



## **REPORT ON THE ACTIONS OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE IN THE FINANCIAL YEAR 2020**

### **I. Introduction**

This report on the functions and activities of the Appointments and Remunerations Committee of Corporación Financiera Alba, S.A., is drawn up in accordance with the corporate good governance recommendations for listed companies, and in particular those set out in the Good Governance Code of Listed Companies approved by the National Securities Market Commission on 18 February 2015, partially reformed by decision of the aforementioned Commission on 26 June 2020, and CNMV Technical Guide 1/2019, on Appointments and Remunerations Committees.

The Appointments and Remunerations Committee was created by the Board of Directors on 22 May 2003, following the recommendations of the report of the "Special Commission for the Encouragement of Transparency and Security in Financial Markets and at Listed Companies" (the "Aldama Report", published on 8 January 2003), and by means of the modification of the Regulation of the Board approved on 24 April 2007 (as a consequence of the aforementioned Unified Corporate Governance Recommendations Document), its responsibilities were extended.

The Appointments and Remunerations Committee has become a required body at listed companies as a consequence of the approval of Act 31/2014, of 3 December 2014, amending the Capital Companies Act to improve corporate governance (Article 529 quindedecies of the Capital Companies Act), resulting in an amendment to the Corporate Bylaws in the 2015 financial year (Article 47 bis) and to the Regulation of the Board of Directors (Articles 35 and 36) in order to incorporate the provisions thereof.

In line with Recommendation 2 of the Third Subsection of CNMV Technical Guide 1/2019, on Appointments and Remunerations Committees (which refers to Recommendation 19 of CNMV Technical Guide 3/2017, on Audit Committees of Entities of Public Interest), on 17 June 2019 the Board of Directors approved a Regulation of the Appointments and Remunerations Committee, governing its responsibilities and functioning in greater detail. This Regulation was amended by resolution of the Board of Directors on 26 October 2020 in order to incorporate the changes made by the partial reform of the Code of Good Governance at Listed Companies approved by the National Securities Market Commission on 26 June 2020.

### **II, Functions of the Appointments and Remunerations Committee**

In Article 36 of the Regulation of the Board of Directors of Corporación Financiera Alba, S.A. (tailored to the provisions of Article 529 quindedecies 3 of the Capital



Companies Act, by resolution of the Board of 5 May 2015), the following functions were attributed to the Appointments and Remunerations Committee, without prejudice to any others that might be assigned to it by the Board of Directors:

- a) Evaluate the skills, knowledge and experience required on the Board of Directors. To this end, it will define the functions and skills required of 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.
- b) Establish a target as to representation of the less represented gender on the Board of Directors, and draw up guidance as to how to achieve said target.
- c) Submit to the Board of Directors proposals as to the appointment of independent Directors to be designated by co-option or by referral of the decision to the General Shareholders' Meeting, in addition to proposals for the re-election or dismissal of said Directors by the General Shareholders' Meeting.
- d) Report on proposals for the appointment of the other Directors, to be appointed by co-option or by referral of the decision to the General Shareholders' Meeting, in addition to proposals for the re-election or dismissal thereof by the General Shareholders' Meeting.
- e) Inform proposals for the appointment and dismissal of senior executives, and the basic conditions of their contracts.
- f) Examine and organise the succession of the Chairperson of the Board of Directors and of the Company's CEO and, where applicable, submit proposals to the Board of Directors in order for said succession to occur in an orderly and planned manner.
- g) Propose to the Board Directors, the remunerations policy for the Directors and General Managers, or those performing senior executive functions under the direct authority of the Board, Executive Committees or CEOs, and the individual remuneration and other contractual conditions of executive Directors, ensuring observance thereof.
- h) Periodically review the remunerations policy applied to the Directors and senior executives, including remuneration systems involving shares and the application thereof, and ensure that individual remuneration is proportionate to that paid to the other Directors and senior executives of the Company.
- i) Report on the proposal as to the appointment and discharge of the Secretary of the Board.
- j) Examine the information provided by the Directors as to their other professional obligations, in case it could interfere with the dedication required.
- k) Perform an annual review of the classification of the Directors.
- l) Verify information regarding the remuneration of Directors and senior executives contained in the various corporate documents, including the annual report on the remuneration of the Directors, and ensure the transparency of remuneration and inclusion of information regarding the



remuneration of the Directors in the Annual Explanatory Notes.

- m) Ensure that any possible conflicts of interest do not prejudice the independence of external consultancy provided to the Committee.

Meanwhile, Article 16 of the Regulation of the Board of Directors specifies that proposals for the appointment or re-election of Directors brought by the Board before the General Shareholders' Meeting, as well as provisional appointment thereof by co-option, will be approved by the Board: a) at the proposal of the Appointments and Remunerations Committee, in the case of independent Directors; and b) following a report by the Appointments and Remunerations Committee in the case of all other Directors.

All of these functions are governed in greater detail by Articles 3 to 9 of the Regulation of the Appointments and Remunerations Committee, approved by the Board of Directors on 17 June 2019, and amended on 26 October 2020.

### **III, Composition**

The Audit and Remunerations Committee is an internal body of the Board and, therefore, is composed of Directors of the Company. The members must all be external Directors (without executive functions) appointed by the Board of Directors, which likewise appoints the Chairperson.

The composition of this Committee as of 31 December 2020 was as follows: Ms María Eugenia Girón Dávila (Chair), Mr Carlos March Delgado and Mr José Domingo de Ampuero y Osma, as Members, and Mr. José Ramón del Caño Palop as Secretary.

The Director who has served as Chair of the Appointments and Remunerations Committee has the status of an external independent Director, said status likewise applying to Mr José Domingo de Ampuero y Osma, who is furthermore the Coordinating Director of the independent Directors of Corporación Financiera Alba, S.A. Mr Carlos March Delgado has the status of external proprietary Director.

This composition of the Committee is fully aligned with the applicable regulations (Act 31/2014) and the recommendations of CNMV Technical Guide 1/2019, on Appointments and Remunerations Committees, the provisions of which indicate that all members must be non-executive Directors, with a minimum of two independent Directors, the Chairperson likewise being independent.

In accordance with the recommendations of the Good Governance Code of Listed Companies, the information on the profile of all the Directors of Corporación Financiera Alba, S.A. is made available on the company's website. On the basis of the recommendations of CNMV Technical Guide 1/2019, we would highlight that overall, the members of the Appointments and Remunerations Committee have knowledge and experience in fields such as corporate governance, human



resources, selection of directors and executives, performance of senior management functions and the remuneration of directors and senior executives.

#### **IV. Functioning and activity**

The internal functioning of the Appointments and Remunerations Committee is governed by the provisions of Article 47 bis of the Corporate Bylaws, Articles 35 and 36 of the Regulation of the Board of Directors (tailored to the regulations set out in Article 529 quindedecies 3 of the Capital Companies Act), and Articles 12 to 17 of the Regulation of the Appointments and Remunerations Committee, governing all aspects regarding its meetings, announcements of meetings, quorum, adoption of resolutions, minutes, relations with the Board, the shareholders and Senior Management of the Company, and powers to request information as to any aspect of the Company and to seek the advice of external professionals.

During the 2020 financial year, the Appointments and Remunerations Committee held seven meetings, at which it addressed the aforementioned functions, and in particular:

- Reported on proposals for the renewal of Directors, following an evaluation of their performance of their duties.
- Reported on the new professional activities of one Director.
- Reported on the category that should apply to each Director.
- Reported on the composition of the Committees of the Board.
- Reported on the re-election of two members of the Audit and Compliance Committee, two members of the Appointments and Remunerations Committee, and one member of the Investments Committee.
- Reported on the revision of the remuneration of the Executive Directors and the Executive Managers of the Company.
- Reported on fulfilment of objectives and distribution of the annual variable remuneration of the Executive Directors and the Executive Managers of the Company corresponding to 2019.
- Reported on the definition of the weightings applicable to the annual variable remuneration of the Executive Directors and the Executive Managers for the 2020 financial year.
- Reported on the actions of the Appointments and Remunerations Committee during 2019.
- Reported on the Remunerations Policy followed during 2019, on the Annual Report on the Remuneration of the Directors, and monitoring of the Remunerations Policy.
- Reported on the modification to the Directorial Remunerations Policy, which was brought before the General Meeting of Shareholders for approval.
- Reported on the evaluation of the Board conducted internally in the financial year 2019.
- Reported on the evaluation of the Board conducted by an external expert in 2019.



- Reported on the transparency of the information included in the Annual Accounts for the 2019 financial year regarding the remuneration of the Directors.
- Reported on the monitoring of the Directorial Selection Policy.
- Reported on the establishment of a multi-annual variable remuneration plan.
- Reported on the change in classification of a Director.
- Reported on the outcome of the evaluation of the matrix of responsibilities of the Board by the members thereof.
- Referred a proposal as to the retirement bonus of the Managing Director.
- Reported on the proposal for the succession of the Chief Executive, for approval by the Board of Directors.
- Reported on the proposal to amend the Regulation of the Appointments and Remunerations Committee for approval by the Board of Directors.
- Established a new objective for the representation of the less represented gender.

Madrid, 24 February 2021