



**REPORT FROM THE APPOINTMENTS AND REMUNERATIONS
COMMITTEE AS TO THE REMUNERATIONS POLICY FOR THE
DIRECTORS OF CORPORACIÓN FINANCIERA ALBA, S.A.**

I. Introduction

Article 529 novodecies of the current Capital Companies Act (the "Ley de Sociedades de Capital", or hereinafter the "LSC") (in the text brought in by Act 5/2021, of 12 April), establishes an obligation on listed companies to draw up the Remunerations policy of the Board of Directors, to be submitted for approval by the General Meeting of Shareholders at least every three years.

The Appointments and Remunerations Committee is responsible (Article 529 quindecies (3)g LSC) for presenting the Board of directors with a proposal for the Directorial Remuneration Policy, which must likewise be brought before the General Meeting of Shareholders for approval. This proposal must be accompanied by a specific report from the Appointments and Remunerations Committee.

The General Meeting of Shareholders of Corporación Financiera Alba held on 10 June 2015 approved the proposal of the Appointments and Remunerations Committee and the Board of Directors for the first Remuneration Policy of the Board of Directors in accordance with the provisions of the LSC (following the amendment applied by Act 31/2014), this being replaced by that approved by the General Meeting of Shareholders held on 18 June 2018, which was in turn replaced by that approved by the General Meeting held on 17 June 2019, and amended by resolution of the General Meeting held on 18 June 2020.

In fulfilment of the aforementioned legal principles, the Appointments and Remunerations Committee of Corporación Financiera Alba, S.A. ("Corporación Financiera Alba") has drawn up this report on the proposed Remuneration Policy for the Members of the Board of Directors (hereinafter, the "Remuneration Policy"), which will apply from its approval and during the three following financial years.

The First Transitional Provision of the aforementioned Act 5/2021, of 12 April 2021, establishes that listed companies must present for approval by the first general meeting of shareholders held after the entry into force of said Act, a new directorial remuneration policy in line with the new requirements established in Article 529 novodecies of the LSC.

The proposed Remuneration Policy will replace that approved by the General Meeting of Corporación Financiera Alba held on 17 June 2019, and amended by resolution of the General Meeting held on 18 June 2020.

II. Regulations applicable to the remuneration of the Directors

The LSC establishes that the position of director of a listed company must be remunerated (Article 529 sexdecies LSC), unless the corporate bylaws establish otherwise. The Corporate Bylaws of Corporación Financiera Alba confirm the remunerated status of the position, and establish the remuneration system applicable to the Directors. The remuneration of the Directors, whether in their position as such or for the performance of executive functions, must comply with the terms established in the Remuneration Policy.

In relation to the members of the Board of Directors in their position as such, the Remuneration Policy calculates their remuneration within the system set forth by statutory regulations and includes the maximum amount of annual remuneration to be paid to them overall in their capacity as Directors.

With regard to those Directors performing executive functions ("Executive Directors"), the remuneration of these functions must comply with the corporate bylaws and the remuneration policy approved in accordance with the provisions of the Act (Article 529 novodecies LSC) and the contracts approved in accordance with the provisions of Article 249 LSC. The remuneration policy must establish at least the amount of fixed annual remuneration, and all other provisions referred to in the Act.

The remuneration policy must comply with the requirements set forth in the LSC (Article 529 novodecies (3) LSC), which are in summary: a) contribute to the corporate strategy and long-term sustainability and interests of the company; b) be clear and comprehensible, and describe the different components of the fixed and variable remuneration; c) explain how the remuneration and employment conditions of workers have been taken into account; d) with regard to variable remuneration, establish clear, complete and varied criteria for the granting thereof, and indicate the financial and non-financial performance criteria; e) provide information on any deferral period and the possibility that the company may demand repayment of the variable remuneration; f) in the case of share-based remuneration, the policy must specify the accrual periods, the lock-in of shares after they are vested, and the manner in which this contributes to the achievement of the objectives established in item (a); g) indicate the duration of the contracts with the directors, the applicable prior notice periods, the characteristics of the supplementary pension or early retirement schemes, the termination conditions and related payments; h) explain the decision-making process followed for the determination, review and application thereof, as well as the measures to avoid or manage conflicts of interest; i) in cases of a revision of the policy, explain the significant changes, and how the votes held and perspectives received from the shareholders as to the policy and the annual directorial remuneration reports were taken into account.

Furthermore, companies may apply temporary exceptions to the remuneration policy, provided that it places on record the procedure to be employed and the conditions on which such exceptions may be applied and specifies the components of the policy that may be subject to exception.

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 Meeting of Shareholders.

Meanwhile, the LSC (Article 217.4) establishes in general that the remuneration of the Directors must be reasonably proportionate to the scale of the company, its economic position at any given time, and the market standards of comparable companies. The established remuneration system must also focus on promoting the profitability and long-term sustainability of the company, and incorporate the necessary safeguards to avoid excessive risk-taking and rewards for negative results.

III. 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 best market practice.
- Consideration of corporate good governance recommendations regarding directorial remuneration.
- 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.
- Referral of the decisions passed for approval by the General Meeting of Shareholders, and
- Non-discrimination, recognising people remuneration for services of equal value

The Remuneration Policy draws a distinction, as does the LSC, between the remuneration of Directors in their position as such, and the remuneration of the Directors for performing executive functions.

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.
- 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 any Directors that might be appointed to perform executive functions, since at present there is no such Directors, will in turn be 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 may comprise two components, one generated annually, and another generated over a multi-annual period.
- Review remuneration progress and systems in order where applicable to make the necessary adaptations, in accordance with the results and motivational capacity.

IV. Contents of the Remuneration Policy

a) Remuneration of the Directors in their position as such

In accordance with the provisions of the applicable regulations, and following the general principles of corporate governance, the remuneration of the Directors in their position as such (and hence the non-executive Directors) essentially comprises a fixed annual amount. The maximum overall amount of the remuneration of the Non-Executive Directors must, in accordance with the principles of the LSC, be set by the General Meeting, and must remain in force

until the General Meeting passes a resolution to amend this amount. The figure set by the General Meeting of Shareholders is assigned to the remuneration of the Board of Directors and its Committees, and is distributed in the manner deemed most appropriate by the Board, at the proposal of the Appointments and Remunerations Committee.

The proposed Remuneration Policy covers the remuneration of all members of the Board Directors in their position as such, the additional remuneration of the Chairpersons, the additional remuneration of the Vice-Chairpersons, the remuneration for participation by Directors on the various Board Committees, and the maximum overall remuneration for the entire Board of Directors (for the Directors in their position as such).

As new developments in this sphere, the proposed new Remuneration Policy amends the remuneration of the Chairperson and the Vice-Chairpersons, who will henceforth no longer be entitled to receive multi-annual variable remuneration if they represent Alba on the Boards of Directors of subsidiary or investee companies, and in accordance with the foregoing, the maximum overall amount of the remuneration of the Directors in their position as such is increased.

b) Remuneration of the Executive Directors

The proposed Policy simplifies the regulations of the remuneration of the Executive Directors, taking into account the current position regarding the appointment of such Directors, but for the purpose of having in place a straightforward and flexible regulation serving to establish appropriate remuneration in the event that Executive Directors are appointed during the term thereof, although the Policy is likely to undergo certain modifications in line with the circumstances at the time (which will normally occur after the appointment is made).

Taking into account the above, the Remuneration Policy contains the minimum or basic regulations for the items that had been contemplated previously, namely:

- Fixed remuneration
- Variable remuneration
- Special complement for extraordinary reasons
- Remuneration in kind, and
- Pension scheme

The new developments within the scope of the remuneration of Directors performing executive functions would focus not only on the stated simplification, but also the following: (i) make provision for a defined contribution scheme as the only pension scheme for this type of Director; (ii) limitation of those circumstances in which the special supplement could be used; and (iii) the possibility of remuneration in kind, comprising assignment of a vehicle under a leasing arrangement.

The Remuneration Policy likewise makes reference to the basic conditions of the contracts of Directors performing executive functions, affecting:

- Duration of the contract
- Prior notice period
- Compensation in the event of premature cancellation or termination of the contractual relationship
- Exclusivity agreements
- Post-contractual non-competition and lock-in agreements
- Agreement for the total or partial clawback of the variable remuneration paid.

In short, within the context of the remuneration of Executive Directors, in accordance with the current position with no Directors of this class having been appointed, there are no significant changes which could constitute new remuneration or increases to those previously established, which are not currently being applied.

c) Other contents

Lastly, in accordance with the provisions of Article 529 novodecies of the current LSC (in the text established by Act 5/2011, of 12 April 2011, amending the LSC and other financial standards with regard to encouraging long-term shareholder engagement at listed companies), the Policy also makes adequate and sufficient reference to:

- The transparency of the remuneration of the Board.
- Temporary exceptions to application of the Policy.
- The process for determination, revision and application of the Policy, as well as the regulation on conflicts of interest.
- The relationship between the Policy and the conditions of Company employees.
- Consistency with the corporate strategy, long-term sustainability and interests of the Company
- The validity of the Remuneration Policy.

V. Conclusion

In accordance with the terms of this report, the Appointments and Remunerations Committee of Corporación Financiera Alba believes that (i) the Remuneration Policy contains the references required by the applicable regulations; and that (ii) the contents thereof are aligned with the regulations in force and good practice in the field of remuneration, are compliant with the criteria of prudent risk-taking, good governance and transparency, and aligned with the interests of the shareholders, and should therefore be put before the General Meeting for approval.

Madrid, 22 March 2022