investment and financial sectors. Data was obtained from remuneration reports published by companies.
- Remuneration of directors in their capacity as such: An assessment was made of the remuneration received for being a member of the Board or Committees, the maximum estimated remuneration for a Director in addition to two Committees, the total remuneration paid to the Directors in the year that was analysed and the maximum amount planned for that year.
- Remuneration of the Executive Directors in these companies: An assessment of each was made for the total received by Executive Directors in the year, taking into consideration salary components: wages based on the role of the CEO, short and long-term variable compensation, and other forms of remuneration (remunerations in kind).

No external counsel has been involved in the draughting of the Policy on the Board's Remuneration.

- Relative importance of variable remuneration items in relation to fixed remuneration items (remuneration mix) and the criteria and objectives taken into consideration in their calculation and to ensure a suitable balance between components of fixed and variable remuneration. In particular, state the actions adopted by the Company in relation to the remuneration system to reduce exposure to excessive risks and adapt it to the company's long term goals, values and interests, including, as the case may be, a reference to: planned measures for guaranteeing that the remuneration policy will cater to the long-term results of Company, measures adopted in relation to those categories of staff whose professional activities have a material impact on the risks of the entity and measures for avoiding any conflicts of interest.

Furthermore, state whether the company has established any period of accrual or consolidation of certain variable remuneration items, in cash, shares or other financial instruments, any period of deferral in the payment of amounts or handover of already accrued and consolidated financial instruments, or whether a deferred remuneration reduction clause has been agreed or that obliges the director to return remuneration received, when such remunerations have been based on certain figures that have clearly been shown to be inaccurate has been agreed.

With regard to the Plans for 2016, 2017 and 2018, it is impossible at the present time to determine the relative effect of the variable remuneration on the fixed remuneration of Directors with executive functions, since the variable remuneration items approved by the General Shareholders' Meeting held on 8 June 2016, 19 June 2017 and 18 June 2018 have not yet materialised, since they will be due, in each case, on the third year after it is established so it cannot be quantified.

In 2018, the relative importance of the three-year variable remuneration generated in the period 2015-2018 in relation to the total remuneration for 2018 of Directors with executive functions, was 33.8%.

The Remuneration Policy anticipates that the remuneration of the Directors must save a reasonable proportion with the importance of the company, the financial position it has at each time and the comparable business market standards, to be driven by promoting the long-term profitability and sustainability of the company, incorporating the necessary precautions to prevent excessive risk taking and unfavourable results.

Fees for directors by their status as such, as well as those established for their participation in the committees of the Board, are established in moderate amounts, especially if compared with those established for other companies listed.

To set variable compensation, the following criteria are considered:

- The variable remuneration of Executive Directors shall take into account the management functions they perform and the results obtained therewith.
- For quantifying the variable remuneration of the Executive Directors one must take into account the creation of value for the shareholder, according to the evolution of the net value of the company's assets (net asset value).
- The Executive Directors' variable remuneration will relate to their professional performance and not simply derived from the general evolution of the markets.

To reduce exposure to excessive risks, the Board of Directors has agreed that investment and divestiture decisions are taken collectively, by the Board of Directors itself, if they exceed the two hundred million euros, or by the Operations Committee, when operations exceed the limits set by the Managing Director, who will make these decisions only for amounts under twenty-five or ten million euros, depending on the investment concerned.



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Except where indicated by the Managing Director, no Executive Director can take decisions that may involve risk to the Company.

To meet the Company's long-term results, the established system of variable remuneration for the Executive Directors and for any personnel of the Company that may be approved by the Board of Directors is linked to the evolution of the company's net asset value, due three years from its approval. These plans will be drawn up at the discretion of the Company, by way of cash payments, the granting of stock options and/or shares. This received remuneration is based on the number of units allocated to link them more directly to the value creation process for the shareholders of Corporación Financiera Alba, S.A. A maximum number of units to be awarded annually are established.

The variable compensation system intended for the Executive Directors and the Company personnel determined by the Board of Directors does not have an annual accrual, so it implies a period of deferral of the payment thereof, given no payment of the relevant variable compensation shall be paid until three years after the date the Board of Directors agrees to implement the variable remuneration system approved by the General Shareholders' Meeting. This deferral in paying variable compensation allows for the compliance with established conditions to be verified.

Both the Remuneration Policy approved in 2018 and the contracts of Executive Directors who perform executive functions contain a "clawback" recovery pact of accepted variable compensation, in the event that (i) variable compensation is accepted by considering data whose inaccuracies are credited after it has been accepted (e.g., based on any contingencies in the external auditor's report that undermine the results), (ii) a fraudulent action is committed by the Director, or (iii) the Director inflicts serious damages upon the Company due to fault or gross negligence, whereby the Company shall have the right to claim a reimbursement of the relevant components of the variable compensation from the Director. In such a case, the claim may be made within a period of three years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

- The amount and nature of the fixed components that are due to be accrued during the year by directors in their status as such.

According to the Remunerations Policy approved at the General Shareholders' Meeting held on 18 June 2018, the Directors' remunerations for their capacity as such are as follows:

- The remuneration of all members of the Board of Directors because of their as such consist of 65,000 euros a year.
- Co-Chairs shall each receive an additional remuneration of 78,000 euros a year.
- Additional remuneration of 15,000 euros a year for participation in the Audit Committee.
- Additional remuneration of 10,000 euros a year for participation in the Appointments and Remunerations Committees.
- Additional remuneration of 15,000 euros a year for participation in the Operations Committee.
- Additional remuneration of 10,000 euros a year for participation in the Investment Advisory Committee.
- Additional remuneration of 10,000 euros a year for participation in any Committee other than the above.
- The maximum total remuneration for all of the Board of Directors is established by the General Assembly at 1,500,000 euros a year.
- The Board of Directors will determine the terms in which this remuneration will be paid and the time of payment.

The amounts indicated are fixed, not depending on the number of meetings held throughout the year. In the event that any membership of the Board of Directors does not extend throughout the year, the amounts will be prorated by quarters.

The annual amount of the fixed remuneration expected to be accrued for the Directors in their capacity as such for the year 2019 is 1,093,000 euros.

- Amount and nature of the fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

Under the Remuneration Policy approved at the General Shareholders' Meeting of 18 June 2018, the following are considered to be fixed remunerations of the Directors performing executive functions:

### (a) Basic remuneration

The Basic Remuneration of Directors who perform executive functions shall consist of an annual gross sum amounting to:

- Basic Remuneration of Executive Vice-President: up to 600,000 euros a year.
- Basic Remuneration of CEO: up to 800,000 euros a year.
- Basic Remuneration of Secretary of the Board: up to 400,000 euros a year.
- Basic Remuneration of Director with other executive functions: up to 400,000 euros a year.

The actual amount of the Basic Remuneration of Directors who perform executive functions is fixed in their respective contracts.

The Basic Remuneration is paid in fourteen monthly terms.

The Basic Remuneration is updated at the beginning of each calendar year by the Board of Directors, as proposed by the Appointments and Remuneration Committee, by the increase in at least the same percentage as set forth in the Consumer Price Index.

### b) Supplement

The Directors who perform executive functions will receive the following annual gross amounts, as a Supplement:

- Supplement for Executive Vice-President: up to 400,000 euros annually.
- Supplement for Managing Director: up to 400,000 euros annually.
- Supplement for Secretary of the Board: up to 200,000 euros annually.
- Supplement for Director with other executive functions: up to 200,000 euros annually.

The actual amount of the Supplement for Directors who perform executive functions is set in their respective contracts.

The Supplement is updated by agreement of the Board of Directors, as proposed by the Appointments and Remuneration Committee, with its amount or proportion by discretion of the Company.



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The Company also has the discretionary power to reduce and even completely remove the Supplement if, in exceptional circumstances, the results of the Company are unsatisfactory because of the poor performance of the services by any Director who performs executive functions.

The maximum aggregate amount of the Supplement for all the Directors who perform executive functions is 3,000,000 euros per annum.

c) Any amounts that the Director who performs executive functions may receive from the Company for their capacity as Director as such or for any other charges or functions in other subsidiary companies or entities, participated or related, will be calculated as part of the fixed remunerations, of which amount will be reduced by the amount directly credited by the Company.

The specific amounts of the various fixed components of the remuneration of the Executive Directors are referenced in the relevant sections of this Report.

The annual amount of the fixed remuneration expected to be accrued by the Executive Directors for the year 2019 amounts to 1,520,000 euros.

- Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

Under the Remuneration Policy approved at the General Shareholders' Meeting of 18 June 2018, the Directors performing executive functions at Corporación Financiera Alba shall be entitled to the coverages listed below, for which the Company will arrange the corresponding insurance policies, which will be considered remuneration in kind.

The maximum aggregate amount of the remuneration in kind for all the Directors who perform executive functions is 1,000,000 euros per annum.

Components of remuneration in kind are as follows:

- Annual coverage of the alternative pension system
- Life, accident and disability insurance
- Health insurance of the Director, their spouse and their children under the age of thirty.
- Leasing

The annual remuneration amount expected to be accrued in 2019 is 250,000 euros.

- Amount and nature of variable components, differentiating between those established in the short and long term. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration in the year in progress, explaining the extent to which these parameters are related to performance, both of the director and of the company, together with their risk profile, and the methodology, deadline necessary and techniques established to determine the degree of compliance with the parameters used in the design of the variable remuneration at the end of the year.

State the range in monetary terms of the different variable components based on the degree of achievement of established objectives and parameters, and if there is a maximum monetary amount in absolute terms.

The Directors, in their capacity as such, do not receive any variable compensation.

Directors who perform executive functions at Corporación Financiera Alba may, at the Company's discretion, be the beneficiaries of variable compensation plans linked to the evolution of the Company's net asset value established in favour of them and of the directors. Such plans may be realised, if the Company so chooses, by way of cash payments, the granting of stock options and/or shares.

Currently, effective variable compensation plans are expected to be settled in cash, although, at the Company's choosing, may be settled by payment in shares valued at the closing of the day before they are transferred to the Directors.

When variable remuneration is effected in stock option plans or share plans, these plans shall have the following principal characteristics: they will be issued free of charge; liquidation may be settled by offset; and they shall be transferable, unless subject to exceptions.

Variable remuneration may be established every year, and its maturity may be multi-year, and shall take into account the difference between the "final net asset value" and the "initial net asset value" of the shares of the Company, which shall be calculated by valuing the assets of Corporación Financiera Alba, S.A. with the criteria set by the Board of Directors, deducting the treasury stock and excluding the taxes derived from the theoretical settlement.

- The "initial net asset value" of each share shall be the net asset value of Corporación Financiera Alba's shares during the ten trading sessions prior to the "initial day" of the Plan. The "initial day" of the Plan shall be the day in which the Plan is agreed to be implemented by the Board of Directors.

- The "final net asset value" shall be the net asset value of Corporación Financiera Alba's shares during the ten trading sessions prior to the "final day" of the Plan. The "final day" of the Plan shall be the day within three years (counting from date to date) from the "initial day" of the Plan.

The maximum difference between the "final net asset value" and "initial net asset value" may not exceed 30 per cent of the "initial net asset value".

The maximum aggregate amount of the Variable Remuneration for all the Directors who perform executive functions is 7,000,000 euros per annum.

In the event that a positive result is not obtained by the maturity of a plan, the "initial net asset value" of the plan that is approved, if any, as a successor of which it would have matured will be calculated with a minimum of 90 percent of the "initial net asset value" of the matured plan.

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Variable pay does not take into account non-financial parameters. The parameters described are not directly related to the performance of each Executive Director individually, but with the entity.

Given the characteristics of variable compensation systems, and how to adopt the investment and divestment decisions at the Company, it cannot be said that Executive Directors have a certain risk profile or that they generate a particular risk.

The annual amount of the long-term variable compensation expected to be accrued in the year 2019 is 172,000 euros. Short-term variable compensation will not be accrued.

In the variable compensation Plans referred to in detail in Section B.7 of this Report (referred to in 2016, 2017 and 2018) the range in monetary terms in which the variable remuneration may oscillate is based on the maximum limit of the cited remuneration, which shall be 30% of the initial net asset value of each Plan. Monetary ranges for the different Plans will be as follows:

- For 2016: between 0 and 2,748,000 euros.
- For 2017: between 0 and 3,024,000 euros.
- For 2018: between 0 and 3,183,000 euros.

- Main features of long-term savings systems. Among other information, the contingencies covered by the system will be stated, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution system, the benefits directors are entitled to in the event of defined benefit systems, the conditions under which economic rights are consolidated for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director.

State if the accrual or consolidation of any of the long-term savings plans is linked to achieving certain objectives or parameters related to the short- or long-term performance of the director.

For Executive Directors, there are two planning systems, one of determined benefits and one of set contributions, provided that the relationship is prior to or after 01-01-2017. They are outsourced with insurance companies.

A. Defined benefit planning system.

A.1. Alternative pension system: In fulfilling the legal age of retirement, Directors may retire at their own request or by the decision of the Company, which, irrespective of the pension of the Social Security, shall pay an annual income and lifetime pension of 35% of the sum of the Basic Remuneration and at least the last paid Supplement ("Retirement Pension"). If they voluntarily retire early, he/she will be entitled to the annual income and cited lifetime pension, which is accrued to that date.

A.2. Disability Pension: If the Director's permanent disability is declared, they will receive an annuity income equivalent to the Retirement Pension in the year of disability.

A.3. Widow's Pension: If the Director fails to be active, the spouse will receive an annual income of 21% of the sum of the Basic and Supplement Compensation that would have been agreed to the Director in the year of his/her death. If the Director dies while in a state of disability or when retired, the surviving spouse will receive an annual income equivalent to 60% of what the Director was receiving in the year of his/her death. The spouse's right to the Widow's Pension will be governed by Social Security rules.

A.4. Orphan's Pension: If the Director dies, in addition to the spouse there are surviving children who may receive an Orphan's Pension, each of them will be paid, in accordance with the requirements, a pension for each child of an amount equal to 7% of the Basic and Supplement Compensation, in the year of death. The total amount of the Widow's Pension and/or Orphan's Pension shall not exceed 35% of the sum of the Basic Remuneration and of the Supplement that the Director would have received in the year of his/her death. For declared disabled orphans, the Orphan's Pension will remain until recovery, independent of age. If the orphan(s) were from the same parents, the one of legal age entitled to the Orphan's Pension will receive the income that would correspond to the spouse's Widow's Pension, and the aforementioned Orphan's Pension of the remaining orphans. In this case, orphans will be entitled to the Orphan's Pension that they are entitled to until each of them meets the statutory age, which will be extended to 25 years, if the beneficiaries are dedicated solely to pursue studies. The amount to be received by the orphans may not exceed 35% of the sum of the Basic and Supplement Compensation that would have been agreed to the Director in the year of his/her death.

B. Defined contribution planning system.

B.1. Alternative pension system: The annual contribution and its update agreed with the Director, which in compliance with the legal age of retirement may retire at their own request or by the decision of the Company, and shall be entitled to the mathematical provision derived from the contributions provided. The maximum of that mathematical provision will be the capital required to purchase a lifetime income (annual, fixed and reversible at 60% in favour of the spouse and 20% for each orphan, with the limit of 100% set) whose amount is 35% of the sum of the Year-End Remuneration in which retirement occurs and, at a minimum, the last paid Supplement. If the Director voluntarily retires early, he/she shall be entitled to receive the above mathematical provision.

B.2. Disability pension: If the Director's permanent disability is declared, he/she shall be entitled to receive 100% of the mathematical provision calculated in B.1., in the year in which the disability occurs.

B.3. Widow's Pension: If the Director dies while active, his/her spouse will be entitled to 60% of the mathematical provision calculated in B.1., in relation to the year of death. The spouse's right to the Widow's Pension will be governed by Social Security rules.

B.4. Orphan's Pension: If the Director dies, in addition to the spouse, any surviving children who may receive an Orphan's Pension, each of them shall be entitled to a temporary income equal to 20% of the Director in accordance with B.1., and the year of death. The accumulation of Widow and Orphan benefits may not exceed 35% of the sum of the Basic Remuneration and, at a minimum, the last Supplement paid to the Director. In the case of declared disabled orphans, the Orphan's Pension to be paid will remain until recovery, independent of age. If the orphan(s) were from the same parents, the one of legal age entitled to the Orphan's Pension will receive the income that would correspond to the spouse's Widow's Pension, and the aforementioned Orphan's Pension of the remaining orphans. In this case, orphans will be entitled to the Orphan's Pension that they are entitled to until each of them meets the statutory age, which will be extended to 25 years, if the beneficiaries are dedicated solely to pursue studies. The amount to be received by the orphans will not exceed the limit set in B.1.

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C. The maximum amount of contributions by the Company to the planning systems shall be 1,500,000 euros per annum. Beneficiaries will only receive benefits if their retirement remains in the workforce or the Board of Directors or some of the dependents. Accrual or reception of benefits does not link to the achievement of certain objectives or parameters. Information about the contributions for 2019 is not yet available, but for 2018 this was 190,000 euros.

- Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, permanence or loyalty, which entitle the director to any type of remuneration.

In respect of the basic terms of the contracts of the Directors who carry out executive functions at the Company, the Remuneration Policy approved by the General Shareholders' Meeting of 18 June 2018 contains the following clauses relating to indemnification or golden parachute clauses for early termination or termination of the contractual relationship between the Company and the Director:

- If, upon ceasing to perform the executive functions assigned under contract, the Director takes on other functions that are also executive ones, the remuneration agreed upon in his contract shall be maintained, unless some other arrangement is mutually agreed on.
- If at the end of the Directorship in the performance of the executive functions a previous employment relationship resumes its validity, and the termination of that employment relationship is also decided, the compensation to be paid in case of termination of the relationship by the will of the Company will be adjusted to labour regulations, but shall not be less than the amount of the fund constituted as a pension supplement (depending on that stipulated in the system that may be applicable), or the amount of an annuity of the Basic and Supplementary Remuneration, increased by one twelfth of said annuity for each year elapsed since the date of seniority in the Group, whichever is greater.
- If, upon ceasing to perform the executive functions, the Director has not resumed any further working relationship, the Director shall be entitled to compensation equivalent to the amount of a year's Basic Remuneration and Supplement, plus one twelfth of the annual payment for every year that has elapsed since the date of seniority in the Group, with a maximum of two years' payment, however from that amount the amount of the fund constituted as a pension supplement (depending on that stipulated in the system that may be applicable), will be deducted, which will be fully applicable, in any case.
- The indemnity will not be paid until the Company has been able to verify that the Director has met the performance criteria that may be established.

In addition, the following exclusivity covenants are established: The provision of services is based on the exclusive dedication of the Director, who may not provide services to any other entity, even if his activity is not concurrent with that of the company, unless he has the Company's prior consent. In the event that the exercise of other activities is authorised and these are paid, the amount of such remuneration may be deducted from the Director's remuneration, if the Company so decides when granting authorisation.

Pacts of post-contractual non-concurrence or of permanence are not established.

- State the conditions that contracts should respect for those exercising senior management functions as executive directors. Among other things, provide information about the duration, the limits on amounts of compensation, the permanence clauses, periods of notice, as well as the payment as a substitute for the said period of notice, and any other provisions relating to contracting premiums, as well as compensation or protective payments for early termination or cancellation of the contractual relationship between the company and the executive director. Include, among other things, the pacts or agreements of non-concurrence, exclusivity, permanence or loyalty and post-contractual non-competition, unless they have been stated in the previous section.

The basic conditions of contracts of directors who perform executive functions at Corporación Financiera Alba are as follows:

- Contract duration: indefinite.
- Notice periods: fifteen days, as a general rule.
- Dedication: exclusive.
- Remuneration Policy:
- Fixed remuneration: This is composed of an annual fixed remuneration in cash (basic remuneration) that is incremented annually with the Consumer Price Index and a supplement, also annually and in cash, which will be fixed; its increase is discretionary, and the Company has the power to reduce or even remove it if the Company's results are not satisfactory as a result of a poor performance from the Director. Amounts that the Director may receive from the Company for their capacity as director or for any charges or functions in subsidiaries, investee or related, will also be calculated as part of the fixed remunerations, of which amount will be reduced by the amount credited by the Company. Amounts that the Director may receive from Banco March, S.A. or its affiliates will also be regarded in this way.
- Variable remuneration: The Director may be a beneficiary, at the Company's discretion, of annual multi-year variable remuneration plans linked to the evolution of the Company's net asset value that may be materialised, at the Company's choosing, through cash payments, stock options vesting and/or stock delivery.
- Remunerations in kind: The Directors shall be entitled to the following coverage: annual coverage from the pension system; insurance on life, accidents and disability; and health insurance with coverage for the Director, spouse and children under the age of 30.
- Indemnification in case of termination of contract by the Company: The procedures set forth in the Workers' Statute shall be followed, but in the event of an improper termination, the indemnification may not be less than the Fund formed, or that it may have been incorporated, to deal with the pension supplement commitments or the amount of an annuity of all "Fixed Remuneration" items, increased in a twelfth of that annuity for each year from the date of aging in the Group, whichever is higher. For Directors incorporated from 1 March 2017, remuneration to be paid for cause of improper termination may not be less than the Mathematical Provision incorporated, or that has been incorporated, to address pension supplement commitments or the amount of an annuity of all "Fixed Remuneration" items, increased in one-year-long annuity for each year from the date of age in the Group, whichever is higher.
- Clawback recovery pact for accepted variable remunerations. -In the event that (i) variable compensation is accepted by considering data whose inaccuracies are credited after it has been accepted (e.g., based on any contingencies in the external auditor's report that undermine the results), (ii) a



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fraudulent action is committed by the Director, or (iii) the Director inflicts serious damages upon the Company due to fault or gross negligence, the Company shall have the right to claim a reimbursement of the relevant components of the variable compensation from the Director who performs executive functions. The claim may be made within a period of three years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

The planning system applicable to the Directors has been outlined in Section A.1. Item 6 of this Report.

- The nature and estimated amount of any other supplementary remuneration accrued by directors in the year in progress in consideration for services rendered other than those inherent in the post.

None

- Other remunerative items or by-products, as the case may be, of the company granting the director advance payments, loans, guarantees or any other remuneration.

None

- The nature and estimated amount of any other planned supplementary remuneration accrued by directors in the year in progress that are not included in the previous sections, whether payment is satisfied by the company or another group company.

None

**A.2.** Explain any significant change in the remuneration policy applicable in the current year resulting from:

- A new policy or a modification of the policy already approved by the General Shareholders' Meeting.
- Significant changes in the specific calculations established by the Board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.
- Proposals that the Board of Directors has agreed to submit to the General Shareholders' Meeting to which this annual report will be submitted and proposed to apply in the current year.

In accordance with the provisions of Article 529 novodecies.1 of the Capital Companies Act, in the past year, the Remuneration Policy of the Company's Board of Directors was approved.

The Board of Directors, within the current remuneration policy, has approved the update of the basic remuneration of the Executive Directors.

The Board of Directors intends to submit the following proposals for remuneration to the General Shareholders' Meeting: (i) proposed approval of this Year's Remuneration Report 2018; (ii) proposed multi-annual variable remuneration approval system proposal referenced at the net asset value for the year 2019 (similar to that agreed in previous years); and (iii) proposed annual variable remuneration, applicable to any eligible Executive Directors and Directors, which will take into account the following parameters: a) evolution of Alba's net asset value over the calendar year, measured in absolute terms relative to a target (25% weighting); b) total return to the shareholder, measured in relative terms to the total return for the Ibex-35 shareholder (25% weighting); and c) value drivers (50% weighting), considering as such: execution of the international strategy, tracking existing investments, analysis and execution of investments and divestitures and corporate management. The introduction of this annual variable pay will lead to the reduction in the number of units that will be assigned to the recipients of the multi-year variable remuneration, compared to previous years, so that the growth of the variable payout set is limited, even in the case of maximum compliance with the targets set.

**A.3.** Identify the direct link to the document where the current company remuneration policy is posted, which must be available on the website of the company.

[https://www.corporationalba.es/media/docs/2018\\_06\\_18%20ALBA\\_Politics\\_COMPENSATION\\_DIRECTORS\\_Approved.pdf](https://www.corporationalba.es/media/docs/2018_06_18%20ALBA_Politics_COMPENSATION_DIRECTORS_Approved.pdf)

**A.4.** Explain, taking into account the data provided in Section B.4, the outcome of voting, of a consultative nature, by shareholders at the General Shareholders' Meeting on the annual report on remuneration for the previous year.

The Annual Remuneration Report of 2017 was approved by 99.35% of the votes issued at the General Shareholders' Meeting of 2018, so no modification to the Company's Remuneration Policy which was approved at the same General Shareholders' Meeting is deemed necessary.

### B. OVERALL SUMMARY OF HOW REMUNERATION POLICY HAS BEEN APPLIED DURING THE YEAR ENDED

**B.1.** Explain the process followed to apply the remuneration policy and calculate the individual remuneration contained in Section C of this report. This information will include the role played by the Remuneration Committee, the decisions taken by the Board of Directors and, as the case may be, the identity and the role of the external advisors whose services have been used in the process to apply the remuneration policy in the year ended.

The Bylaws refer to the remuneration of the members of the Board of Directors in their article 39.





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The Appointments and Remuneration Committee issued the corresponding report on the Remuneration Policy of the Board of Directors of Corporación Financiera Alba, which submitted it to the Board of Directors, who in turn submitted it to the General Shareholders' Meeting.

In addition, the Appointments and Remuneration Committee favourably reported the Contract models of the Executive Directors and the review of the remuneration of the Executive Directors that were approved by the Board of Directors.

In accordance with Article 529 novodecies.1 of the Capital Companies Act, which requires approval of the Board's Remuneration Policy at least every three years, as a separate item on the agenda, the General Shareholders' Meeting of 18 June 2018 was proceeded to the approval of the Remuneration Policy, whose final approval was made on 10 June 2015. In addition, the maximum amount of the annual remuneration of the Board for their position of Directors was set to 1,500,000 euros. The Remuneration Policy approved by the General Shareholders' Meeting is effective as of 1 July 2018 and shall be in force for the following three years, as amended by the General Shareholders' Meeting.

The Appointments and Remuneration Committee also reported on the proposal to establish a Variable Remuneration Plan intended for the Executive Directors and personnel of Corporación Financiera Alba, S.A. determined by the Board of Directors, for 2018. The Plans 2016 and 2017 were also favourably reported by the Appointments and Remuneration Committee in these years.

The Board of Directors favourably reported the proposed Variable Compensation Plan, which was approved by the General Shareholders' Meeting of 18 June 2018, being commissioned by the Board of Directors, before the end of the year 2018, as reported by the Appointments and Remuneration Committee. Also the Variable Remuneration Plans for 2016 and 2017 were reported favourably and, upon approval by the General Shareholders' Meetings of these periods, commissioned by the Board of Directors.

The Company has not been validated by external consultants or for the establishment or application of the remuneration policy in 2018. In 2016 and 2017, the Company did not have external consultants for matters related to the remuneration policy.

**B.2.** Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks and adapting them to the long-term objectives, values and interests of the company, including a reference to the measures that have been adopted to ensure that the long-term results of the company have been taken into consideration in the remuneration accrued and that a suitable balance has been attained between the fixed and variable components of the remuneration, the measures that have been adopted in relation to those categories of staff whose professional activities have a material repercussion on the company's risk profile and the measures that have been adopted to avoid any conflicts of interest.

In the year 2018, the Company has followed the principles of its Remuneration Policy, both approved in 2015 and current until 30 June 2018, as approved by the General Shareholders' Meeting on 18 June 2018, effective 1 July 2018. The principles followed have been set out in Section A.1. Item 1 of this Report.

The remuneration paid to the Directors in their capacity as such, both for membership of the Board and the various Committees, if compared to those of comparable companies, must be of moderate quality.

Fixed remuneration payouts are clear, they respond to the Remuneration Policy and their upgrade system is well known.

Variable remuneration payouts have been given to the liquidative value of the share of the Company, so they have only been paid out if there is a positive evolution of results.

In addition, in connection with variable remuneration, it is not applicable to pay the same until three years have elapsed from the date the Board of Directors agrees to implement the variable remuneration system approved by the General Shareholders' Meeting, thereby verifying compliance with the established conditions.

All stated circumstances warrant that the remuneration devested to the long-term results, in addition to the Company's right to claim the Director the perceived variable remuneration (clawback clause) in the assumptions and during the period referred to in section A.1. Item 2 of this Report.

As described in Section A.1. Points 2 and 6, the mode of adoption of investments and divestitures does not allow individuals whose activity could individually impact the Company's risk profile.

**B.3.** Explain how the remuneration accrued over the year meets the provisions contained in the current remuneration policy.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, as the case may be, how the variations in the performance of the company have influenced changes in the remuneration of directors, including those accrued whose payment would have been deferred, and how the latter contribute to the short and long-term results of the company.

The remuneration accrued by the Directors in the year 2018 fully complies with the Company's Remuneration Policy, having applied the items set out in it and none other. In the detail of the individual payouts reflected in Section C below the amounts of the concepts mentioned in the corresponding points in Section A above are listed.

The evolution of the results of the entity does not influence the fixed remuneration of the Directors (in their capacity as such or as executives). Variable remuneration payouts depend not as much on the Company's results as on the evolution of its net asset value.



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- B.4.** Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes against that may have been cast

	Number	% of total
Votes cast	53,117,533	91.11

	Number	% of issued
Votes against	336,239	0.63
Votes in favour	52,777,294	99.36
Abstentions	4,000	0.00

### Observations

- B.5.** Explain how the fixed components accrued during the year by the directors in their capacity as such have been calculated and how they have changed with respect to the previous year.

For the calculation of the fixed components accrued during year 2018 by the Directors in their capacity as such, through 30 June 2018, the Remuneration Policy approved on 10 June 2015, which was amended by the Board of 19 June 2017 to include remunerations for membership of the Investment Tracking Committee and future Committees that may be created, and, from 1 July 2018, to the Remuneration Policy approved by the General Shareholders' Meeting on 18 June 2018, of which amounts and nature have been set out in A.1. Item 3 of this 2018 Annual Remuneration Report. The amounts set forth in the Policy applicable to 30 June 2018 were the same as in the current policy.

There has been no variation from the fixed components accrued in 2017, in which the Remuneration Policy approved by the General Shareholders' Meeting of 10 June 2015 was in effect and amended by the General Shareholders' Meeting of 19 June 2017.

- B.6.** Explain how the salaries accrued by each one of the executive directors over the past financial year for the performance of management duties were calculated, and how they have changed with respect to the previous year.

For the calculation of the fixed components accrued during the year 2018 by the Executive Directors has been served, through 30 June 2018 to the Remuneration Policy approved on 10 June 2015, which was amended by the Board of 19 June 2017, and, since 1 July 2018, to the Remuneration Policy approved by the General Shareholders' Meeting on 18 June 2018, the amounts and nature of which have been set out in A.1. Item 4 of this 2018 Annual Remuneration Report, as well as their respective contracts and amendments. The amounts set forth in the Policy applicable to 30 June 2018 were the same as in the current policy.

The Board of Directors approved at the start of 2018 the review of the remunerations of the Executive Directors, following the Report from the Appointments and Remuneration Committee.

For fiscal year 2017, the wages accrued in 2018 by the Executive Directors have increased by 0.90%.

- B.7.** Explain the nature and the main characteristics of the variable components of the remuneration systems accrued in the year ended.

In particular:

- Identify each one of the remuneration plans that have calculated the different types of variable remuneration accrued by each of the directors in the year ended, including information on their scope, their date of approval, their date of incorporation, the periods of accrual and validity, the criteria used to evaluate performance and how this has affected the establishment of the variable amount accrued, as well as the measurement criteria used and the period necessary to be in a position to suitably measure all the conditions and criteria stipulated.

In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (consolidation) and to exercise these options or financial instruments, including the price and term to exercise them.

- Each one of the directors, together with their category (executive directors, proprietary external directors, independent external directors and other external directors), that are beneficiaries of remunerations systems or plans that include variable remuneration.

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- As the case may be, information is to be provided on periods for the accrual or deferment of payment applied and/or the periods for withholding/unavailability of shares or other financial instruments, if they should exist.

Explain the short-term variable components of the remuneration systems:

The Executive Directors do not receive any short-term variable remunerations.

Explain the long-term variable components of the remuneration systems:

A- Remuneration plans of which the Directors are beneficiaries

#### A.1. Plan 2015

On 09-06-2018, the 2015 Plan matured, which was approved by the General Shareholders' Meeting held on 10-06-2015, consistent with a variable remuneration referenced to the value of the Corporación Financiera Alba ("Alba") shares. Each beneficiary had been assigned a certain number of units, which for the Executive Directors totalled 153,332 units. The difference between the initial and final net asset value of Alba amounted to 6.93 euros, which are multiplied by the units of which the Executive Directors are beneficiaries.

#### A.2. Plan 2016

The system was approved by the General Assembly held on 08-06-2016 and was implemented by agreement of the Board on the same date. Its characteristics are:

- The plan consists of a variable remuneration system tied to the value of the shares of Corporación Financiera Alba ("Alba").
- The Beneficiaries of the Plan are the Executive Directors and certain directors authorised by the Board. Each beneficiary is assigned a certain number of units, totalling 222,000 units.
- Value of the units. Each unit will be entitled to receive the difference between the "final net asset value" and the "initial net asset value" of the shares of Alba, where:
  - The "initial net asset value" of each share will be 65.43 euros, equivalent to the average net asset value of Alba's shares during the ten trading sessions prior to the "start day" (08-06-2016) of the Plan, and
  - The "final net asset value" shall be the net asset value of Alba's shares during the ten trading sessions prior to the "final day" of the Plan. The "final day" of the Plan will be (07-06-2019).
- The maximum difference between the "final net asset value" and "initial net asset value" may not exceed 30 per cent of the "initial net asset value".
- In the event of a dilution effect caused by a capital increase, the "initial net asset value" shall be adjusted downward by the theoretical value of the preferential subscription right. A similar adjustment shall occur in the event that it is agreed to distribute an extraordinary dividend or any other course that produces a similar economic effect.
- Expiration of the Plan. The Plan will mature after three years from 08-06-2016, at which time the Company will perform the corresponding calculation and will proceed to effect the payouts along with the payroll of the month. However, if the Company so chooses, the Plan may also be paid in shares, valued at the closing quote on the day before the one on which they are transferred to the Beneficiaries.
- The rights arising from the application of the Plan are not transferrable, except when due to death.
- It is a basic condition of the Plan that the beneficiary is still on the workforce or on the Board of Alba or its subsidiaries at the time the Plan matures.
- The amounts resulting from the application are considered to be "gross" and the fiscal regime currently in force shall apply to them, with the beneficiaries paying the corresponding amounts due.
- In the event that the variable remuneration is settled according to data shown to be wrong after it has been paid, the Company shall have the right to claim a refund of the corresponding components of the variable remuneration from the Director. The claim may be made within a period of two years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

#### A.3. Plan 2017

The system was approved by the General Assembly held on 19-06-2017 and was implemented by agreement of the Board on the same date. Its characteristics are:

- The plan consists of a variable remuneration system tied to the value of the shares of Corporación Financiera Alba ("Alba").
- The Beneficiaries of the Plan are the Executive Directors and personnel of Corporación Financiera Alba, S.A. determined by the Board. Each beneficiary is assigned a certain number of units, totalling 270,000 units.
- Value of the units. Each unit will be entitled to receive the difference between the "final net asset value" and the "initial net asset value" of the shares of Alba, where:
  - The "initial net asset value" of each share will be 72.00 euros, equivalent to the average net asset value of Alba's shares during the ten trading sessions prior to the "start day" (19-06-2017) of the Plan, and
  - The "final net asset value" shall be the net asset value of Alba's shares during the ten trading sessions prior to the "final day" of the Plan. The "final day" of the Plan will be (19-06-2020).
- The maximum difference between the "final net asset value" and "initial net asset value" may not exceed 30 per cent of the "initial net asset value".
- In the event of a dilution effect caused by a capital increase, the "initial net asset value" shall be adjusted downward by the theoretical value of the preferential subscription right. A similar adjustment shall occur in the event that it is agreed to distribute an extraordinary dividend or any other course that produces a similar economic effect.
- Plan Maturity. Maturity of the Plan will occur after three years from 19-06-2017, at which time the Company will perform the corresponding calculation and will proceed to effect the payouts along with the payroll of the month. However, if the Company so chooses, the Plan may also be paid in shares, valued at the closing quote on the day before the one on which they are transferred to the Beneficiaries.
- The rights arising from the application of the Plan are not transferrable, except when due to death.
- It is a basic condition of the Plan that the beneficiary is still on the workforce or on the Board of Alba or its subsidiaries at the time the Plan matures.
- The amounts resulting from the application are considered to be "gross" and the fiscal regime currently in force shall apply to them, with the beneficiaries paying the corresponding amounts due.
- In the event that the variable remuneration is settled according to data shown to be wrong after it has been paid, the Company shall have the right to claim a refund of the corresponding components of the variable remuneration from the Director. The claim may be made within a period of two years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

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#### A.4. Plan 2018

The system was approved by the General Assembly held on 18-06-2018 and was implemented by agreement of the Board on the same date. Its characteristics are:

- The plan consists of a variable remuneration system tied to the value of the shares of Corporación Financiera Alba (“Alba”).
- The Beneficiaries of the Plan are the Executive Directors and personnel of Corporación Financiera Alba, S.A. determined by the Board. Each beneficiary is assigned a certain number of units, totalling 300,000 units.
- Value of the units. Each unit will be entitled to receive the difference between the “final net asset value” and the “initial net asset value” of the shares of Alba, where:
  - The “initial net asset value” of each share will be 75.79 euros, equivalent to the average net asset value of Alba’s shares during the ten trading sessions prior to the “start day” (18-06-2018) of the Plan, and
  - The “final net asset value” shall be the net asset value of Alba’s shares during the ten trading sessions prior to the “final day” of the Plan. The “final day” of the Plan will be (18-06-2021).

The maximum difference between the “final net asset value” and “initial net asset value” may not exceed 30 per cent of the “initial net asset value”.

- In the event of a dilution effect caused by a capital increase, the “initial net asset value” shall be adjusted downward by the theoretical value of the preferential subscription right. A similar adjustment shall occur in the event that it is agreed to distribute an extraordinary dividend or any other course that produces a similar economic effect.
- Plan Maturity. Maturity of the Plan will occur after three years from 18-06-2018, at which time the Company will perform the corresponding calculation and will proceed to effect the payouts along with the payroll of the month. However, if the Company so chooses, the Plan may also be paid in shares, valued at the closing quote on the day before the one on which they are transferred to the Beneficiaries.
- The rights arising from the application of the Plan are not transferrable, except when due to death.
- It is a basic condition of the Plan that the beneficiary is still on the workforce or on the Board of Alba or its subsidiaries at the time the Plan matures.
- The amounts resulting from the application are considered to be “gross” and the fiscal regime currently in force shall apply to them, with the beneficiaries paying the corresponding amounts due.
- In the event that (i) variable compensation is accepted by considering data whose inaccuracies are credited after it has been accepted (e.g., based on any contingencies in the external auditor’s report that undermine the results), (ii) a fraudulent action is committed by the Director, or (iii) the Director inflicts serious damages upon the Company due to fault or gross negligence, the Company shall have the right to claim a reimbursement of the relevant components of the variable compensation from the Director. In such a case, the claim may be made within a period of three years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

B- Remuneration in respect of participation in benefits or premiums.

Remuneration consisting in sharing benefits are not established, but the variable remuneration for the Executive Directors mentioned in subparagraph (A) above is established.

C- Basic parameters and basis for any system of annual premiums. See section A.1.

D - Classification of directors who are beneficiaries of payment systems that incorporate variable remuneration. Variable remunerations apply only to Executive Directors.

E – Basis of the systems of variable remuneration, criteria for evaluation of performance, methods of evaluation and estimation of the absolute amount of the variable remunerations according to the current remunerations plan.

Variable remuneration is based on the management by the Executive Directors and the results obtained with it and for its quantification, the value created for shareholders will be taken into consideration.

At this time, it is not possible to estimate the absolute amount of the variable remuneration of the Executive Directors with the Plans mentioned in letters A.2 to A.4. of this section.

F- Periods of deferral of payment or retention of shares.

The variable remuneration system provided for in sections A.2, A.3 and A.4 implies a delay of three years for it to be received.

G- Share option plans.

Share option plans are not approved.

- B.8.** Indicate whether certain variable components have been reduced or clawed back when, in the case of the former, payment has been consolidated and deferred or, in the case of the latter, consolidated and paid, on the basis of data that have subsequently proved to be inaccurate. Describe the amounts reduced or clawed back through the application of the reduction or clawback clauses, why they were implemented and the years to which they refer.

No assumptions have occurred during the year 2018 which would have resulted in the reduction or claim referred, although in the Remuneration Policy and in the Contracts of the Executive Directors and Directors the corresponding reduction or return clauses are foreseen.

- B.9.** Explain the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefits that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefit, the contingencies covered, the conditions to consolidate economic rights for directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.

In Section A1. Item 7 of this Annual Remuneration Report 2018, the main characteristics of the two planning systems that exist in the Company have been explained.

During 2018, contributions of 190,000 euros have been made to the long-term savings system intended for directors who perform executive functions.



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- B.10.** Explain, where appropriate, the severance pay or any other type of payment deriving from early dismissal or early resignation, or from the termination of the contract in the terms provided for therein, accrued and/or received by directors during the year ended.

During the year 2018, the Company has not paid indemnity compensation or any other payments derived from the assumptions arising from them not having occurred.

- B.11.** Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, where appropriate, explain such changes. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

The approval of the Remuneration Policy of the Board of Directors by the General Shareholders' Meeting on 18 June 2018, involved the modification of the Basic Terms and Conditions of the Directors' contracts, which focused on variable remuneration, by entering new assumptions where the Company may be able to claim the reimbursement of the variable pay paid and extend to three years, since the variable remuneration has been accepted, the term for its claim if the expected assumptions are met.

- B.12.** Explain any supplementary remuneration accrued by directors as consideration for services rendered outside of their post.

There have been no supplementary remunerations accrued by the Directors for services other than those inherent in their role.

- B.13.** Explain any remuneration deriving from advance payments, loans or guarantees granted, indicating the interest rate, their key characteristics and the amounts eventually returned, as well as the obligations taken on by way of guarantee or collateral.

There are no remunerations arising from the provision of advances, credits and guarantees.

- B.14.** Itemise the remuneration in kind accrued by the directors over the year, briefly explaining the nature of the different salary components.

In Section A.1. Item 5 of this Report is the nature and maximum amount of the total remuneration in kind intended for the Directors. In 2018, the aggregate remuneration in kind accrued by all Executive Directors was been 236,000 euros. The components thereof comprised the following: annual coverage of the alternative pension system, life, accident and disability insurance, health insurance, their spouse and children under thirty years, and leasing.

- B.15.** Explain the remuneration accrued by directors by virtue of payments settled by the listed company to a third company at which the director renders services when these payments seek to remunerate the director's services to the company.

There are no remunerations of this type.

- B.16.** Explain any other items of remuneration other than those mentioned in the previous sections, whatever their nature or the company of the group that settles the payment, particularly when this is a related operation or its settlement distorts the true image of the total remuneration accrued by the director.

There are no other remuneration items that meet the characteristics mentioned above.



## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

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### C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Typology	Period of accrual in fiscal year 2018
Mr JOSÉ RAMÓN DEL CAÑO PALOP	Executive Director	From 01/01/2018 until 31/12/2018
Mr JUAN MARCH JUAN	Executive Vice President	From 01/01/2018 until 31/12/2018
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	Managing Director	From 01/01/2018 until 31/12/2018
Mr RAMÓN CARNÉ CASAS	Executive Director	From 01/01/2018 until 31/12/2018
Mr CARLOS GONZÁLEZ FERNÁNDEZ	Independent Director	From 01/01/2018 until 31/12/2018
Mr JOSÉ DOMINGO AMPUERO Y OSMA	Independent Director	From 01/01/2018 until 31/12/2018
Ms CRISTINA GARMENDIA MENDIZABAL	Independent Director	From 01/01/2018 until 31/12/2018
Ms ANTONIO MARIA PRADERA JÁUREGUI	Independent Director	From 01/01/2018 until 31/12/2018
Ms MARÍA EUGENIA GIRÓN DÁVILA	Independent Director	From 01/12/2018 until 31/12/2018
Ms CLAUDINE MAGALI PICKHOLZ	Independent Director	From 01/01/2018 until 31/12/2018
Mr JUAN MARCH DELGADO	Proprietary Chairman	From 01/01/2018 until 18/06/2018
Mr JOSÉ NIETO DE LA CIERVA	Proprietary Director	From 01/01/2018 until 20/03/2018
Mr JUAN MARCH DE LA LASTRA	Executive Vice President	From 01/01/2018 until 31/01/2018
Mr CARLOS MARCH DELGADO	Proprietary Chairman	From 01/01/2018 until 31/12/2018

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**C.1.** Complete the following tables regarding the individual remuneration of each director (including the salary received for performing executive duties) accrued during the year.

(a) Remunerations of the reporting company:

(i) Remuneration accrued in cash (in thousands of euros)

Name	Fixed remuneration	Expenses	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other items	Total fiscal year 2018	Total fiscal year 2017
Mr JOSÉ RAMÓN DEL CAÑO PALOP	65			277		115			457	618
Mr JUAN MARCH JUAN	65		25			115			205	371
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUIN	65		25	594		416			1,100	1,704
Mr RAMÓN CARNÉ CASAS	65								65	498
Mr CARLOS GONZÁLEZ FERNÁNDEZ	65		30						95	91
Mr JOSÉ DOMINGO AMPUERO Y OSMA	65		10						75	76
Ms CRISTINA GARMENDIA MENDIZABAL	65		20						85	86
Ms ANTONIO MARIA PRADERA JÁUREGUI	65		15						80	76
Ms MARÍA EUGENIA GIRÓN DÁVILA	65		44						109	79
Ms CLAUDINE MAGALI PICKHOLZ	65		25						90	88
Mr JUAN MARCH DELGADO	71								71	153
Mr JOSÉ NIETO DE LA CIERVA	16		4						20	80
Mr JUAN MARCH DE LA LASTRA	65		25	323		416			829	1,337
Mr CARLOS MARCH DELGADO	143		10						153	143

Observations

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ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments.

Name	Name of Plan	Financial instruments start of year 2018		Financial Instruments granted during 2018		Financial instruments consolidated in the year				Financial instruments consolidated during the year	Financial instruments end of year 2018	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/consolidated shares	Price of consolidated shares	Gross profit of shares or consolidated financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
Mr JOSÉ RAMÓN DEL CAÑO PALOP	Plan 2015	16,666						0.00		16,666		
Mr JOSÉ RAMÓN DEL CAÑO PALOP	Plan 2016	20,000						0.00			20,000	
Mr JOSÉ RAMÓN DEL CAÑO PALOP	Plan 2017	20,000						0.00			20,000	
Mr JOSÉ RAMÓN DEL CAÑO PALOP	Plan 2018			20,000				0.00			20,000	
Mr JUAN MARCH JUAN	Plan 2015	16,666						0.00		16,666		
Mr JUAN MARCH JUAN	Plan 2016	20,000						0.00			20,000	
Mr JUAN MARCH JUAN	Plan 2017	20,000						0.00			20,000	
Mr JUAN MARCH JUAN	Plan 2018			20,000				0.00			20,000	
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	Plan 2015	60,000						0.00		60,000		
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	Plan 2016	70,000						0.00			70,000	





## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

[logo:] CNMV (Comisión Nacional del Mercado de Valores [National Securities Market Commission])

Name	Name of Plan	Financial instruments start of year 2018		Financial Instruments granted during 2018		Financial instruments consolidated in the year				Financial instruments consolidated during the year	Financial instruments end of year 2018	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/consolidated shares	Price of consolidated shares	Gross profit of shares or consolidated financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	Plan 2017	70,000						0.00			70,000	
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	Plan 2018			70,000				0.00			70,000	
Mr JUAN MARCH DE LA LASTRA	Plan 2015	60,000						0.00		60,000		
Mr JUAN MARCH DE LA LASTRA	Plan 2016	30,000						0.00			30,000	
Mr JUAN MARCH DE LA LASTRA	Plan 2017	30,000						0.00			30,000	
Mr JUAN MARCH DE LA LASTRA	Plan 2018			30,000				0.00			30,000	

### Observations

Plan 2016. Detailed of this variable remuneration system features are contained in Relevant Event no. 239.565, published on 8 June 2016. Plan 2017. Detailed of this variable remuneration system features are contained in Relevant Event no. 253.560, published on 19 June 2017. Plan 2018 Detailed of this variable remuneration system features are contained in Relevant Event no. 266.910, published on 18 June 2018.



## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

[logo:] CNMV (Comisión Nacional del Mercado de Valores [National Securities Market Commission])

### iii) Long-term savings systems.

Name	Remuneration for consolidation of rights to savings systems
No Data	

Name	Contributions by the company for the year (thousands euros )				Amount of the accumulated funds (thousands euros )			
	Savings systems with consolidated economic rights		Savings systems with non-consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with non-consolidated economic rights	
	Financial Year 2018	Fiscal Year 2017	Financial Year 2018	Fiscal Year 2017	Financial Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
Mr JOSÉ RAMÓN DEL CAÑO PALOP			115	131			2,561	2,357
Mr JUAN MARCH JUAN			27	47			302	265
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUIN							7,140	6,872
Mr JUAN MARCH DE LA LASTRA			48	44			1,211	1,121

### Observations

### iv) Details of other items

Name	Item	Pay Amount
No Data		



## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

[logo:] CNMV (Comisión Nacional del Mercado de Valores [National Securities Market Commission])

### Observations

(b) Remunerations paid to directors of the company for their membership on Boards at other companies in the Group:

(i) Remuneration accrued in cash (in thousands of euros )

Name	Fixed remuneration	Expenses	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other items	Total fiscal year 2018	Total fiscal year 2017
Mr JUAN MARCH JUAN				50					50	84
Mr RAMÓN CARNÉ CASAS				439					439	433

### Observations



## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

[logo:] CNMV (Comisión Nacional del Mercado de Valores [National Securities Market Commission])

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments.

Name	Name of Plan	Financial instruments start of year 2018		Financial Instruments granted during 2018		Financial instruments consolidated in the year				Financial instruments consolidated during the year	Financial instruments end of year 2018	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/consolidated shares	Price of consolidated shares	Gross profit of shares or consolidated financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
No Data												

Observations

iii) Long-term savings systems.

Name	Remuneration for consolidation of rights to savings systems
No Data	



## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

[logo:] CNMV (Comisión Nacional del Mercado de Valores [National Securities Market Commission])

Name	Contributions by the company for the year (thousands euros )				Amount of the accumulated funds (thousands euros )			
	Savings systems with consolidated economic rights		Savings systems with non-consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with non-consolidated economic rights	
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
No Data								

### Observations

#### iv) Details of other items

Name	Item	Pay Amount
No Data		

### Observations

[logo:] CNMV (Comisión Nacional del Mercado de Valores [National Securities Market Commission])

(c) Summary of remunerations (in thousands of euros):

Amounts corresponding to all the retributive concepts included in the present report have been accrued by the Director, in thousands of euros should be included in the summary.

Name	Remuneration accrued in the Company					Remuneration accrued in companies of the Group				
	Total cash compensation	Gross profit of shares or consolidated financial instruments	Remuneration for savings systems	Remuneration for other items	Total for year 2018 Company	Total cash compensation	Gross profit of shares or consolidated financial instruments	Remuneration for savings systems	Remuneration for other items	Total for year 2018 Group
Mr JOSÉ RAMÓN DEL CAÑO PALOP	457				457					
Mr JUAN MARCH JUAN	205				205	50				50
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	1,100				1,100					
Mr RAMÓN CARNÉ CASAS	65				65	439				439
Mr CARLOS GONZÁLEZ FERNÁNDEZ	95				95					
Mr JOSÉ DOMINGO AMPUERO Y OSMA	75				75					
Ms CRISTINA GARMENDIA MENDIZABAL	85				85					
Ms ANTONIO MARÍA PRADERA JÁUREGUI	80				80					
Ms MARÍA EUGENIA GIRÓN DÁVILA	109				109					
Ms CLAUDINE MAGALI PICKHOLZ	90				90					
Mr JUAN MARCH DELGADO	71				71					
Mr JOSÉ NIETO DE LA CIERVA	20				20					



## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

[logo:] CNMV (Comisión Nacional del Mercado de Valores [National Securities Market Commission])

Mr JUAN MARCH DE LA LASTRA	829				829					
Mr CARLOS MARCH DELGADO	153				153					
TOTAL	3,434				3,434	489				489

Observations



## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

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[logo:] CNMV  
(Comisión Nacional  
del Mercado de  
Valores [National  
Securities Market  
Commission])

### D. OTHER INFORMATION OF INTEREST

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If there is any relevant aspect regarding the remuneration of directors that has not been included in the rest of the sections of this report, but which must be included in order to collect more complete and reasoned information on the remuneration structure and practices of the company in question. relationship with your directors, describe them briefly.

- Section C.1.A) Item 3. iii) Long-term savings system. Item 2.

The figures that are made to appear as "Amount of accumulated funds" do not correspond to "accrued rights" but to the mathematical provisions at the date of reference of this report.

This annual remuneration report has been approved by the Board of Directors of the company on:

25/03/2019

State whether any director has voted against or abstained from approving this report.

- Yes  
 No