



## **REMUNERATION POLICY OF THE BOARD OF DIRECTORS OF CORPORACIÓN FINANCIERA ALBA, S.A.<sup>1</sup>**

In accordance with the provisions of Articles 529 novedecies and concordant articles of the Capital Companies Act, the General Shareholders' Meeting of Corporación Financiera Alba, S.A. ("Corporación Financiera Alba"), at the proposal of the Board of Directors and with a prior report from the Appointments and Remunerations Committee, has approved the following Remuneration Policy, applicable to the Directors thereof. This Policy replaces that approved by the General Meeting of Corporación Financiera Alba held on 18 June 2018.

### **I. General principles of the Remuneration Policy**

The Remuneration Policy, affecting both the Directors of the Company and, in general, its executives and employees, has the main aim of establishing a remuneration system that would be compatible with corporate strategy, the objectives, values and long-term interests of the Group, in both absolute and comparative terms, preventing it from undermining the solidity of the organisation, which would occur if excessive risk-taking conduct were incentivised. The main aim of the Corporación Financiera Alba remuneration system is highlighted as the generation of value for the Company and its shareholders, to be achieved on a sustained basis over time, while also guaranteeing transparency.

To this end, the principles underpinning the Remuneration Policy are:

- Balance and moderation.
- Alignment with generally accepted remuneration practices.
- Adoption, in general, of corporate good governance recommendations regarding the remuneration of Directors.
- Compatibility with (i) adequate and effective risk management, without offering any incentives to take on risks that go beyond the tolerated risk level, and (ii) the corporate strategy, objectives, values and long-term interests of the Group, avoiding any possible conflict of interest, and
- Referral of the decisions reached to the General Shareholders' Meeting.

The Remuneration Policy draws a distinction, as does the Capital Companies Act (following the modification made by Act 31/2014), between the remuneration of Directors in their position as such, and the remuneration of Directors for the performance of executive functions.

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<sup>1</sup> Approved by the General Shareholders' Meeting held on 17 June 2019

In any event, the remuneration of the Directors must be reasonably proportionate to the size of the company, its economic situation from time to time, market standards at comparable companies, and a focus on promoting the long-term profitability and sustainability of the company, by incorporating the necessary safeguards to avoid excessive risk-taking and reward for unfavourable results.

The remuneration of the Directors of Corporación Financiera Alba in their position as such is based on the following principles:

- Sufficiency in order to compensate for the effort dedicated, their qualifications and responsibility, without being so high as to compromise their independence.
- Connection with efforts effectively dedicated.
- Link to the responsibility and performance of functions by the different Directors.
- Absence of variable components, except in certain circumstances.
- Incentivising nature, without compromising independence.
- Consideration of market criteria as a reference point, in accordance with the remuneration established for Directors at listed companies that could in some way be deemed comparable.

The remuneration of Directors for performing their executive functions is, in turn, based on the following principles:

- Reward the performance of functions with a comprehensive offering of monetary and non-monetary elements in accordance with the diverse needs and expectations seen in the professional context, and serving as a tool to convey organisational and business objectives.
- Align the performance of the Group's objectives over different timeframes, by incentivising the sustainability of results.
- Acknowledge the capacity for value creation and personal profiles and skills.
- Foster a culture of commitment to the Group's objectives, bearing in mind that both personal and team contributions are essential.
- Evaluate professional development and operational results with uniform criteria.
- Provide fair and competitive remuneration, taking into account the responsibilities of the post and a flexible market positioning, so as to be able to attract and retain leading professionals.
- The variable remuneration will have two components: one accruing yearly, and another with a multi-year accrual period.
- Review remuneration progress and systems in order where applicable to make the necessary adaptations, in accordance with the results and motivational capacity.

## **II. Remuneration for the Directors in their position as such:**

- The remuneration of all members of the Board of Directors in their position as such will comprise 100,000 euros per year.
- The Chairperson will receive additional remuneration of 300,000 euros per annum.
- The Vice-Chairperson is will receive additional remuneration of 200,000 euros per annum.
- The Chairperson of the Audit and Compliance Committee will receive additional remuneration of 35,000 euros per annum.
- The Members of the Audit and Compliance Committee (excluding the Chairperson) will receive additional remuneration of 25,000 euros per annum.
- The Chairperson of the Appointments and Remunerations Committee will receive additional remuneration of 25,000 euros per annum.
- The Members of the Appointments and Remunerations Committee (excluding the Chairperson) will receive additional remuneration of 15,000 euros per annum.
- The Chairperson of the Investments Committee will receive additional remuneration of 50,000 euros per annum.
- The Members of the Investments Committee (excluding the Chairperson) will receive additional remuneration of 30,000 euros per annum.
- Additional remuneration comprising 15,000 euros per year, with the same accrual system as the annual remuneration, for participation on any Committee other than those listed above.
- The maximum overall remuneration of all members of the Board of Directors in their position as such is established by the General Shareholders' Meeting as 2,500,000 euros per year.
- The Board of Directors will establish the periods for the distribution of this remuneration and the time of payment.

## **III. Remuneration of Directors performing executive functions at Corporación Financiera Alba:**

### **1) Basic Remuneration**

The Basic Remuneration of those Directors performing executive functions at Corporación Financiera Alba will comprise a gross annual amount of:

- Basic Remuneration of the Managing Director: up to 1,300,000 euros per year.
- Basic Remuneration of Directors with other executive functions: up to 800,000 euros per year.

The specific amount of the Basic Remuneration of Directors performing executive functions will be established in their respective contracts.

The Basic Remuneration will be paid in 14 monthly payments of the exact same amount, in arrears, with double payments in the months of July and December.

The Basic Remuneration will be updated at the start of each calendar year by resolution of the Board of Directors, at the proposal of the Appointments and Remunerations Committee, by an increase of at least the same percentage as that established in the Consumer Price Index for the nation as a whole, published by the National Statistics Institute.

The maximum amount of Fixed Remuneration as a whole for the Directors performing executive functions will be 3,500,000 euros per year. In the event that the number of Directors performing executive functions is greater than Three, the aforementioned limit will be increased proportionally.

The calculation of will include any amounts that the Director performing executive functions might receive from the Company for holding the position of Director itself, or any other position or function at other subsidiary, investee or related companies or entities ("Remuneration as Alba Group Director"), the amount paid directly by the Company being reduced by said figure.

## **2) Variable remuneration**

### 2.1. Annual variable remuneration

2.1.1. Recipients. The Board of Directors will determine those Directors performing executive functions, in addition to executives or other employees who will receive annual variable remuneration (the "Incentive"), with the characteristics established in the following subsections.

2.1.2. Parameters. Calculation of the overall Incentive will take into account the following parameters:

- Evolution of the net asset value (NAV) of Corporación Financiera Alba, measured as an absolute value with regard to a target during the calendar year (25% weighting)
- Total shareholder return (evolution of NAV plus dividends), measured as a relative value with regard to the overall Ibex-35 shareholder return (25% weighting).
- Value generators (50% weighting), considered as: execution of international strategy; monitoring of existing investments; analysis and execution of investments and divestments; and corporate management.

2.1.3. Distribution criterion. Once the aforementioned parameters have subsequently been evaluated, distribution of the Incentive will take place in accordance with the performance of each recipient.

2.1.4. Accrual. The Incentive will accrue annually, coinciding with the calendar year.

2.1.5. Deferral. Although the Incentive accrues annually, it will be paid out in two tranches: (i) 50% will be paid at the start of the next financial year; and (ii) the other 50% will be converted into units of the Corporación Financiera Alba NAV (phantom shares) at 31 December (rounded upwards), which will be realised together with the appreciation (NAV on the date chosen by the recipient) and the dividend, at the option of the recipient, within at least five years of accrual, and no later than eight years after accrual.

2.1.6. Generation of the Bonus Pool.

- At the start of each year a Bonus Target is assigned to each recipient, as part of the annual remuneration review.
- At the end of the financial year the Board of Directors will determine the level of achievement of the objectives (for the entire team) between 0% and 125%, with 100% representing fulfilment of expectations.
- The overall Bonus Pool will be calculated by multiplying the level of achievement by the sum of the Bonus Targets.
- The objectives set may be reviewed yearly.

2.1.7. Distribution of the Bonus Pool.

- The Board of Directors will, at the proposal of the Appointments and Remunerations Committee in accordance with the Bonus Target and the performance assessment, decide the distribution of the Bonus Pool to be assigned to the Managing Director.
- The remainder of the Bonus Pool will be similarly distributed, but on the basis of the proposal by the Managing Director.

2.1.8. Calculation of team achievement in accordance with the evolution of the net asset value (NAV) of Corporación Financiera Alba:

Appreciation of NAV per share during the year	Level of achievement
≤ 0%	0%
7%	100%
≥ 9.5%	125%

2.1.9. Calculation of team achievement in accordance with the evolution of the total shareholder return ("TSR"):

ALBA surplus TSR above Ibex-35 TSR	Level of achievement
≤ Ibex -3%	0%
Ibex + 1%	100%
≥ Ibex + 5%	125%

2.1.10. Handling of departures:

- Voluntary departures: (i) Before the close of the financial year: forfeiture of the right to receive the Incentive; (ii) During the deferral period: forfeiture of the right to receive any deferred Incentive for which the minimum period of five years following accrual has not been fulfilled.
- Involuntary departures by reasoned decision (dismissal): Forfeiture of remuneration both prior to the close of the financial year and during the deferral period.
- Involuntary departures without reasoned decision (death, retirement, disability): the rights to the Incentive will be retained, but the remuneration

will be settled in the month following the triggering event. If the individual continues as a Director of Corporación Financiera Alba or of any investee company, the Incentive conditions will remain in place.

2.1.11. Suspension of the relationship. In the event of voluntary leave of absence, the right to receive the Incentive will be forfeited. If the individual transfers to provide services at another company of the group, or in cases of temporary unfitness for work, maternity, risk during breastfeeding, or adoption, the right to the Incentive is retained.

2.1.12. Maximum amount. The maximum amount of annual variable remuneration as a whole for the Directors performing executive functions will be 1,000,000 euros per year. In the event that the number of Directors performing executive functions is greater than three, the aforementioned limit will be increased proportionally.

## 2.2. Multi-year variable remuneration

2.2.1. Those Directors performing executive functions at Corporación Financiera Alba and those representing Corporación Financiera Alba on the directorial bodies of other companies or subsidiary, investee or related entities may, at the discretion of the Company, be beneficiaries of variable remuneration schemes tied to the evolution of the net asset value of the Company established in favour thereof and of the executives. Said plans may, as decided by the Company, take the form of cash payments, the granting of share options and/or the handover of shares.

2.2.2. If the variable remuneration takes the form of share option plans or share handover plans, said plans will have the following key characteristics: they will be granted free of charge; the settlement may be based on differences; and they will be non-transferable, other than in exceptional circumstances.

2.2.3. The variable remuneration may be established every year, and may mature on a multi-year basis.

2.2.4. The variable remuneration will take into account the difference between the "final net asset value" and the "initial net asset value" of the shares in Corporación Financiera Alba, where:

2.2.4.1. The "initial net asset value" of each share will be the mean net asset value of the shares in Corporación Financiera Alba during a number of stock-market sessions prior to the "initial date" of the Plan, which will be the day when the implementation thereof is agreed.

2.2.4.2. The "final net asset value" will be the mean liquidation value of the shares in Corporación Financiera Alba during a number of stock market sessions prior to the "final date" of the Plan, which will be the date when the number of years established in the plan has expired since the "initial date" thereof.

2.2.5. The "initial" and "final" net asset values of the shares in Corporación Financiera Alba will be calculated by valuing the assets of the Company on the basis of criteria set by the Board of Directors.

2.2.6. The calculation of the "initial" and "final" net asset values will be performed by deducting treasury stock, and without taking into account taxes resulting from the theoretical liquidation.

2.2.7. For the purposes of the above paragraphs, the maximum difference between the "final net asset value" and the "initial net asset value" may be no more than 50% of the "initial net asset value".

The maximum amount of Variable Remuneration as a whole for the Directors receiving this remuneration will be 7,000,000 euros per year. If more than five Directors receive the remuneration, the stated limit will be increased proportionally.

2.8. In the event that upon maturity of a plan a positive result is not obtained, the "initial net asset value" of any plan that might be approved as a successor to that which matured will be calculated in accordance with the provisions of subsection 2.4.1 above, but with a minimum equivalent to 90% of the "initial net asset value" of the matured plan.

### **3) Special supplement**

Following a prior report by the Appointments and Remunerations Committee, the Board may in extraordinary circumstances establish a supplement in favour of one or more of the Directors performing executive functions, payable on one single occasion, which may not overall exceed an amount of 1,000,000 euros per annum.

### **4) Remuneration in kind**

Those Directors performing executive functions at Corporación Financiera Alba will be entitled to the cover indicated below, with the Company arranging the corresponding insurance policies, to be considered as remuneration in kind, with the Company, where applicable, bearing the tax cost of the Director corresponding to any premiums paid by it.

The maximum amount of Remuneration in Kind as a whole for those Directors performing executive functions will be 500,000 euros per year. In the event that the number of Directors performing executive functions is greater than three, the aforementioned limit will be increased proportionally.

#### **4.1. Annual cover of the alternative pensions scheme**

With regard to the insurance policy to cover the alternative pensions scheme referred to in subsection (4) below, the annual premium corresponding to death and disability while active.

#### 4.2. Life, accident and disability insurance

The premium corresponding to the life and accident insurance policy insuring, in the event of death or disability, a capital sum equivalent to 6 months of the Basic Remuneration.

#### 4.3. Sickness insurance

The premium corresponding to the insurance policy to cover sickness expenses for the Director, his or her spouse and children aged under 30 years.

### **5) Pension scheme**

The Company has two coexistent pension schemes, one a defined benefit and another a defined contribution scheme, depending on whether the relationship with the Company, whatever the nature thereof, began before or after 1 January 2017. In both cases, the system is outsourced by the arrangement of the corresponding contracts with insurance companies.

#### 5.A. Defined benefit pension scheme

##### 5.A.1. Long-term savings scheme. Alternative pension scheme

The following alternative pension scheme is established in favour of those Directors performing executive functions at Corporación Financiera Alba. From the point at which Directors reach the legal retirement age in force from time to time, they may retire at their own request or at the decision of the Company, which is obliged in both cases to pay them, irrespective of the Social Security pension to which they would be entitled, lifelong annuity income of 35% of the sum of the Basic Remuneration.

In the event of the early voluntary retirement of a Director in accordance with the legislation in force from time to time, he or she will be entitled to receive the annual and lifelong income referred to in the above paragraph accruing by that date.

##### 5.A.2. Disability pension

In the event that a Director performing executive functions at Corporación Financiera Alba is declared to be subject to permanent disability, he or she will receive a lifelong income of an amount equivalent to the Retirement Pension (subsection 5.A.1) in the year when the disability occurs.



### 5.A.3. Widowhood Pension

In the case of the death of a Director performing executive functions at Corporación Financiera Alba while active, the Company will be obliged to make payment to his or her widowed spouse of an annual income of 21% of the Basic Remuneration to which the Director would have been entitled in the year when he or she died.

If the death of the Director occurs while he or she is subject to disability or retirement, the surviving widowed spouse will receive annual income equivalent to 60% of what the Director was receiving in the year when the death occurred.

The right of the widowed spouse to receive the Widowhood Pension will, in terms of the generation, modification or termination thereof, be governed by the standards established in the Social Security Regime in force from time to time.

### 5.A.4. Orphan's Allowance

If in the case of the death of a Director performing executive functions at Corporación Financiera Alba he or she is survived not only by a widowed spouse but also children meeting the requirements imposed by the Social Security Act and supplementary provisions in order to receive an orphan's allowance, this will be paid to each of them for as long as they fulfil the stated requirements, the allowance for each child being of an amount equivalent to 7% of the Basic Remuneration in the year when the death occurs.

The cumulative Widowhood Pension and/or Orphan's Allowances may not under any circumstances exceed 35% of the Basic Remuneration to which the Director would have been entitled in the year of death.

In the event that one or more of the orphans of the Director is declared disabled in accordance with the provisions in force, the Orphan's Allowance to be paid to said orphan or orphans will be maintained until recovery from the disability, irrespective of the person's age.

In the event that the orphan or orphans benefiting from Orphan's Allowances are orphaned of both parents, the oldest of the orphans receiving the Orphan's Allowance will receive the income to which the widowed spouse would have been entitled as the Widowhood Pensions. The remaining orphans will receive the Orphan's Allowance established in the first paragraph of this subsection. In this case, the orphans will be entitled to receive the Orphan's Allowance corresponding to them until each of them has reached the regulatory age, to be extended up until the age of 25, provided that the beneficiaries are solely engaged in their studies. In any event, the amounts to be received by the orphan or orphans may be no more than 35% of the Basic Remuneration to which the Director would have been entitled, where applicable, in the year of death.

### 5.B. Defined contribution pension scheme

#### 5.B.1. Long-term savings scheme. Alternative pension scheme

The following alternative pension scheme is established in favour of those Directors performing executive functions at Corporación Financiera Alba. The Director will be included within an alternative defined contribution pension scheme. The annual contribution of the updating thereof will be as agreed with the Director. From the moment when the Director reaches the legal retirement age force from time to time, he or she may retire, at his or her own request or at the decision of the Company. At this point the Director will be entitled to the mathematical provision resulting from the aforementioned contributions. The maximum of said mathematical provision will be the capital required in order to purchase an annuity (annual, fixed and reversible at 60% in favour of the widowed spouse and 20% for each orphan, up to a limit of 100% overall), the amount of which would be 35% of the Basic Remuneration in the year when retirement occurs.

In the event that the Director takes voluntary early retirement in accordance with the legislation in force from time to time, he or she will be entitled to receive the aforementioned mathematical provision.

#### 5.B.2. Disability pension

In the event that a Director performing executive functions at Corporación Financiera Alba is declared subject to permanent disability, he or she will be entitled to collect 100% of the mathematical provision set out in subsection 5.B.1 above in the year when disability occurs.

#### 5.B.3. Widowhood Pension

In the event of the death of a Director performing executive functions at Corporación Financiera Alba while active, his or her widowed spouse will be entitled to 60% of the mathematical provision set out in subsection 4.B.1 with reference to the year when the death occurs.

The right of the widowed spouse to receive the Widowhood benefit will, in terms of the generation, modification or termination thereof, be governed by the standards established in the Social Security Regime in force from time to time.

#### 5.B.4. Orphan's Allowance

If, in the event of the death of a Director performing executive functions, he or she is survived not only by a widowed spouse but also children who fulfil the requirements imposed by the Social Security Act and any supplementary provisions to receive an orphan's allowance, each of the orphans will be entitled to a temporary income equivalent to 20% of that which would correspond to the retired director in accordance with the provisions of subsection 5.B.1 above, but with reference to the year when the death occurs.

The cumulative benefits for Widows and Orphans may not under any circumstances exceed 35% of the Basic Remuneration.

In the event that one or more of the orphans of the Director is declared disabled in accordance with the provisions in force, the Orphan's Allowance to be paid to said orphan or orphans will be maintained until recovery from the disability, irrespective of the person's age.

In the event that the orphan or orphans benefiting from Orphan's Allowances are orphaned of both parents, the oldest of the orphans receiving the Orphan's Allowance will receive the income to which the widowed spouse would have been entitled as the Widowhood Pensions. The remaining orphans will receive the Orphan's Allowance established in the first paragraph of this subsection. In this case, the orphans will be entitled to receive the Orphan's Allowance corresponding to them until each of them has reached the regulatory age, to be extended up until the age of 25, provided that the beneficiaries are solely engaged in their studies. In any event, the amount to be received by the orphan or orphans may not exceed the limit set in subsection 5.B.1 above.

#### 5.C. Limit on contributions

The maximum amount of the contributions made by Corporación Financiera Alba to fulfil the pension schemes described in the above points of subsection (5) will be 1,500,000 euros per year. In the event that the number of Directors performing executive functions is greater than three, the aforementioned limit will be increased proportionally.

#### 6) Basic conditions of the contracts of Directors performing executive functions at Corporación Financiera Alba:

- Duration of the contract: Indefinite.
- Prior notice periods: fifteen days, as a general rule.
- Clauses regarding compensation or protection for premature cancellation or termination of the contractual relationship between the Company and the Director:
  - o If when the Directors ceases to perform the executive functions contractually attributed to him or her, the performance of other likewise executive functions is entrusted to him or her, he or she will maintain the remuneration agreed in the contract, unless other terms are established by mutual agreement.
  - o If when a Director ceases to perform executive functions the validity of any prior employment relationship is reactivated, and it is also decided to terminate this employment relationship, the compensation to be paid in the event of termination of the relationship at the

decision of the Company will comply with the employment regulations, but may be no less than the amount of the fund established as the pension supplement, in accordance with the terms of subsections 5.A.1 or 5.B.1, as applicable, or the amount of one year of the Basic Remuneration, increased by one twelfth of said yearly payment for each year that has passed since the initial date of service at the Group, whichever is the greater.

- If when a Director ceases to perform executive functions there is no employment relationship that would be reactivated, the Director will be entitled to compensation equivalent to the amount of one year of the Basic Remuneration, increased by one twelfth of said yearly payment for each year that has passed since the initial date of service at the Group, although the amount of the fund established as the pension supplement will be deducted from this figure (subsections 5.A.1 or 5.B.1), with the Director being entitled to said fund in full, in all cases.
  - The compensation will not be paid until the Company has been able to confirm that the Director has fulfilled any performance criteria that might have been established.
- Variable remuneration clawback agreement. In the event that (i) the variable remuneration was paid on the basis of data the inaccuracy of which is demonstrated after the time when said variable remuneration was paid (for example, on the basis of possible reservations in the external auditor's report that would reduce the results), (ii) fraudulent action was performed by the Director, or (iii) the Director caused serious harm to the Company involving culpable or seriously negligent behaviour, the Company will be entitled to claw back from Directors with executive functions the corresponding components of the variable remuneration. This claim may be executed within a period of three years of the moment when the Company made payment of the variable remuneration claimed.
  - Exclusivity agreements: The provision of services is based on the exclusive dedication of the Director, who may not perform services for any other entity, even if its activity does not compete with that of the Company, without its prior consent. This consent will not be deemed necessary in the case of services performed for entities of the Banca March group. If the pursuit of other activities is authorised, and they are remunerated, the amount of said remuneration may be deducted from the remuneration of the Director, if so decided by the Company when granting authorisation.
  - Post-contractual non-competition and lock-in agreements: None established.

#### **IV. Directors performing executive functions at subsidiary companies of Corporación Financiera Alba**

Those Directors of Corporación Financiera Alba who perform executive functions at its subsidiary companies will, aside from the remuneration referred to in subsection II, receive the remuneration established in their respective contracts, to be approved in accordance with the terms of Article 249 of the Capital Companies Act. This remuneration may correspond to the terms of this Policy or may be different, depending on the remuneration system or policy of each company.

#### **V. Validity of the Remuneration Policy**

This Remuneration Policy will apply from approval onwards, and in accordance with the provisions of Article 529 novodecies of the Capital Companies Act, will remain valid for the following three financial years, and will therefore be applied until it is modified by the corresponding resolutions of the General Shareholders' Meeting.

This notwithstanding, for the purposes of the annual variable remuneration established in subsection 2.1, consideration will be given to 2019 as a whole.

The introduction of the annual variable remuneration established in subsection 2.1 will be associated with a reduction in the number of units to be assigned to the recipients of the multi-year variable remuneration established in subsection 2.2 compared with previous financial years, thereby limiting the growth of variable remuneration as a whole, even in the event of maximal fulfilment of the targets set.

#### **VI. Transparency of the remuneration of the Board. Report on the remuneration of the Directors**

The Board will each year draw up a Report on the remuneration of the Directors, which will be made available to the shareholders and disclosed as price-sensitive information simultaneously with the Annual Corporate Governance Report.

Said Report will refer to the remuneration received or to be received by the Directors in their position as such and, where applicable, the performance of executive functions. It will likewise include complete, clear and comprehensible information as to the remuneration policy of the Directors applicable to the financial year in progress, an overall summary as to the application of the remuneration policy during the financial year closed, and the detail of the individual remuneration accruing in all regards for each of the Directors during said financial year.

This Report will be examined by the Appointments and Remunerations Committee before being referred to the Board of Directors, and will be subject to a

consultative vote as a separate item on the agenda of the General Shareholders' Meeting.

Madrid, 17 June 2019