



## **REGULATION OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE OF CORPORACION FINANCIERA ALBA, S.A.<sup>1</sup>**

### **PRELIMINARY SECTION**

#### **Article 1.- Purpose**

The object of this Regulation is to determine the operational principles of the Appointments and Remunerations Committee of Corporación Financiera Alba, S.A. (the "Company"), the basic rules for its organisation and functioning, and its relationship with shareholders, the Board of Directors, the Company's Chief Executive and, where applicable, the executives.

### **SECTION 1. NATURE, OBJECT AND DEPENDENCY**

#### **Article 2.- Legal nature and object**

The Appointments and Remunerations Committee of the Company (hereinafter referred to as either the "Appointments and Remunerations Committee", or the "Committee") constitutes a body of the Board of Directors with powers of information, consultancy and proposal in those matters determined by the By-laws, the Regulation of the Board of Directors, and this Regulation itself. As a body of the Board of Directors, it is accountable to the Board for its activities.

### **SECTION 2. SCOPE AND FUNCTIONS**

#### **Article 3.- Scope of Operation**

The Appointments and Remunerations Committee is responsible for the functions that are detailed below, and further developed in the following articles of this Regulation, in addition to any others that might be assigned to it from time to time by the applicable legislation or the Board of Directors:

- (i) Evaluate the skills, knowledge and experience required of the Board of Directors. To this end, it will define the functions and skills required to the candidates who are to fill each vacancy, and evaluate the time and dedication required in order to allow them effectively to perform their task.
- (ii) Establish a representation target for the less represented gender on the Board of Directors, and prepare guidance on how to achieve it.
- (iii) Submit to the Board of Directors proposals for the appointment of independent Directors to be designated by co-option or for referral of the decision to the General Shareholders' Meeting, in addition to proposals for the re-election or discharge of said Directors by the General Shareholders' Meeting.

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<sup>1</sup> Approved by the Board of Directors on 17 June 2019.



- (iv) Report on proposals for the appointment of all other Directors to be designated by co-option or for referral of the decision to the General Shareholders' Meeting, in addition to proposals for the re-election or discharge of said Directors by the General Shareholders' Meeting.
- (v) Report on proposals for the appointment and discharge of senior managers, and the basic conditions of their contracts.
- (vi) Examine and organise the succession of the Chairperson of the Board of Directors and of the Chief Executive of the Company and, where applicable, submit proposals to the Board of Directors in order for said succession to occur in an orderly and planned manner.
- (vii) Propose to the Board of Directors the remunerations policy for the Directors and other general managers or those performing senior management functions and directly answering to the Board, Executive Committees or managing directors, in addition to the individual remuneration and other contractual terms of executive Directors, ensuring compliance therewith.
- (viii) Periodically review the remunerations policy applied to the Directors and senior management, including share-based remuneration systems and the application thereof, and ensure that their individual remuneration is proportionate to that paid to other Directors and senior managers of the company.
- (ix) Report on the proposal to appoint or discharge the Secretary of the Board.
- (x) Examine any information provided by the Directors as to their other professional obligations, in case this could interfere with the required dedication.
- (xi) Annual review of the Directors' categories.
- (xii) Verify information regarding the remuneration of the Directors and senior managers contained in the various corporate documents, including the annual report on the remuneration of Directors, and oversee the transparency of remunerations and inclusion of information regarding the remuneration of the Directors in the Annual Report.
- (xiii) Ensure that any possible conflicts of interest would not jeopardise the independence of external consultancy provided to the Committee.

**Article 4.- Functions regarding the composition of the Board of Directors and its Committees**

The Appointments and Remunerations Committee will, within its functions, proceed to:

- a) Analyse the skills, knowledge and experience deemed necessary for the proper functioning of the Board. To this end the Committee will review the structure of the Board and its Committees, in particular whenever any vacancies arise on any of these bodies.



- b) Prepare and review a matrix of competences deemed necessary or suitable for the configuration of the Board.
- c) Review and periodically report on the Directorial Selection Policy.
- d) Conduct an annual verification of compliance with the Directorial Selection Policy, reporting on this in the Annual Corporate Governance Report.
- e) Periodically review and report on other policies or guidelines approved by the Board regarding the selection of Directors, diversity, and other issues regarding the composition of the Board of Directors or the selection, functions, skills and requirements of the Directors.
- f) Report on the diversity policy for the Board of Directors, senior management and specialist Committees established by the Board, reporting thereon in the Annual Corporate Governance Report.
- g) Examine the information provided by the Directors as to their professional obligations other than those connected with their position at the Company, in case these could interfere with the dedication demanded of their position.
- h) Ensure compliance with the dedication demanded of Directors, recommending to the Board the maximum number of Boards of Directors of non-group Companies to which the Directors may belong.
- i) Propose to the Board of Directors the appointment, re-election or discharge of the coordinating Director.
- j) Report on the appointment of members of the Committees of the Board of Directors, ascertaining that they hold appropriate knowledge, skills and experience to form a part thereof.
- k) Report on the appointment and discharge of the Chairperson of the Board of Directors, the Vice-Chairpersons, the Managing Director, the Secretary and, where applicable, the Vice-Secretary.
- l) Conduct an annual review of the classification of the Directors.

**Article 5.- Functions regarding the appointment and re-election of directorial candidates**

- a) Submit proposals to the Board of Directors for the appointment or the election of independent Directors to be designated by co-option or for the decision to be referred to the General Shareholders' Meeting.
- b) Report on proposals as to the appointment or the election of other Directors to be designated by co-option or for the decision to be referred to the General Shareholders' Meeting.
- c) With regard to proposals for the appointment of independent Directors:
  - (i) Review the skills, knowledge and experience of the members of the Board, and the criteria and policies for the selection of the existing Directors, in order to evaluate the profiles that should be sought in



directorial candidates, aiming at all times to fulfil the established criteria of diversity and non-discrimination.

- (ii) Ensure that the Directors can provide the names of possible candidates for appointment as independent Directors.
- d) With regard to the report on any other Directors whose appointment is proposed:
  - (i) Evaluate whether the selection complied with the appointment policy and the procedures established by the Company.
  - (ii) Report in the case of shareholder-appointed Directors on the circumstances applicable to the shareholders proposing the appointment, and also, in the case of shareholders with a stake of less than 3% of the capital stock, gather information as to the reasons for the proposal.
- e) With regard to legal entity Directors and their natural person representatives, report on the proposals made by the legal entity Directors with regard to their natural person representatives.
- f) With regard to all directorial candidates:
  - (i) Verify that they comply with the general requirements imposed by the Company and the applicable legislation for their selection as a Director, in addition to their personal qualities, fitness, experience, training, gender, age and availability to hold the position.
  - (ii) Gather information as to their activities and potential conflicts of interest that could affect them, in order to evaluate their capacity to hold the position, and their current and future independence.
  - (iii) Request information as to the candidates, the natural persons who are to represent legal entity Directors, shareholder-appointed Directors and the shareholders proposing them, in order properly to draw up the Committee's reports and proposals.
  - (iv) Prepare a report recording the outcome of the Committee's analysis, to be published when the General Shareholders' Meeting that is to consider the appointment, rectification or re-election of the Director is announced.
- g) In processes for the re-election of Directors, the Committee will:
  - (i) Report on the re-election of the Directors, taking into account the progressive renewal of the Board.
  - (ii) Evaluate and consider the same factors as upon initial election, furthermore assessing the performance and evaluation of the Director during their time in the post, and their capacity to continue offering satisfactory performance.

#### **Article 6.- Functions regarding the discharge and dismissal of Directors**



- a) Propose the discharge of Directors in the event of a breach of the duties inherent in their position, incompatibility, conflict of interest or any other grounds for discharge or dismissal in accordance with the Law, the Company Regulations, or corporate governance recommendations.
- b) In those cases where Directors resign, report on the reasons and circumstances of the resignation.

**Article 7.- Functions regarding the succession of the Chairperson of the Board and of the Chief Executive**

- a) Examine and organise the succession of the Chairperson of the Board and of the Chief Executive of the Company, following consultation with them and with the coordinating Director, if any has been designated, to ensure that this process takes place in an orderly fashion.
- b) Report on the succession plan for the Chairperson of the Board and the Chief Executive.
- c) Review the approved succession plan, in order to adapt it where necessary to the new needs and circumstances of the Company.
- d) Report on significant deviations with regard to the succession plan.

**Article 8.- Functions regarding the evaluation of the Board**

- a) Gather information on the activities of the Directors and potential conflicts of interest that could affect them, in order to assess their capacity to hold the position, and their current and future independence.
- b) Promote the process of annual evaluation of the performance of the Board of Directors and of its Committees, including where necessary a proposed plan of action or recommendations to rectify any possible shortcomings or to improve the functioning of the Board or its Committees.
- c) Monitor attendance by Directors at meetings of the Board of Directors and of the Committees to which they belong, and propose any actions where necessary.
- d) Ensure that in the event of the unavoidable absence of Directors at meetings, powers of representation are delegated, with voting instructions where possible.
- e) Where applicable, appraise the independence of the external consultant involved in the evaluation of the Board of Directors.
- f) Report on or propose programmes to refresh the knowledge of the Directors.

**Article 9.- Functions regarding the remuneration of Directors**

- a) Verify the information as to the remuneration of the Directors and senior managers contained in the various corporate documents, including the



Annual Report on Directorial Remuneration, and ensure the transparency of the remuneration and inclusion of information as to the remuneration of the Directors in the Annual Report.

- b) Report on the Remunerations Policy for the Directors and senior managers referred to the Board, and any modifications thereto.
- c) Periodically review the Remunerations Policy to ascertain its alignment with the situation and strategy of the Company and with market conditions.
- d) Report to the Board on the setting of directorial remuneration.
- e) Verify compliance with the Remunerations Policy.
- f) Review the terms of the contracts of executive Directors and senior management, and verify that they are consistent with the remuneration policies in force.

### SECTION 3. COMPOSITION, APPOINTMENT AND DISCHARGE OF MEMBERS

#### **Article 10.- Composition**

The Appointments and Remunerations Committee will comprise a minimum of three and a maximum of five members, one of whom will act as Chairperson. All members must have the status of external or non-executive Directors, and at least two of them must be independent Directors. It must be guaranteed that overall the members of the Committee have appropriate knowledge and experience to perform their functions, encouraging diverse composition in terms of gender, age and professional experience.

The Chairperson of the Committee must be an independent Director.

The Secretary will be the Secretary of the Board, who may but need not be a member of the Committee.

#### **Article 11.- Appointment and discharge**

1. The members of the Committee will be appointed by the Board of Directors of the Company from among its constituent Directors. It will likewise appoint from among them the person who is to hold the position of Chairperson. The Board may likewise appoint substitute members, from among the Directors of those categories indicated in the above article, for cases of vacancy, absence, or conflict of interest. The members of the Appointments and Remunerations Committee, and in particular its Chairperson, will be designated in accordance with their knowledge and experience in matters such as corporate governance, human resources, election of directors and executives, performance of senior management functions, and the remuneration of directors and senior managers.



2. The duration of the appointment will be for the remaining period up until expiry of the directorial term, with the possibility of re-election to said position.

#### **SECTION 4. FUNCTIONING**

##### **Article 12.- Meetings**

1. The Appointments and Remunerations Committee sets the calendar for its ordinary meetings as often as necessary in order properly to address the issues lying within its responsibility, meeting at least three times per year. The Committee will furthermore meet whenever called by its Chairperson or requested by any of its members, or on the instructions of the Board of Directors, with a specific agenda. Wherever possible, the Committee will meet sufficiently in advance of the meetings of the Board of Directors at which its reports or proposals are to be debated.

2. The Committee may meet without a prior announcement if all members are present and unanimously agree to hold a meeting. In cases of urgency, the Committee may be called without the established minimum prior notice, in which case the urgency must be unanimously acknowledged by all those in attendance at the start of the meeting.

3. Meetings may be attended by the executive Directors or senior managers of the Company, if explicitly so decided by the members of the Committee, with a prior invitation by the Chairperson, to address those items on the agenda for which they have been called to attend.

4. The Appointments and Remunerations Committee may call any employee or executive of the Company to attend, and may likewise order that employees should appear without the presence of any other executive, following an invitation by the Chairperson of the Committee, to address those items on the agenda for which they have been called to attend.

##### **Article 13.- Announcement and venue**

1. Meetings of the Appointments and Remunerations Committee will be announced at least five days in advance by the Secretary of the Committee, each of the members being sent a letter, fax or email, including the agenda for the meeting previously approved by the Chairperson of the Committee. The minutes of the previous meeting will be attached to this announcement, whether or not they have been approved.

2. Meetings of the Appointments and Remunerations Committee will normally take place at the registered office, but may also be held at any other venue established by the Chairperson and indicated in the announcement. Meetings may likewise be held by conference call for videoconferencing, provided that the Directors have appropriate technical resources in place, and no Director objects





to this.

**Article 14.- Quorum, representation, adoption of resolutions and minutes**

1. In order to be deemed quorate, meetings of the Appointments Committee must be attended in person or by proxy by the majority of its members. Each member of the Appointments Committee may delegate powers of representation to another member. Said powers of representation must be conferred in writing, with fax and email likewise being valid, addressed to the Chairperson of the Committee
2. Resolutions will be passed by the majority of the members present in person or by proxy. In the event of a tie, the President will hold the casting vote.
3. The Secretary of the Committee will draw up the Minutes of each of the meetings held, to be approved at the meeting itself or that immediately following. A copy of the minutes of the meetings will be sent to all members of the Board.

**Article 15.- Powers, resources and consultancy**

1. The Appointments and Remunerations Committee may, in order to fulfil its functions, request any type of information it may need regarding any aspect of the Company.
2. The Secretary will provide the members of the Committee with all resources and documentation they might require in order to fulfil their task.
3. In order to fulfil its functions, the Appointments and Remunerations Committee may request advice from external professionals regarding technical or particularly significant aspects, with prior notification and approval of the Chairperson of the Board of Directors, who may not reject the request except on reasoned grounds.

**SECTION 5. RELATIONSHIPS**

**Article 16.- Relationship with the Board of Directors and shareholders**

1. The Committee will periodically, through its Chairperson, report to the Board of Directors as to its activities, and advise and propose any measures it might deem suitable implementation within the scope of its functions.
2. The Appointments and Remunerations Committee will draw up an annual report on its activities, to be submitted to the Board of Directors.
3. The Appointments and Remunerations Committee will through its Chairperson or, in default thereof, any of its members, appear at the General Meeting to address any issues raised that might lie within the purview of the Committee.





#### **Article 17.- Relationship with Senior Management of the Company**

Any member of the executive team or personnel whose presence is requested on a reasoned basis will be obliged to attend meetings of the Appointments and Remunerations Committee and to offer cooperation and access to any information that said individual might hold, following a prior invitation by the Chairperson of the Committee to address those items on the agenda for which they have been called to attend.

### **SECTION 6. EVALUATION AND REPORTS**

#### **Article 18.- Evaluation and reports**

1. The Appointments and Remunerations Committee will conduct an annual evaluation of performance in a report on its activities.
  2. The Appointments and Remunerations Committee will furthermore report on all matters set out in Law, the Articles of Association, the Regulation of the Board of Directors and in this Regulation itself.
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