



## **REPORT BY THE APPOINTMENTS AND REMUNERATIONS COMMITTEE AS TO THE AMENDMENT TO THE REMUNERATIONS POLICY OF THE BOARD OF DIRECTORS OF CORPORACIÓN FINANCIERA ALBA, S.A.**

### **I. Introduction**

Article 529 novodecies of the Capital Companies Act in force (hereinafter, the Capital Companies Act), brought in by Act 31/2014, of 3 December 2014 establishes for listed companies the obligation to draw up the remunerations policy of the Board of Directors, to be submitted for approval by the General Shareholders' Meeting.

The Appointments and Remunerations Committee is responsible (Article 529 quidecies.3.g, Capital Companies Act) for presenting the Board of Directors with a proposal as to the Directors' Remuneration Policy, which must likewise be submitted for approval by the General Shareholders' Meeting.

The General Shareholders' Meeting held on 17 June 2019 at the proposal of the Board of Directors, following a report by the Appointments and Remunerations Committee, approved the Remunerations Policy for the members of the Board of Directors (hereinafter, the Remunerations Policy) for application in the second half of the 2019 financial year, and in the 2020, 2021 and 2022 financial years.

In accordance with Article 529 novodecies.3 of the Capital Companies Act, any modification to the Remunerations Policy during the period for which it was approved will require prior approval by the General Shareholders' Meeting, by means of the procedures established for its approval thereof.

In fulfilment of said legal principles, the Appointments and Remunerations Committee of Corporación Financiera Alba, S.A. (Corporación Financiera Alba) has drawn up this report as to the proposed modification to the Remunerations Policy, for application from the 2020 financial year onwards.

II. Amendment of the Remunerations Policy with regard to the multi-annual variable remuneration of those Directors performing executive functions at Corporación Financiera Alba or representing Corporación Financiera Alba on the governing bodies of other subsidiary, investee or related entities or companies, and of its senior managers.

The possibility of establishing multi-annual variable remuneration in favour of those Directors performing executive functions at Corporación Financiera Alba and of its senior managers was established in the Remunerations Policy of the Board of Directors approved by the General Shareholders' Meeting in 2015, based on the evolution of the liquidation value of the Company.



However, while maintaining this system it is deemed more appropriate and technically correct that the reference should be not to the liquidation value but the net asset value (NAV), since ultimately this is the calculation performed, and is the figure most representative of a company like Corporación Financiera Alba, while furthermore this is the value included in all periodic information published.

Meanwhile, taking into account recent developments in the securities market, which have gone far beyond what could be considered an ordinary course of events, it is held that maintenance for 2020 of a minimum limit to the "initial" value based on the "initial" value of the previous system expiring in the year in which a new system is approved, the result of which was negative (in other words it did not give rise to the payment of any remuneration) would cause the remuneration to lose all meaning, since it would be practically impossible for the system to achieve a positive result.

As a consequence of the above, and bearing in mind the foreseeable negative result of the multi-annual variable remuneration system expiring this year, it would seem appropriate to increase the maximum amount established for this type of remuneration, which will furthermore continue to be subject to the additional limit of 50% of the "initial" value.

In short, the modification to the Remunerations Policy here proposed involves making a technical improvement to it, taking into account the situation of the securities market, such that the application of the multi-annual variable remuneration can fulfil a genuine function as an incentive.

### III. Conclusion

In accordance with the terms set out in this report, the Appointments and Remunerations Committee of Corporación Financiera Alba is of the opinion that (i) the Remunerations Policy contains the indications demanded by the applicable regulations; and that (ii) its contents comply with the legislation in force and with good practice in the field of remuneration, complying with the criteria of a prudent risk assumption, sound governance and transparency, and is aligned with the interests of the shareholders, and should therefore be brought before the General Shareholders' Meeting for approval."

Madrid, 26 March 2020