



## **DIRECTOR’S REMUNERATION POLICY FOR THE 2024, 2025 AND 2026 FINANCIAL YEARS**

### **1. Introduction**

Article 541 of the Corporate Enterprises Act (“LSC”) lays down the duty for listed public limited companies to publicly disclose an annual remuneration report. This report should include the directors’ identity, their roles, the office they hold, the remuneration policy and its implementation and the details of individual remuneration accrued for all items that have already been approved by the Company's Board of Directors and submitted to the CNMV (National Securities Market Commission) and which will be subject to advisory voting at the Company's upcoming General Meeting.

Furthermore, articles 529 novodecies of the LSC and 27 of the Board of Directors’ Regulation state that the General Meeting shall approve a Directors' Remuneration Policy at least every three years in accordance with the remuneration system set forth in the Articles of Association.

In general terms, the Directors’ Remuneration Policy of the Company sets up, among other aspects, their remuneration structure based on their roles and functions as such – that is to say, taking only the office they hold and the function they perform in exercise of the same into account. It also contains the remuneration structure for directors who also hold executive offices and perform executive functions. This Remuneration Policy also sets the remuneration for directors who serve on the Board’s existing committees or commissions and those that may be created in the future.

The current Board Regulations define the following as one of the responsibilities of the Appointments and Compensation Commission: “To propose to the Board of Directors and ensure compliance with the Remuneration Policy for directors, general managers, executives who perform senior management functions and report directly to the Board, the Executive Committee, the CEOs, as well as the individual remuneration and other contractual conditions of the executive directors.”



## **2. Principles of the Remuneration Policy**

On \* June 2020 the General Meeting approved the Directors' Remuneration Policy for the 2021, 2022, and 2023 financial years. In accordance with Article 529 novodecies of the LSC and Article 27 of the Board of Directors' Regulations, it is now necessary to propose a remuneration policy for the 2024, 2025 and 2026 financial years.

The Remuneration Policy is based on the following principles:

1. Alignment with the shareholders' interests focusing on long-term value creation, compatibility with the strategy set and prudent, rigorous management of corporate risks. It embodies the principles of external competitiveness, internal equity, transparency and good corporate governance. In this respect, remuneration should be aligned with market practices and the evolution of the regulations, trends and recommendations regarding the remuneration of directors of listed companies.
2. It should foster the Company's long-term profitability and sustainability while incorporating the precautions required to avoid excessive assumption of risks and rewarding poor results.
3. A significant proportion of the total remuneration of executive directors will be linked to achievement of specific, quantifiable, pre-defined goals aligned with the Company's social interest.

The Appointments and Compensation Commission has benefitted from the support of the Company's internal information and consultancy services in its respective decision-making processes. Given its delicate financial situation, the Company has opted to retain the criteria of the previous policy when drawing up the current version. This decision was made in the context of negotiating a refinancing agreement with creditor financial institutions and the expectation of a capital increase that may result in the entry of new shareholders.



### **3. Competence and Regulations**

In accordance with the provisions of its own Regulations and those of the Articles of Association (Article 39) and having received the prior report from the Appointments and Compensation Commission, the Board of Directors is competent to determine the remuneration of its Directors. The remuneration system generally includes a fixed part and a variable part. The latter depends on the earnings obtained by the Company during the financial year in question.

(I) Article 39 of the Articles of Association sets forth the basic rule:

“1. The members of the Board of Directors shall collect a fixed remuneration for performing their duties as such and allowances for attending Board meetings and meetings of their Committees, without prejudice to reimbursement of the associated expenses.

2. The maximum amount the Company is allowed to pay its Directors for these items must be approved by the General Meeting. This maximum amount shall remain in force until it is changed by a new resolution of the General Meeting. Unless the General Meeting decides otherwise, the exact amount to be paid in a given financial year within this maximum amount, its distribution among the directors in accordance with the aforesaid items and the intervals at which it will be paid shall be determined by the Board of Directors, taking the functions and responsibilities assigned to each director, membership of the Board's committees and any other relevant circumstances into consideration.



3. Furthermore, the Directors, in their capacity as such, shall be entitled to collect a share equal to two and a half percent (2.5%) of the Company's net profits once the legal provisions stipulated in the Act have been met and provided that the dividend allocated to the shareholders is not less than four percent (4%) of the nominal value of the Company's shares. The General Meeting may reduce the aforesaid percentage and the Board shall be responsible for distributing the associated amount among the Directors, taking the positions held by each Director on the Board and its Committees and any other relevant objective circumstances into account.

4. Subject to its approval by the General Meeting in the legally provided terms, the Directors' remuneration shall also include assignment of shares or share options and a consideration pegged to the market value of the Company's shares.

5. The Company shall also take out liability and healthcare insurance for each director.

6. Without prejudice to the remuneration provided for in the preceding paragraphs, members of the Board of Directors who hold executive office in the Company shall collect the amounts determined contractually for their services based on market criteria, which may include: a) a fixed part appropriate to the services and responsibilities assumed; b) a welfare part that will include pension schemes and insurance; c) an annual variable remuneration based on the Company's outcome and the director's personal achievements and d) compensation in the event of dismissal or any other form of termination of the contractual relationship with the Company other than breach of contract attributable to the director involved.



7. The Board of Directors, in accordance with the Directors' Remuneration Policy approved by the General Meeting and included in a contract – which must have been previously approved by the Board of Directors with the vote in favour of two-thirds of its members and which shall be attached to the minutes of the meeting in question – to be entered into between the Director and the Company shall be responsible for setting the amount of the fixed remuneration, variable remuneration, attendance provisions and the indemnification or their calculation criteria. The Director concerned shall abstain from attending the deliberations and from voting on the measure.

8. The Directors' remuneration shall always be reasonably proportionate to the Company's size, its financial position at any given time and the market standards of comparable companies. The remuneration system adopted shall be oriented to promoting the Company's long-term profitability and sustainability and shall incorporate the safeguards required to prevent excessive assumption of risks and rewarding poor results.

9. Without prejudice to the above, the Company shall draw up all mandatory reports and policies on remuneration in accordance with the applicable regulations at all times."



- (II) The Company availed itself of Royal Decree Law 25/2020 of 3 July amended by Royal Decree-Law 5/2021 of 12 March on urgent measures to support economic recovery and employment (hereinafter the "Royal Decree-Law") that sets up the "Solvency Support Fund for Strategic Companies" assigned to the General State Administration Department through the Ministry of Finance. The Royal Decree-Law also creates the Solvency Support Fund for Strategic Companies (FASEE) Management Board, the body responsible for managing the Fund through the State Industrial Holdings Corporation (SEPI). Its purpose is to compensate the impact of the COVID-19 outbreak on the balance sheets of solvent companies considered strategic for the national or regional productive and economic fabric due, among other reasons, to their significant social and economic impact, their importance to security, people's health, infrastructures, communications or to their contribution to the proper functioning of markets when credit or liquidity support measures are insufficient to ensure their business continuity. Article 2 of the Decree-Law states that: *"16. Transactions financed by the Fund shall comply with the State Aid regulations of the European Commission and, in particular, with the Communication from the Commission on the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak."*



- (III) Its implementing regulations were promulgated in Order PCM/679/2020 of 23 July that publishes the Cabinet resolution dated 21 July 2020 that established the operating regime of the Fund to support the solvency of strategic companies, Annex II of which sets limitations on the companies' self-governance in the following terms: The state contribution is subject to the beneficiary's acceptance of a series of conditions by opting to avail themselves of the "Temporary Public Financial Support Agreement" by their governing bodies. Without prejudice to full independence in business management, the State Administration shall retain special rights over certain strategic decisions to ensure proper implementation and appropriate allocation of the contributions provided by the Fund, timely fulfilment of the duties incurred and protection of the general interest. Exercise of these rights shall be implemented through the associated "Shareholders' Agreement" or "Management Agreement with the Company", as appropriate. Section 6.1 – Governance and Prevention of Undue Distortion of Competition of Article 6 of the aforesaid Annex II regarding Conditions applicable to transactions financed by the Fund states as follows: "e) *Prohibition on distributing dividends, paying non-obligatory coupon bonds or acquiring treasury shares except for those owned by the State on behalf of the Fund...* f) *Until repayment of 75% of the temporary public support provided by the Fund, the remuneration of the members of the Board of Directors, the Directors or those holding the highest administrative responsibility in the company shall not exceed the fixed portion of their remuneration in force at the end of 2019. Persons who acquire the aforesaid conditions at the time of recapitalisation or thereafter shall be remunerated on comparable terms to those holding a similar level of responsibility. Under no circumstances shall bonuses or other variable or equivalent remuneration components be paid*".
- (IV) The Company signed a Management Agreement on 31 March 2021 with the SEPI on behalf of the FASEE that provides for prohibition against allocation of dividends, thus eliminating any reference to variable and fixed remuneration until 75% of the aid has been repaid, so the Directors' remuneration will be limited to the maximum parameters of the fixed remuneration of the 2019 financial year.



The Appointments and Compensation Commission, in accordance with the Regulations of the Board of Directors has been assigned the task, among others, of "proposing the Executive Directors' individual remuneration and other contractual conditions to the Board of Directors, ensuring compliance with the same."

The Commission is composed of the following directors:

Valeriano Gómez Sánchez	Chairperson
José Julián Massa Gutiérrez Del Álamo	Member
Jordi Sevilla Segura	Member

The following are the Directors' categories:

Valeriano Gómez Sánchez	Independent
José Julián Massa Gutiérrez del Álamo	Independent
Jordi Sevilla Segura	Independent

#### **4. Remuneration policy for the 2024, 2025 and 2026 financial years**

The Appointments and Compensation Commission proposes the following Policy for Directors' remuneration, retaining the chapters that comprise the previous Policy, namely:





#### **4.1 Fixed remuneration**

Board members collect a fixed remuneration for performing their functions. The overall limit for the Board of Directors' remuneration shall be set by the Company's General Meeting and will remain unchanged unless modified by said General Meeting. They receive this fixed amount for fulfilling their functions as members of the Board of Directors. It includes a fixed amount or attendance fee for attending Board and Committee meetings in addition to reimbursement of the associated expenses and other circumstances deemed to be objectively relevant.

#### **Attendance fees**

Members of the Board of Directors who serve on the Board's Committees (Audit, Risk and Compliance Committee, Appointments and Compensation Commission, and Sustainability Committee) and any future committees that may be created shall collect attendance fees. As mentioned earlier, the amount of these fees falls within the annual maximum set by the General Meeting.

#### **Civil liability insurance and medical insurance**

The Company covers the payment of premiums for directors' liability insurance and medical insurance policies taken out for the benefit of each Director.

#### **4.2 Variable remuneration**

Not applicable.

#### **4.3 Remuneration through assignment of shares or stock options**

Not applicable.



#### **4.4 Executive Directors' remuneration**

This category of director refers only to people who, as natural persons, also exercise executive functions delegated by the Board of Directors within the organisational structure of the Company. This category of director receives specific remuneration for continuous, day-to-day engagement in the Company's organisational structure and a variable remuneration based on achieving targets and on their individual performance, as assessed. They also receive attendance fees and indemnification in the event of dismissal.

#### **5. Remuneration of Board Members as such**

Pursuant to the above, the Commission proposes the following:

**I.** To retain the remuneration policy in force until 2019 with the maximum annual remuneration for Directors set at € 925,000 for their functions as such. Distribution of this amount among the members of the Board of Directors shall be determined by the Directors themselves taking their assigned functions and responsibilities, membership of committees and other relevant circumstances into account.

Directors shall collect this amount – which shall remain unchanged for successive financial years unless modified by the General Meeting – for performance of their duties as such. It is deemed to constitute a fixed amount or fees for attending meetings of the Board of Directors and its Committees, without prejudice to reimbursement of the associated expenses and other relevant objective circumstances.

In addition to these monetary remunerations, each member of the Board of Directors shall continue to have medical assistance coverage provided by an insurance company, the premiums of which will be paid by the Company, and a policy covering their liability for fulfilling their assigned functions.



## **6. Remuneration and main conditions of contracts for Executive Directors**

### **6.1 Rules governing the proposal**

In the previous report, the Board of Directors agreed, on proposal by the Appointments and Compensation Commission, to request the General Meeting to change the executive directors' remuneration policy in line with two principles:

a) To prioritise the variable component of remuneration over the fixed component. The variable remuneration should be significant and incorporate technical safeguards to ensure that such remunerations are related to the professional performance of the beneficiaries and are not simply driven by the general variation of the markets, of the Company's sector or similar circumstances.

b) To add clauses that enable, as required, recovery of incentives that have been paid but subsequently found not to have met the parameters on which they were supposedly paid.

The aim of this reform is to align the Directors' Remuneration Policy with current market practices by endowing the variable component with greater weighting.

Accordingly, the Appointments and Compensation Commission considered it more appropriate for the Company's interests to have an annual variable component with greater weighting in their overall remuneration pegged to the achievement of specific, quantifiable, previously-defined business objectives as a means of increasing their remuneration by achieving targets aligned with the Company's interests.

The reform also proposes enabling the Board of Directors to devise the required formula to claim, as required, reimbursement of amounts paid as variable remuneration, in the event of assignment of shares at the market price on the date ownership is transferred, recovery would be claimed if the payment was not appropriate in accordance with the required conditions or if it had been made based on data the inaccuracy of which is later proven.



Pursuant to the above, the Board of Directors, upon proposal by the Appointments and Compensation Commission, agreed to submit the following proposals to the General Meeting:

## **6.2 Remuneration**

Subject to agreement of the Board of Directors on proposal of the Appointments and Compensation Commission, the Executive Directors, in addition to collecting the remuneration provided for performing their duties as members of the Board as such, in accordance with the permanent contract signed in compliance with Article 249-3 of the LSC shall receive a fixed portion of up to 440,000 euros for performing their duties depending on the services and responsibilities they assume. They shall also have, as the insured party, a life and disability insurance policy with a coverage of two hundred and fifty thousand euros in the event of occupational injury or illness and another family healthcare insurance policy.

Furthermore, they shall collect an annual variable remuneration of up to 75% of their fixed remuneration based on the Company's results in accordance with parameters set by the Board of Directors on proposal by the Appointments and Compensation Commission, subject to the consent of the FASEE and based on their personal achievements.

The degree of achievement of said objectives and the weighting of each one shall be determined annually by the Appointments and Compensation Commission, which shall submit the appropriate proposal to the Board of Directors.

## **6.3 Indemnifications**

An indemnification consisting of the annual remuneration may also be set for various reasons: dismissal from the office of CEO, revocation of executive functions or the impediment of exercising such executive functions as a result of a change in ownership of the share capital.



The contract of an Executive Director may also include a post-contractual no-compete clause except in the event of voluntarily resignation, according to which they may not directly or indirectly provide their services to any natural or legal person the activities of which are performed in the same sector as the Company or in any other competing sector. A duration of up to two years from the termination of the contract is established for this no-compete clause.

#### **6.4. Assignment of shares**

It should also be noted that the Company's Articles of Association enable assignment of the Company's shares or option rights on shares and remuneration based on the market value of the same. This option, which has not been implemented, is included in the provisions of the Company's remuneration policy. The applicable legal requirements, especially those relating to the maximum number of shares to be allocated each year under said remuneration system, the execution price or calculation system of the share options, the reference value of the shares and the duration of the plan must be observed if it is applied in any of the financial years during which the current remuneration policy is in force.

#### **6.5. Reduction and recovery clauses for variable remuneration**

In order to align the remuneration system with the principles of good corporate governance in terms of remuneration, the sums collected as short-term and/or long-term variable remuneration should include reduction ("malus") and recovery ("clawback") clauses that enable the Company to reduce payment or recover variable remuneration as a result of irregular conduct, fraud, serious breaches of internal regulations, regulatory sanctions, judicial convictions, significant management failures, etc., that result in poor economic performance of the Company as a whole or of a specific division or area.



- i. Malus clauses: understood as provisions included in the remuneration policy to partially or totally reduce the payment of variable remuneration in certain circumstances such as the following:
  - a. Significant risk management errors committed by the Company or a subsidiary or business unit of the same.
  - b. The Company or a subsidiary or business unit experiences an unexpected (unforeseeable) hike in capital needs at the time the variable remuneration objectives are set.
  - c. Regulatory sanctions or judicial convictions for acts attributable to the unit and/or personnel under the executive's management and responsibility.
  - d. Restatement of the annual financial statements that is not a result of regulatory changes and leads to lower variable remuneration than that initially accrued or total non-payment of the variable remuneration.
  - e. If any of the following circumstances occur as a result of negligent management attributable to the person in question:
    - i. Non-compliance with legally established capital ratios that affect the Company's viability.
    - ii. Significant risks assumed by the Company due to actions that contravene the corporate policies.
  
- ii. "Clawback" clauses": refers to the option of recovering all or part of a variable remuneration that has already been paid or is accrued and pending payment.
  - a. If the variable remuneration paid (or accrued and pending payment) was based on information that is subsequently proven to be false and/or inaccurate within the three years following payment.
  - b. Significant risk management errors committed by the Company or a subsidiary or business unit of the same.



- c. The Company or a subsidiary or business unit experiences an unexpected (unforeseeable) hike in capital needs at the time the variable remuneration objectives are set.
- d. Serious breaches of due diligence or of the duty of loyalty in the performance of their duties or any other serious, culpable breach of obligations assumed by the Executive Directors under the contracts entered into for exercise of their executive functions.
- e. Regulatory sanctions or judicial convictions for acts attributable to the unit and/or personnel under the executive's management and responsibility.

This report on the Directors' Remuneration Policy was drawn up by the Appointments and Compensation Commission in its meeting held on 19 May 2023 to be proposed to the Board of Directors and, if approved, to the General Meeting in accordance with the provisions of Article 529 novodecies of the Corporate Enterprises Act.