

**Caixabank, S.A.**

**Motivated proposal for the Remuneration Policy of  
Members of the Board of Directors**

**Article 529 novodecies of the Capital Companies Act**

Barcelona, 23 February 2017

Article 529 novicies of the current Capital Companies Act stipulates the obligation for indexed companies to prepare and submit for approval of the General Shareholders Meeting the remunerations policy of its Board of Directors ("**Remuneration Policy**").

In relation to the members of the Board of Directors in their conditions as such (Non-executive Directors) the Remunerations Policy should determine their remuneration within the regulator foreseen system, and necessarily include the maximum amount of annual remuneration to satisfy their mere condition as directors as a group.

In relation to the directors developing executive functions (Executive Directors) the Remuneration Policy should contemplate the amount of the fixed annual remuneration in the period referred to in the policy, the different parameters for fixing the variable component and the terms and main conditions of their contracts, particularly consisting of, the duration, compensations for anticipated separation or termination of the contractual relationship, and exclusivity, post contractual non-concurrence and permanency or loyalty.

Any remuneration received by the directors for the year or termination of their position and for developing executive functions has to be according to the current Remunerations Policy at any given time, except the remunerations that are expressly approved by the General Meeting.

The Remunerations Policy should adapt to the foreseen regulatory system, and be approved by the General Meeting at least every three years, as a separated point of ten agenda; after approval, the Remunerations Policy will remain in force during the following three years after the one when it was approved by the General Meeting, and any modification of the same during this period will require a new previous approval of the same, with justification and accompanied by a specific report from the Remunerations Committee. Both documents should be made available to the shareholders on the company website after the call for the General Meeting; the shareholders can also request its free delivery or distribution, and the call announcement should mention this right.

The General Shareholders Meeting held on 23 April 2015 approved, through a binding vote, the Remuneration Policy for the years of 2015, 2016, 2017 and 2018, which is currently valid.

However, the entry into force of (i) the Newsletter 2/2016, dated 2 February, from the Bank of Spain, to the credit entities on supervision and solvency, which completes the adaptation of the Spanish legal system to Guideline 2013/36/EU and EU Regulation No. 575/2013 ("**Newsletter 2/2016**"), (ii) the Guidelines for sound remuneration policies in virtue of articles 74, section 3, and 75, section 2, of the Guideline 2013/36/EU and the distribution of information in virtue of article 450 of EU Regulation No. 575/2013 (EBA/GL/2015/22) ("**EBA Guidelines**") and (iii) the new remuneration policies on the level of the group and the identified collective of CaixaBank, S.A. (**CaixaBank**), a collective to which the members of the Board of Directors pertain, make it necessary to undertake an update of the Remuneration Policy in order to adapt it to the new applicable regulatory framework.

As a consequence of the above, the Board of Directors of CaixaBank, S.A., in the meeting held on 23 February 2017, has agreed to approve the proposal for a new Remuneration Policy for the years 2017 to 2020, both included, which will fully replace that approved by the Board of Directors on 26 February 2015 and by the CaixaBank General Meeting on 23 April 2015, without prejudice to the effects produced and consolidated under its supervision, and subject to the approval of the General Shareholders Meeting, as a separate issue on the agenda.

Likewise, in the same meeting, the CaixaBank Board of Directors has agreed to approve the preceptive report from the Remunerations Committee about the Remunerations Policy, the contents of which it has assumed to form an integrate part of its proposal.

Annex 1      Remunerations Policy for the Members of the Board of Directors that is submitted for approval by the General Meeting.

Annex 2      Report from the Remunerations Committee about the proposed Remunerations Policy for Members of Board of Directors

**Caixabank, S.A.**

**REMUNERATIONS POLICY OF THE BOARD OF DIRECTORS**

**Article 529 novodecies of the Capital Companies Act**

Barcelona, 23 February 2017

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## I. INTRODUCTION

Article 529 novodecies of the current Capital Companies Act (henceforth **CCA**) stipulates the obligation for indexed companies to prepare the remunerations policy of its board of directors and submit it for the approval of the general shareholders meeting.

The remunerations policy of the CaixaBank, S.A. Board of Directors (henceforth, **CaixaBank**) for the years 2017 to 2020, both included (henceforth, **Remuneration Policy**) is detailed below.

The Remuneration Policy substitutes that approved by the Board of Directors on 26 February 2015 and by the CaixaBank General Meeting on 23 April 2015, without prejudice to the effects produced and consolidated while in force.

## II. GENERAL PRINCIPLES OF THE REMUNERATION POLICY

The general CaixaBank remuneration principles are as follows:

- I. The total compensation policy is geared to encouraging conduct that will ensure long-term value generation and sustainability of results over time. The variable remuneration thus takes into consideration not only target achievement, but also the way in which these targets are met.
- II. The professionals' individual targets are defined on the basis of the commitment the professionals assume and establish with their managers.
- III. The remuneration policy's strategy for attracting and retaining talent is based on the professionals becoming involved in a distinctive social and business endeavour and to develop professionally with competitive overall compensation conditions.
- IV. As part of these overall compensation conditions, the remuneration policy aims for the amount of the fixed remuneration plus social benefits to be highly competitive, with these two remuneration components being the main basis for its capacity to attract and retain talent.
- V. The main component of the benefits provided is the corporate pension scheme offered to its professionals, which stands out in comparison to other Spanish financial institutions and is a key feature of their remuneration.
- VI. Fixed remuneration and social benefits constitute most of the overall remuneration, which also includes variable remuneration, of a somewhat conservative nature as it could generate risk.
- VII. The promotion system is based on the evaluation of skills, performance, commitment, and professional merits of the professionals in a sustained manner over time.
- VIII. The Senior Management's remuneration, established within the general framework defined in this remuneration policy, is approved by the CaixaBank competent governing bodies.

In addition to the above, determined general principles from the Remunerations Policy established in article 33 of Law 10/2014 of 26 June about organization, supervision and solvency of credit entities (henceforth, **LOSS**) and in its regulation for development, applicable to persons whose activities significantly affect the risk profile of the entity and its group (henceforth, **Identified Group**), apply to the members of the Board of Directors.

### III. REMUNERATION OF NON-EXECUTIVE DIRECTORS

#### 1. REMUNERATION COMPONENTS

In consistency with that established in the By-laws, the remuneration of the members of the CaixaBank Board of Directors in their condition as such (henceforth **Non-executive Directors**) only consists of fixed components. Non-executive Directors maintain a merely organic relationship with CaixaBank and consequently do not have contracts established with the Company for exercising their functions or do not have any type of recognized payment for the termination of the Director position.

That way, the system foreseen in the By-laws establishes that the remuneration of the CaixaBank director position should consist of a fixed annual quantity to be determined by the General Assembly that should remain in force as long as the General Meeting does not agree its modification.

The amount fixed by the General Shareholders Meeting is aimed at remunerating the Board of Directors and its Committees in the way that the Board of Directors considers most opportune, after proposal by the Board of Directors, in both that referring to its members, especially the Chairman, in attention to the functions and dedication of each one and their belonging to different committees as well as for the frequency and the way through statutory remunerations or others. In consequence of the above, the distribution can give way to different remunerations for each of the Directors.

Any eventual future proposal for remuneration based on shares will have to be approved, following the precepts of the CCA and of the By-laws, by the CaixaBank General Meeting.

Finally, the Non-executive Directors form part as insured parties of the civil responsibility insurance for CaixaBank administrators and director, covering the responsibilities in which these may incur as a consequence of developing their functions.

#### 2. ADDITIONAL REMUNERATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the CaixaBank Board of Directors has an established additional fixed remuneration due to holding this position. This additional remuneration is justified by the special dedication while exercising the typical Chairman functions established in the CCA and particularly in the By-laws, involved in a group with the size and complexity as that of CaixaBank.

On one hand, the CCA, the maximum responsibility for the efficient operation of the Board of Directors, the calling and presiding the Board of Directors Meetings, establishing the agenda and directing the discussions and debates corresponds to the Chairman; likewise assuring that the Directors previously receive sufficient information to deliberate about the agenda and to stimulate debate and active participation by the Directors during the sessions, safeguarding the freedom of taking a stand. The Chairman of the Board of Directors also presides the General Shareholders Meeting of the Entity.

On the other hand, according to the stipulated in the By-laws, and notwithstanding the powers of the Executive Director and of the powers and delegations that have been established, the institutional representation of CaixaBank and of its dependant companies also correspond to the Chairman, among others, (notwithstanding the functions in this matter attributed to the Board of Directors); representing the Company before corporate and sectoral representative bodies, in accordance to that established in the By-laws; having the authorized signature of the Company, and therefore signing in name of the Company, and before the necessary legally required statutory agreements, the contracts, conventions or other judicial instruments with public administrations and other entities; and the formal

representation of the Company before authorities, with external entities and bodies, either Spanish or foreign.

Even though from a qualitative viewpoint cannot be considered executive due to their organic or representative nature, from a quantitative point of view they include a practically exclusive dedication and much higher intensity than the rest of members of the Board (except those that, in addition, have recommended executive functions).

### **3. FORESEEN REMUNERATION FOR THE YEAR 2017 AND FOLLOWING**

#### **a) Remuneration foreseen for 2017**

The Policy applied until 2017 has been the following: the maximum amount of remuneration for Directors in their role as mere directors, without taking into consideration their executive functions, has been €3,800,000. This quantity is the same as approved by the General Shareholders Meeting in 2014.

The current distribution among the members, agreed upon by the Board of Directors, is as follows:

- I. €90,000 annually for each member of the Board of Directors.
- II. €30,000 extra annually for each member of the Appointment Committee or Remuneration Committee.
- III. €50,000 extra annually for each member of the Executive Committee, the Audit and Control Committee or the Risk Committee, due to the responsibility and dedication required.
- IV. €1,000,000 extra annually for the Chairman of the Board of Directors.
- V. The remuneration of the Chairman of the Board of Directors' Committees will always be 20% higher than that of the other members.

At the General Shareholders Meeting of 2017, an increase for the maximum remuneration was proposed, moving from €3,800,000 to €3,925,000. This increase is motivated by the possibility of designating a Coordination Director in order to comply with the deconsolidation conditions established by the European Central Bank, the possible creation of new Committees, the possibility of increasing the number of members in the same and, where applicable, the possibility of standardising the remuneration between Committees, depending on the dedication required.

The maximum amount mentioned above will remain invariable in future years, until the General Shareholders Meeting agrees on a new figure. In the same way, the internal distribution among the Directors will remain invariable until the Board of Directors agrees upon a different distribution, which may be for example, including but not limited to, in the situations mentioned in the previous paragraph, the use of the competences attributed by the CCA and the statutes.

The proposal maintains CaixaBank as the credit entity, among the most important in Spain, that least remuneration provides for its Non-Executive Directors.

In the case that the increase of the maximum remuneration proposed is not approved by the General Shareholders Meeting, the Policy will be applied to the maximum limit of €3,800,000.

#### **b) Remuneration foreseen in the following years**

Related to the Non-executive Directors, their remuneration over the coming years will be adapted to the statutory system defined defined at any give time and to the maximum



amount of remunerations established by the General Meeting. Consequently, this remuneration policy will be understood modified in that related to the maximum amount of the remuneration for Non-executive Directors in the same measure that the General Meeting agrees a different maximum figure to the established in section III.3.a).

Any eventual future proposal for remuneration based on the statutory systems will have to be approved following the CCA precepts and those of the By-laws, and, in the case of systems based on shares it will require the approval of the General CaixaBank Meeting.

#### **IV. REMUNERATION OF THE EXECUTIVE DIRECTORS**

##### **1. GENERAL DESCRIPTION AND RELATIVE IMPORTANCE OF FIXED AND VARIABLE COMPONENTS**

The CCA and the CaixaBank By-laws recognize in favour of the Executive Directors a remuneration for their executive functions, in addition to that of the mere director position.

The remuneration components of the board of directors members with executive functions (henceforth, **Executive Directors**) is also structured taking into consideration the context of situation and results, and mainly include:

- I. Fixed remuneration according to the employee's level of responsibility and professional career, constituting a significant part of the total compensation.
- II. A variable remuneration, mainly in the form of a bonus, linked to the achievement of previously established objectives and prudent management of risks.
- III. Social prevision and other social benefits.

In addition to the above, a long-term incentive based on CaixaBank shares or referenced to their value (henceforth, **LTI**) could be established that for all or part of the Executive Directors as a variable component of the remuneration, as established in section IV.4.

Attending to the objective of reasonable and prudential balance between fixed and variable components of the remuneration, the amounts of the fixed remuneration of Executive Directors must be sufficient, and the percentage representing the variable remuneration in the form of fixed annual incentives is, generally speaking, relatively low, not generally exceeding 50 per cent, without taking into account other possible variable components like the LTI.

The variable component of the remuneration of the Directors should not exceed 100 percent of the fixed components for the total remuneration of each one, except when the General CaixaBank Meeting approves a higher level, not exceeding 200 percent of the corresponding fixed amount, in the form, and requirements, and following the procedures foreseen in the LOSS.

The classification as fixed or variable of a remuneration component will be undertaken following the applicable standards in relation to remuneration in credit entities.

## **2. FIXED REMUNERATION COMPONENTS**

### **a) Fixed remuneration**

The fixed remuneration of the Executive Directors and its update is mainly based on the level of responsibility and professional background, combined with a market focus in function of the salary surveys and specific *ad hoc* studies. The salary surveys and specific *ad hoc* studies in which CaixaBank participates are performed by first level specialized companies, making the sample comparable to that of the market financial sector where CaixaBank operates and that of comparable IBEX35 companies.

To illustrate, CaixaBank has used as a sample from the financial sector the available public information about the executive directors of the financial entities belonging to IBEX35 (Santander, BBVA, Bankia, Banco Sabadell, Banco Popular and Bankinter), for a multi-sectoral sample it has used the available public information about executive directors of a representative number of companies that by data size (stock market capitalization, assets, turnover and number of employees) are comparable to CaixaBank.

### **b) Remuneration for the development of positions in investee companies**

The fixed remuneration of the Executive Directors includes the remunerations that these can perceive for developing positions in the administrations of companies in the CaixaBank group or in other interesting entities of the same, in such way that the mentioned remuneration is discounted from the liquid amount to be satisfied by CaixaBank as fixed remuneration.

### **c) Other fixed remuneration components**

The Executive Directors have agreed in their respective contracts to pre-fixed contributions to provisions and saving systems as fixed components of their remunerations and that are explained in more detail in section IV.7.

Furthermore, the Executive Directors may be beneficiaries, through CaixaBank, of medical insurance for themselves and their immediately family and of other remunerations in kind (use of a car or home, or similar advantages) which are common in the sector, adequate for their professional status and following the standards established by CaixaBank at each time for the same segment of professionals to which they pertain.

## **3. VARIABLE REMUNERATION AS INCENTIVES**

### **a) General aspects**

The Executive Directors may have a variable remuneration recognized in the form of a risk-adjusted bonus, based on the performance measurement. The performance measurement is carried out through ex-ante and ex-post adjustments of the remuneration, as a form of applying the risk control.

### **b) Performance measurement**

Quantitative (financial) and qualitative (non-financial) criteria that should be indicated and clearly documented will be used for performance measurement and assessment of individual results.

The applicable variable remuneration for Executive Directors is determined on the basis of an objective bonus established for each of them by the Board of Directors at the proposal of the Remunerations Committee and a maximum achievement percentage of 120 percent; the level of achievement is fixed in accordance to the following parameters object of measurement:

- 50% in function of individual challenges
- 50% in function of corporate challenges

The 50 percent corresponding to the corporate challenges is fixed for each year by the CaixaBank Board of Directors, at the proposal from the Remunerations Committee, and its weight is distributed among the objective components in function of Entity objectives. These components can consist of, among other possible ones, all or some of those mentioned below as an example:

- ROTE
- Recurring operating costs
- *Risk appetite framework*
- Regulatory compliance
- Quality

The proposal of composition and weight of the corporate challenges is established in all cases of conformity with that foreseen by the LOSS and the regulation for development and can vary between the Executive Directors.

The part of the individual challenges (50 percent) should be globally distributed among challenges linked with the CaixaBank strategy. The final evaluation to be made by the Remunerations Committee, after consulting with the President, can apply a +/- 25% variation related to the objective results in order to collect the quantitative evaluation of the performance of the director as well as taking into consideration those exceptional challenges that may arise during the years and are not established at the beginning.

The final determination of the accrued variable remuneration achievement will be approved by the Board of Directors at the proposal from the Remunerations Committee.

#### **c) Special restriction situations**

The variable remuneration will be subject to reduction if at the time of the performance assessment there is a requirement or recommendation in force by the competent authority for CaixaBank to restrict its dividend distribution policy, or if required by the competent authority in virtue of the faculties attributed to the same by the regulations, all in virtue of the provisions of Royal Decree 84/2015<sup>1</sup> and Newsletter 2/2016<sup>2</sup>.

#### **d) Deferral percentage**

The deferral percentage applicable to the variable remuneration of the Executive Directors will be of 60%.

This deferral percentage may be subject to modification to the extent that the competent authorities may proceed with the establishment of absolute or relative thresholds for

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<sup>1</sup> Royal Decree 84/2015 of 13 February, implementing Law 10/2014 of 26 June regarding regulation, supervision and solvency of credit institutions

<sup>2</sup> Newsletter 2/2016, 2 of 2 February, from the Bank of Spain to the credit entities on supervision and solvency, which completes the adaptation of the Spanish legal system to the Guideline 22013/36/EU and EU Regulation No. 575/2013.

determining the "particularly elevated variable remuneration amount", in execution of the provisions of the EBA Guidelines<sup>3</sup>.

#### **e) Deferral period**

On the date of the bonus payment, the non-deferred part of the variable remuneration accrued must be paid (hereinafter, **Initial Payment Date**)

The 50 percent to be paid for the initial payment will be in money, and the remaining 50 percent will be satisfied in shares.

The deferred part of the risk-adjusted variable remuneration, provided that the situations for reduction as described in section IV.5 are not applicable, must be paid in five instalments, the dates and amounts for which are established below<sup>4</sup>:

- 1/5 12 months after the initial Date of Payment
- 1/5 24 months after the initial Date of Payment
- 1/5 36 months after the initial Date of Payment
- 1/5 48 months after the initial Date of Payment
- 1/5 60 months after the initial Date of Payment

#### **f) Payment in cash and shares**

50% of the amount to be paid on each of the dates anticipated in the section above will be paid in cash and the remaining 50% will be paid in shares, once the applicable taxes (withholding or on account) have been paid.

When payment is applicable in shares, this will be undertaken preferably through shares in CaixaBank; however, CaixaBank may provide other admitted shares for the payment of the variable remuneration, under the conditions and requirements established in section 1.I) of article 34 of the LOSS, in the Delegated Regulation (EU) No. 527/2014<sup>5</sup> (hereinafter, **Regulation 527/2014**) and in the EBA Guidelines.

#### **g) Retention Policy**

All of the shares provided are subject to a withholding period of one year from their provision, during which the professional cannot avail of the same.

During the withholding period, the professional will have all the rights as shareholder, as long as being the owner of the shares.

#### **h) Performance payment in deferred shares and cash**

During the deferral period, the ownership of both the shares and the cash where provision is deferred will correspond to CaixaBank.

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<sup>3</sup> Guidelines on adequate remuneration policies in virtue of articles 74, section 3, and 75, section 2, of Guideline 2013/36/EU and the distribution of information in virtue of article 450 of the EU Regulation No. 575/2013 (EBA/GL/2015/22).

<sup>4</sup> In relation to the variable remuneration accrued in the year 2016, the deferral period of three years established in the Board of Directors Remuneration Policy, approved by the CaixaBank Board of Directors on 26 February 2015 and by the CaixaBank General Meeting on 23 April 2015, will continue to be temporarily applicable; consequently, this deferral period of five years will only be applicable to the variable remunerations accrued in the years of 2017 and following.

<sup>5</sup> Delegated Regulation (EU) No. 527/2014 of the Committee dated 12 March 2014, which completes Guideline 2013/36/EU of the European Parliament and the Board with regards to the technical standards for regulation that specify the types of shares that adequately reflect the credit quality of the entity in a perspective of continued exploitation and are adequate for the purposes of variable remuneration.

In application of the principles of contractual law applicable in Spain, and particularly of the bilateral nature of the contracts and the balanced accrual of reciprocal loans, the deferred cash accrues interest for the professional, calculated by applying the interest rate corresponding to the first section of the employee's holding account. The interest will only be paid at the end of each payment date, and will be applied to the cash amount of the variable remuneration to be received, net of any reduction applicable with regards to the provisions of section IV.5.

Furthermore, an amount equivalent to the performance of the shares during the deferral period will be paid to the professional. This amount will only be paid at the end of each payment date, and will be applied in consideration of the number of shares correctly provided, net of any reduction applicable with regards to the provisions of section IV.5. The yield includes any type of remuneration of the shareholder or profit from the shares; as well as, without any limits, including distributed gross dividends, the freed shares assigned to the deferred shares or, if applicable, the product of the disposal of the rights to free assignment or of preferential subscription of shares, among other possibilities (in this latter case the option taken will always be the sale of rights and the payment in cash); any deferred cash yield will accrue interest in the manner described above.

In relation to other instruments different to the shares, the provisions in relation to distribution for said instruments in Regulation 527/2014 and the EBA Guidelines will be followed.

**i) Termination or suspension of the professional relationship**

The termination or suspension of the professional relationship, as well as the cases of cancellation due to disability, early retirement, retirement or partial retirement, there will be no interruption to the payment cycle for the variable remuneration; without prejudice to the establishments relative to reduction and recovery of variable remuneration in section IV.5.

In the case of death, the human resources department (hereinafter, **RRHH**), together with the risk department, will determine and, where applicable, propose the liquidation process for the payment pending under criteria compatible with the general principles of the LOSS, its development regulation and the Remuneration Policy.

**j) Special situations**

In unexpected special situations (i.e. corporate operations that affect the ownership of the deferred or delivered shares), specific solutions must be applied in accordance with the LOSS, its development regulation and the principles of the Remuneration Policy, so as not to artificially dilute or alter the value of the compensation in question.

**k) Permanency requirement**

In order to perceive the variable remuneration based in incentives, the Executive Director must maintain his/her service relationship with CaixaBank at 31 December of the year in which he/she has accrued the mentioned variable remuneration.

**l) Incompatibility with personal coverage strategies or circumvention mechanisms**

In accordance with the provisions of section 1.o) of article 34 of the LOSS and the EBA Guidelines, the Executive Directors commit not to use personal coverage strategies or insurance related to the remuneration that undermine the effects of alignment with healthy management of the risks that promote the remuneration systems.

Furthermore, CaixaBank will not pay the variable remuneration through instruments or methods that have the objective of or result in non-compliance with the remuneration requirements applicable to the Executive Directors as members of the Identified Collective of CaixaBank.

#### **4. LONG-TERM INCENTIVES BASED ON SHARES**

All or some of the Executive Directors may receive additional compensation through a long-term incentive plan based on shares, as a multi-annual variable remuneration modality.

The LTI may be structured as a variable compensation scheme that permits the participants to receive, after a certain period of time, an amount in shares or other instruments, or options to the same, or in cash, provided that they comply with certain conditions established in the LTI itself.

The specific LTI conditions (including those relative to the payment cycle and the reduction and recovery clauses) will be those established by the CaixaBank Board of Directors, at the proposal by the RC, in the corresponding agreements and regulatory development documents of the same that should be compatible with the Remuneration Policy and be subject to approval by the CaixaBank General Meeting inasmuch as compulsory.

#### **5. REDUCTION AND RECOVERY OF VARIABLE REMUNERATION**

##### **a) Cases of reduction**

In accordance with the LOSS, the Executive Directors will suffer total or partial reduction of their right to receive the amounts of variable remuneration, including pending payments, whether in cash or through the provision of shares, in cases of deficient financial performance of CaixaBank as a whole or of a specific division or area of the same or of the statements generated. For this effect, CaixaBank must compare the performance assessment carried out with the later behaviour of the variables that contributed to achieving the objectives.

The situations that lead to a reduction in the variable remuneration are the following:

- I. Significant defects in the risk management undertaken by CaixaBank, or by a business unit or risk control, including the existence of exceptions in the audit report by the external auditor or circumstances that undermine the financial parameters that must serve as a basis for the calculation of the variable remuneration.
- II. An increase, suffered by CaixaBank or by one of its business units, of the need for capital which was not anticipated when generating the statements.
- III. The regulatory penalties or judicial sentences for acts that can be attributed to the unit or the professional responsible for the same and the Executive Director.
- IV. Non-compliance with internal regulations or codes of conduct of the entity, particularly including:
  - a. Regulatory non-compliances that are attributable to employees and that are classified as serious or very serious infractions.
  - b. Non-compliance of internal regulations classified as serious or very serious.
  - c. Non-compliance of demands for required suitability and correction.
  - d. Regulatory non-compliance that is attributable and that, including losses or not, can put the solvency of a business line at risk and, generally, the participation or responsibility in conduct that has generated important losses.

- V. Irregular behaviour, whether individual or collective, particularly considering the negative effects derived from the commercialisation of inadequate products and the responsibilities of the Executive Directors when making those decisions.
- VI. Fair disciplinary dismissal or, in the case of commercial contracts, for justifiable causes<sup>6</sup> at the request of the entity (in this case this will be a full reduction).
- VII. Whenever the payment or consolidation are not sustainable in accordance to the entire CaixaBank financial situation, or are not justified based on the entire CaixaBank results, of the business unit, and of the Executive Director in question.
- VIII. Anything else that could be expressly foreseen in the corresponding contracts.
- IX. Anything else established by the applicable legislation or by the regulatory authorities while exercising their regulatory, executive development authority or the interpretation of the same.

#### **b) Cases of Reduction**

In the cases in which the causes giving way to the situations described in the previous a) sections were produced at a time before the payment already made of any amount of the variable remuneration, so that if such situation were considered the mentioned payment would not have been made in full or partially, the Executive Director should return to the corresponding entity of the CaixaBank Group, the part of the variable remuneration unduly perceived, together with any yields that may have been paid in virtue of the establishments of section IV.3.h). This return will be in money or in shares whichever the case may be.

In particular, the situations where the Executive Director has significantly contributed to the obtaining of deficient or negative financial results will be considered especially serious, as well as cases of fraud or other misconduct or serious negligence that may lead to significant loss.

#### **c) Common regulations**

The Remuneration Committee is responsible for proposing to the Board of Directors the application of the reduction of the loss of right to perceive the deferred amounts, or of the full or partial recuperation, in function of the characteristics and circumstances of each specific case.

In application of the provisions of the EBA Guidelines, the situations for reduction of the variable remuneration will be applicable during the entire deferral period for the remuneration in question. The situations for recovery of the variable remuneration will be applicable during the period of one year to be counted from the payment of the variable remuneration, except where there has been serious misconduct or negligence, in which case the general provisions of the civil or labour legislation in relation to prescription will be followed.

The development regulations of the LTI should establish specific typical rules for reduction or recuperation of the performance in favour of the Executive Directors, adapting the reduction and recuperation cases foreseen in the Remuneration Policy to the nature and aims of the LTI as needed.

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<sup>6</sup> Justifiable cause is understood to be any serious non-compliance and guiltiness of breaching loyalty, diligence and good faith duties according to which the professional should develop his/her position in the CaixaBank Group, as well as any other serious non-compliance and guiltiness of the obligations assumed pursuant to their contracts or to any other organic relationships or services that could be established between the professional and CaixaBank.

#### **d) Main principles of contractual or employment law**

According to that established in the LOSS, the proposals for reduction or recuperation of the variable remuneration should consider the general law principles in contractual or employment matters.

### **6. GUARANTEED VARIABLE REMUNERATION**

The Executive Directors will not perceive any type of guaranteed variable remuneration. Nevertheless, the entity can exceptionally consider its convenience in the case of new appointments or hirings, as long as the entity has a healthy and solid base capital and its application is limited to the first year of the contract.

### **7. SOCIAL PREVISION AND LONG-TERM SAVINGS SYSTEM**

#### **a) General description**

The Executive Directors with a employment contracts can have a social prevision system recognized complementary to the common scheme of all CaixaBank employees. When the contract is a commercial one, a specific social prevision scheme is recognized with the equivalent effect of the complementary social prevision scheme.

The commitments assumed with the Executive Directors can be of a contribution defined for the cases of retirement, disability and death, and additionally coverage for service can be defined for the cases of disability and death. These commitments will be instrumented through an insurance contract.

#### **b) Non-discreet character**

Except where established in section e) below, the service or contributions scheme for the social previsions system applicable to Executive Directors cannot be configured as a discreet benefit; it has to be objectively applied in function of the access by the professional to the condition of Executive Director or in similar circumstances that determine a redefinition of the remuneration conditions, in the form of a lump sum or by reference to fixed remuneration, according to that established in the different contracts.

That way, to fix the amount of the contributions or the degree of coverage (i) these should be fixed at the beginning of the year and be adequately reflected in the corresponding contracts, (ii) they cannot deviate from the variable parameters (such as achieving objectives, reaching milestones, etc.), (iii) they cannot be the consequence of extraordinary contributions (in the form of gratifications, prizes or extraordinary contributions made during the years before retirement or termination), neither (iv) can they be related to substantial changes in retirement conditions, which includes the changes derived from merger process or combination of businesses.

#### **c) Elimination of duplicities**

The amount of the contributions to social prevision systems to be made by CaixaBank should be reduced from the amount of any contributions made to equivalent instruments or policies that could be established in the interest of CaixaBank, the same way should occur in relation to the services, that should be adjusted to avoid duplicities in the coverage.



#### **d) Rights consolidation scheme**

The social provision system for Executive Directors recognizes the consolidation of economic rights in the case of cessation or termination of the employment relationship before the occurrence of the covered situations, except that the mentioned cessation or termination occurs due to disciplinary dismissal declared to be just in the case of employment contracts or just cause in the case of commercial contracts, according to the definition of this term in section IV.5, or for other specific causes that the contracts can expressly contain.

#### **e) Obligatory contributions with variable base**

Notwithstanding the provisions in section b) above, in compliance with the provisions of Newsletter 2/2016, 15% of the agreed contributions to complementary social provision plans will have the consideration of a target amount (with the remaining 85% having the consideration of fixed component of the remuneration).

This amount will be determined based on the same principles and procedures as those established for variable remuneration in the form of a bonus as established in section IV.3, exclusively following the parameters of individual assessment, and will be contributed to a Discretionary Benefit Pension Policy.

The contribution will have the consideration of deferred variable remuneration for all purposes established in Newsletter 2/2016 and, in consequence, the Discretionary Benefit Pension Policy will contain the clauses necessary in order to be explicitly subject to the situations for reduction established in section IV.5 for variable remuneration in the form of a bonus. Furthermore, it will form part of the total amount of variable remunerations for the purposes of limits or others that may be established.

In conformance with section 1.ñ) of article 34 of the LOSS, if the Executive Director abandons the entity as a consequence of retirement or due to any other reason, the discretionary pension benefits will be subject to a withholding period of five years. The withholding period of five years referred to in the previous paragraph will be counted from the date upon which the professional no longer provides services to the entity for any reason. During the withholding period, the entity will apply the same requirements of reduction and recovery clauses for remuneration that has already been paid, as established in section IV.5.

### **8. PAYMENT DUE TO ABANDONMENT OF PREVIOUS CONTRACTS**

In the cases where remuneration packets are agreed, related to contracting premiums or other forms of compensation or payments for abandonment of previous contracts, these should adapt to the long term interests of the entity by means of establishing, in line with indicated in the LOSS, dispositions in matters of retentions, deferrals, reduction, performance and recuperations consistent with the principles established in the Remuneration Policy

### **9. WITHHOLDING PREMIUMS**

The withholding premiums that, in an exceptional manner, may be agreed upon between the entity and an Executive Director will be subject to the conditions and requirements established in the EBA Guidelines and principles that are similar to those applicable in the Remuneration Policy for variable remuneration.

## **10. OTHER BENEFITS**

The Executive Directors are eligible for the generally established benefits policy for the CaixaBank Group employees that is aimed at offering competitive social benefits based on taking advantage of the group synergies (i.e. preferential financial conditions or healthcare).

The Executive Directors form part as insured parties of the civil responsibility insurance for administrators and directors of the CaixaBank group, to cover the responsibilities in which these latter can incur while developing their functions, according to the subjective scope defined in the corresponding policies.

## **11. PAYMENTS FOR ANTICIPATED TERMINATION**

### **a) Amount and limits of the compensation for termination of the contract**

The amount of the compensation for termination of the contract for Executive Directors will be established at all times in order not to exceed the legally established limits in relation to maximum ratio of variable remuneration, taking into account the criteria established by the EBA Guidelines.

The ordinary payments related to the duration of the applicable periods of advanced notice will not be considered to be compensation for dismissal.

### **b) Post contractual non-competition agreements**

The contracts with the Executive Directors may contain post-contractual no-competition clauses, compensation for which will consist of an amount that in general may not exceed the sum of the fixed components of remuneration that the Executive Director would have received if they continued with the entity; the amount of compensation will be divided into future periodic instalments, payable during the period of duration of the no-competition agreement.

### **c) Deferral and payment**

Provision of the amount of the payments due to early termination that, in accordance with the establishments of the applicable regulations and the EBA Guidelines, must be considered to be variable remuneration, will be subject to deferral and payment in the form stated in the Remuneration Policy for variable remuneration in the form of a bonus in section IV.3

### **d) Reduction and recovery situations**

The amount of the payments due to early termination that, in accordance with the establishments of the applicable regulations and the EBA Guidelines, must be considered to be variable remuneration, will be subject to the same situations of reduction and recovery as established for variable remuneration in section IV.5, with the effects and procedure described therein, including application to the deferred payments pending receipt.

### **e) Absolute limit on payments for early termination**

The provision of payments due to early termination must not lead to a violation by CaixaBank Group of the limits to variable remuneration established by the applicable legislation in relation to fixed remuneration; where deemed appropriate, the payments for early termination will be subject to reduction in order to comply with said obligatory limits.

#### **f) Main contractual or employment general principles**

According to that established in the LOSS, the proposals for reduction or recuperation of the variable remuneration should consider the general law principles in contractual or employment matters.

### **12. FORESEEN REMUNERATION FOR THE YEAR 2017 AND FOLLOWING**

#### **a) Fixed remuneration in cash**

The fixed remuneration in cash to be satisfied to the current Executive Directors for the year 2017 is as follows:

I. Mr. Gonzalo Gortázar Rotaeché – Executive Director	2,186,760 Euro
II. Mr. Antonio Massanell Lavilla – Vice-chairman	1,520,000 Euro

The estimated remuneration for the positions developed in group companies or in the interest of CaixaBank, according to the positions occupied on [●] of [●] 2017, is €996,200 for Mr. Gonzalo Gortázar Rotaeché and €705,800 for Mr. Antonio Massanell Lavilla, in such way that the payable amount to be satisfied by CaixaBank in 2017 will be, respectively €1,190,560 and €814,200.

The remuneration for the mere condition of being a member of the CaixaBank Board of Directors or of its committees of both Executive Directors, foreseen in €140,000 for Mr. Gonzalo Gortázar Rotaeché and €140,000 for Mr. Antonio Massanell Lavilla in 2017, is discounted from the fixed remuneration as Executive Director.

#### **b) Variable remuneration as incentives**

The target bonus of Mr. Gonzalo Gortázar for 2017 is €508,800 and that of Mr. Antonio Massanell Lavilla is €150,000. The corporate challenges part (50 percent) consists of the following parameters:

- I. ROTE CaixaBank: with a weighting factor of 12.5 percent and a minimum achievement level of 80 percent and maximum of 120 percent.
- II. Recurring exploitation costs: with a weighting factor of 12.5 percent and a minimum achievement level of 80 percent and maximum of 120 percent.
- III. *Risk appetite framework* (risk control panel): with a weighting factor of 15 percent and a minimum achievement level of 80 percent and maximum of 120 percent.
- IV. CaixaBank Quality: with a weighting factor of 5 percent and a minimum achievement level of 80 percent and maximum of 100 percent.
- V. *Know Your Client* (% Customers with Digitalised KYC. Challenge linked to the "Culture" of Regulatory Compliance and the strategic challenge of Process Digitalisation): with a weighting of 5 percent and a minimum achievement level of 80 percent and maximum of 100 per cent.

The individual challenges part (50 percent) will have a minimum achievement level of 60 percent and maximum of 120 percent, and will be globally distributed among challenges linked with the CaixaBank strategy. In all cases, not reaching the minimum level of achievement will mean a zero accrual of bonus related to each of the indicators or individual challenges.

### **c) Performance payment in deferred shares and cash**

The anticipated payments for the concepts stated in section 3.h) for the year 2017 are as follows:

I.	Mr. Gonzalo Gortázar Rotaeché	€3,224
II.	Mr. Antonio Massanell Lavilla	€4,148

### **d) Long-term incentives based on shares**

Mr. Gonzalo Gortázar Rotaeché and Mr. Antonio Massanell Lavilla are beneficiaries, together with the members of the Management Committee and the rest of the executive team and key employees of the entity, of the LTI approved by the General Shareholders Meeting of CaixaBank on 23 April 2015; the LTI covers the period of four years included between the years of 2015 to 2018, both included, and is linked to the Strategic Plan.

The LTI permits receipt, after four years, of a certain number of CaixaBank shares, provided that certain strategic objectives and the requirements established for Executive Directors are fulfilled.

The Plan is implemented through the granting of a determined number of units to each Beneficiary, which will provide the basis for deciding, dependant upon the degree of compliance with certain objectives, the number of shares to be awarded, where appropriate, to each Beneficiary of the Plan.

The number of units is determined based on a reference target amount (€800,000 for Mr. Gonzalo Gortázar Rotaeché and €500,000 for Mr. Antonio Massanell Lavilla, for the entire duration of the 2015-2018 Plan) and the arithmetic average price of the closing prices for CaixaBank shares at the trading sessions corresponding to the month of February 2015. This provides a result of a number of units of 200,905 for Mr. Gonzalo Gortázar Rotaeché and 125,566 for Mr. Antonio Massanell Lavilla.

The final number of shares to be provided will be determined by multiplying the number of units granted by the coefficient of the Level of Achievement of the Objective, as is defined in the General Meeting agreement from 23 April 2015.

The estimate of the maximum number of shares to provide, contained in the agreement by the General Meeting mentioned above, and considering a Maximum Level of Achievement of the Objective, is 261,578 for Mr. Gonzalo Gortázar Rotaeché and 163,486 for Mr. Antonio Massanell Lavilla, with the possibility contained therein of early provision.

The terms and conditions of the LTI, including its description and purpose, beneficiaries, duration and liquidation of the Plan, determination of the number of units for each beneficiary, determination of the number of shares to provide in case of liquidation of the Plan, number of shares to provide, value of the shares to take as a reference, measurements, requirements for obtaining shares, provision of shares and availability regime, situations of early liquidation or modification of the plan, reduction and recovery clauses and adaptation to the regulatory requirements, are those stated in the Tenth agreement of the mentioned General Shareholders Meeting on 23 April 2015, developed in the Annual Report on Remuneration for Executives of CaixaBank.

### **e) Long-term savings system**

In 2017, a total defined contribution of €255,000 will be provided for the coverage of the contingencies for retirement, death and total permanent disability, absolute or elevated disability of Mr. Gonzalo Gortázar Rotaeché. In the same policy, in addition to the defined contribution described above, a coverage for death and permanent disability, total, absolute

and elevated disability will be established for the amount of two annuities of the fixed remuneration at the time the contingency is produced. The estimation of the premium for this coverage for 2017 is approximately €37,882.

In the case of Mr. Antonio Massanell Lavilla, in 2017, a total defined contribution of 100,000 Euro will be made for the coverage of retirement, death and full, absolute or serious permanent disability.

A coverage for death and permanent, full absolute and serious disability for the amount of two years of fixed remuneration at the time of producing the situation will be included in the same policy, and in addition to the previously mentioned defined contribution. In the case of death the amount of the service will be equivalent to one yearly fixed remuneration plus the amount of the yearly contribution to the social prevision system referred to in this section. In the case of full or absolute disability, 1.5 times the mentioned amount and in the case of disability, 3 times the mentioned amount. The estimation of the premium for this coverage for 2017 is approximately €51,087.

The target amounts corresponding to Discretionary Benefits for Pension Policies, in accordance with the provisions of section IV.7.e), are of €38,250 in the case of Mr. Gonzalo Gortázar Rotaeché and €15,000 in the case of Mr. Antonio Massanell Lavilla.

#### **f) Other benefits**

The contracts with the Executive Directors include a healthcare insurance for them, their spouses and children under 25, respectively valued at €5,369 for Mr. Gonzalo Gortázar and €2,148 for Mr. Antonio Massanell in 2017.

#### **g) Remuneration foreseen in the following years**

The determination of fixed remuneration for Executive Directors in the case of new Executive Directors or the updating will be made in accordance to the focus defined in section IV.2.a) of this document regarding the fixed remuneration of Executive Directors.

we cannot discard there being alterations in the proportion of the variable remuneration in the form of incentives with the fixed components. In that case, any variation in the proportion or in the structure of the variable components of the remuneration for the Directors in the coming years will be made following the terms of the LOSS.

In that case, any variation in the proportion or in the structure of the variable components of the remuneration for the Directors in the coming years will be made following the terms of the LOSS.

## **V. CONTRACTUAL CONDITIONS OF THE EXECUTIVE DIRECTORS**

### **1. GENERAL CONTRACTUAL CONDITIONS**

#### **a) Nature of contracts**

Generally speaking the commercial or employment nature of the contracts with Executive Directors will be determined by the level of management functions developed beyond the mere condition of directors, in accordance to applicable regulations and the doctrine of the Supreme Court related to the so-called "link theory".

#### **b) Duration**

Generally speaking the contracts will be for an indefinite period.

#### **c) Description of functions, dedication, exclusivity and incompatibilities**

The contracts will contain a clear description of the functions and responsibilities to be assumed and the functional location and the dependency in the CaixaBank organizational and governance structure; likewise, generally speaking they will establish the obligation of exclusive dedication to the group, notwithstanding the other activities authorized in interest of the CaixaBank group or other occasional teaching or participation in conferences, administration of personal estate or responsibilities in their own companies or family-owned companies, as long as they do not hinder the fulfilment of the diligence and loyalty duties typical of their position or mean any type of conflict with the entity.

In addition other obligations of permanence can be agreed in the contracts for the best interest of CaixaBank.

The list of legally established incompatibilities for positions in credit entities will be applied to the Executive Directors.

#### **d) Compliance of duties and obligation of confidentiality**

Notwithstanding the legally established situation for commercial company administrators, the contracts will contain strict obligations of fulfilment of the typical tasks for administrators and for confidentiality related to the confidential information to which Directors have access during the development of their position in CaixaBank or its group.

#### **e) Coverage of civil responsibilities and compensation**

The Executive Directors form part as insured parties of the civil responsibility insurance for CaixaBank administrators and director, covering the responsibilities in which these may incur as a consequence of developing their functions.

Likewise, the contracts can establish the CaixaBank level of commitment to keep the Executive Directors free of the expenses, damages and harm that may be caused by reclamations from third parties as a consequence of developing their functions without having any blame or due to any negligence of the Executive Directors.

#### **f) Agreements of post-contractual non-competition**

The contracts will establish agreements of post-contract non- concurrence in the general scope of financial activities, which should be in force for no less than one year after the termination of the contract, with the compensation established in section IV.11.b).

In the same way, non-fulfilment of the post-contractual no-competition agreement has to give the right to CaixaBank to obtain from the Executive Director a compensation for a proportional amount to that of the satisfied consideration.

#### **g) Termination clauses**

The contracts will establish the cases in which the Executive Directors can proceed to the resolution of the contract with a right to compensation, that could contemplate situations of non-fulfilment by CaixaBank, of cessation without any justified cause, or a change of ownership of the entity.

In the same way, the contracts will have to recognize the power of CaixaBank for resolving the contract in the cases of non-fulfilment by the Executive Director, without any type of compensation for the same.

In the case of termination of the contracts, CaixaBank will have the right to demand the waiver by the Executive Directors to any other positions or functions developed within the CaixaBank group or in other companies in the interest of the entity.

The contracts will also establish reasonable periods of advanced notifications for causes of termination, and adequate compensations for the case of non-fulfilment, proportionate to the fixed remuneration to be accrued during the non-fulfilled periods.

Furthermore, the compensations and awards that correspond to the Executive Directors due to the early termination of their contracts will be subject to the provisions of section IV.11.

#### **h) Other contractual conditions**

The contracts with the Executive Directors can contain normal contractual clauses compatible with the LOSS, the CCA, the rest of applicable regulations and the Remuneration Policy.

## **2. CONTRACT CONDITIONS FOR MR GONZALO GORTAZAR ROTAECHE AS EXECUTIVE DIRECTOR**

#### **a) General aspects**

The contract for provision of services relative to the role of Executive Director signed by Mr. Gonzalo Gortázar Rotaeche is of a commercial nature and of indefinite duration; its entry into force on 1 January 2017 is subject to approval of the Remuneration Policy by the CaixaBank General Shareholders Meeting.

The contract contains a clear description of the duties and responsibilities and of the obligation to work exclusively for CaixaBank, in the terms of section V.1.c). Likewise, it foresees clauses for the fulfilment of duties, confidentiality, and coverage of responsibilities in line with that detailed in sections V.1.c) and V.1.e). The contract does not include permanency agreements

The contract includes dispositions for its integration with the Remuneration Policy and its modifications, as well as for its adaptation to any future regulatory requirements.

#### **b) Agreements of post-contractual non-competition and consideration**

The contract contains an agreement of post-contractual non-competition during one year from its termination that includes any direct or indirect activity in the financial sector.

In any situation of termination, the compensation for the no-competition clause is established as one annuity of the fixed components of their remuneration, payable in twelve equal instalments.

The non fulfilment of the non-competition agreement will give way to the payment to CaixaBank by Mr. Gonzalo Gortazar of the amount received as compensation.

### **c) Termination causes**

The contract establishes the following causes for termination:

- I. Unilateral termination by Mr. Gonzalo Gortazar due to serious non-fulfilment by CaixaBank of the obligations included in the contract.
- II. Unilateral extinction by CaixaBank without any justified cause.
- III. Cessation or no renovation of his position as member of the Board of Directors and of his functions as Executive Director without any justified cause.
- IV. Unilateral extinction by Mr. Gonzalo Gortázar in the case of acquisition of the control of CaixaBank by any entity other than the Banking Foundation "la Caixa" in the sense foreseen in section 42 of the Commerce Code, or granting or transfer of all or a relevant part of its activity or of its assets to a third party or integration into another business group that acquires control of the Company.
- V. Cessation of Mr. Gonzalo Gortazar from his position of Executive Director and termination of the contact by justified cause (serious and attributable non-compliance with obligations).
- VI. Voluntary dismissal by Mr. Gonzalo Gortazar, with a minimum advanced notice of three months.

In the cases foreseen in the previous points one and four, Mr. Gonzalo Gortazar should exercise his right to rescind the contract within a maximum period of 6 months from the date of having known about the cause for the termination. After that period without having exercised his right to the rescission, Mr. Gonzalo Gortazar will not have the right to perceive any compensation at all for the circumstances giving way to the mentioned cause.

### **d) Compensation for anticipated termination**

In all cases of termination that do not answer to justified cause or to voluntary dismissal by Mr. Gonzalo Gortazar, there will be a compensation in his favour (additional to the compensation in the post-contractual non-competition clause established in clause V.2.b).

The foreseen compensation to be paid to Mr. Gonzalo Gortazar is a quantity equivalent to one annuity of the fixed yearly components based on the foreseen remuneration that are the annual fixed remuneration amount foreseen in section IV.12.a) and 85% of the annual contribution to the complementary prevision foreseen in section IV.12.e), for the amounts corresponding to the date of terminating the contract.

The right to perceive the compensation is conditioned to that Mr., Gonzalo Gortazar simultaneously renounces all the positions he holds in companies in the interest of CaixaBank.

## **3. CONTRACT CONDITIONS FOR MR ANTONIO MASSANELL LAVILLA FOR HIS EXECUTIVE FUNCTIONS**

### **a) General aspects**

The contract for provision of services relative to the executive duties of Mr. Antonio Massanell Lavilla is of a commercial nature and of indefinite duration; its entry into force on 1 January 2017 is subject to approval of the Remuneration Policy by the CaixaBank General Shareholders Meeting.



The contract contains a clear description of the duties and responsibilities and of the obligation to work exclusively for CaixaBank, in the terms of section V.1.c). Likewise, it foresees clauses for the fulfilment of duties, confidentiality, and coverage of responsibilities in line with that detailed in sections V.1.c) and V.1.e). The contract does not include permanency agreements

The contract includes dispositions for its integration with the Remuneration Policy and its modifications, as well as for its adaptation to any future regulatory requirements.

#### **b) Agreements of post-contractual non-competition and consideration**

The contract contains an agreement of post-contractual non-competition during one year from its termination that includes any direct or indirect activity in the financial sector.

In any situation of termination, the compensation for the no-competition clause is established as one annuity of the fixed components of their remuneration, payable in twelve equal instalments.

The non fulfilment of the non-competition agreement will give way to the payment to CaixaBank by Mr. Antonio Massanell of the amount received as compensation.

#### **c) Termination causes**

The contract establishes the following causes for termination:

- I. Unilateral termination by Mr. Antonio Massanell due to serious non-fulfilment by CaixaBank of the obligations included in the contract.
- II. Unilateral extinction by Mr. Antonio Massanell of his executive duties as a member of the Board of Directors.
- III. Unilateral extinction by CaixaBank, with or without any justified cause.
- IV. Cessation or no renovation of his position as member of the Board of Directors and of his executive functions, with or without any justified cause.
- V. Unilateral extinction by Mr. Antonio Massanell in the case of acquisition of the control of CaixaBank by any entity other than the Banking Foundation "la Caixa" in the sense foreseen in section 42 of the Commerce Code, or granting or transfer of all or a relevant part of its activity or of its assets to a third party or integration into another business group that acquires control of the Company.
- VI. Cessation of Mr. Antonio Massanell in his executive functions and termination of the contract with justified cause (serious and attributable non-compliance with obligations).
- VII. Voluntary dismissal by Mr. Antonio Massanell, with a minimum advanced notice of three months.

In the cases foreseen in the previous points one and five, Mr. Antonio Massanell should exercise his right to rescind the contract within a maximum period of 6 months from the date of having known about the cause for the termination.

#### **d) Compensation for anticipated termination**

Except for the compensation for the post-contractual no-competition clause established in section V.3.b), Mr. Antonio Massanell will have no right to perceive any compensation from the Company in the case of extinction or termination of the contract.

## **VI. CORPORATE GOVERNMENT OF THE REMUNERATION POLICY**

### **1. GENERAL ASPECTS**

The main governance principles applicable in CaixaBank in the process for determination, application and supervision of the Remuneration Policy for the Directors are explained below:

## **2. FUNCTIONS OF THE BOARD OF DIRECTORS OF CAIXABANK**

The LOSS establishes that the board of directors of a credit entity should adopt and periodically revise the main remuneration policy general principles and be responsible for their application.

The current Capital Companies Act<sup>7</sup> (hereinafter, **LSC**) establishes that, among other powers that cannot be delegated, the following correspond to the board of directors of a listed company:

- I. determination of the company's general policies and strategies;
- II. determination of the risk management policy;
- III. determination of the corporate governance policy of the company and of the group they are the parent company of;
- IV. appointment and dismissal of the Company's Executive Directors, where the case may be, and determination of the terms of their contracts; and
- V. decisions regarding the Directors' remuneration, within the statutory framework and the remuneration policy approved by the General Meeting.

The CaixaBank Articles of Association and Board of Directors Regulation are consistent with the mentioned concepts.

For its part, the EBA Guidelines establish as duties of the board of directors of the entity, among others, those of:

- I. adopting and maintaining the remuneration policy of the entity and supervising its application in order to guarantee full operation as expected;
- II. approving any posterior significant exemption destined to personnel individually and the changes in the remuneration policy and carefully considering and controlling its effects; and
- III. guaranteeing that the entity's remuneration policies and practices are adequately applied and are in accordance with the general framework of corporate governance at the entity, the corporate culture, the propensity to risk and the capital structure of the entity.

## **3. DUTIES OF THE CAIXABANK REMUNERATION COMMITTEE**

The CCA attributes to the remuneration committee of a listed company, among other duties, that of proposing the remuneration policy of the directors to the board of directors.

The CaixaBank Articles of Association and Board of Directors Regulation are consistent with the mentioned concepts.

Finally, in accordance with the EBA Guidelines, the Remuneration Committee of CaixaBank must comply with the following functions:

- I. prepare the decisions on remunerations that must be made by the board of directors, particularly with regards to the remuneration of the executive members, as well as the rest of the Identified Collective;

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<sup>7</sup> Royal Legislative Decree 1/2010, of 2 July, which approves the revised text of the Spanish Capital Companies Act.

- II. provide support and advice for the board of directors on the definition of the entity's remuneration policy;
- III. support the board of directors for the control of the policies, practices and processes of remuneration and compliance with the remuneration policy;
- IV. verify whether the valid remuneration policy is up to date and propose any changes necessary;
- V. revise the appointment of external consultants in relation to remunerations that the board of directors must contract in order to receive advice or support;
- VI. guarantee the suitability of the information provided to shareholders on the remuneration policies and practices, in particular, the proposal of a maximum level higher than the ratio between the fixed and variable remuneration;
- VII. assess the mechanisms and systems adopted in order to guarantee that the remuneration system duly takes into consideration the types of risks, the levels of liquidity and capital, and that the general remuneration policy promotes and is coherent with an adequate and efficient risk management, in line with the business strategy, the objectives, the corporate culture and values and the long-term interests of the entity;
- VIII. when applicable, assessment the achievement of the objectives for results and the need for ex-post risk adjustments, including the application of remuneration reduction clauses and recovery of remuneration already paid; and
- IX. when applicable, revise various possible scenarios in order to analyse how the remuneration policies and practices react in the case of internal and external events, and undertake retrospective tests of the criteria used to determine the ex-ante granting and adjustment of risk based on the real risk results.

The proposals of the Remuneration Committee are elevated to the Board of Directors of CaixaBank for its consideration and, where applicable, approval. If the decisions correspond to the CaixaBank General Shareholders' Meeting, in accordance with its powers, the Board of Directors of CaixaBank approves their inclusion on the agenda and the proposals for the corresponding agreements, accompanied by the necessary reports.

#### **4. DUTIES OF THE AREAS OF CONTROL AND THE MANAGEMENT COMMITTEE OF CAIXABANK**

The EBA Guidelines establish the need for the control duties (internal audit, control and risk management, regulatory compliance), other competent corporate bodies (HR, legal affairs, strategic planning, budget, etc.) and the business units to provide the information required in relation to the definition, implementation and supervision of the remuneration policies of the entity; furthermore, the EBA Guidelines entrust specific responsibilities to the duties of HR, risk management, compliance and internal audit, which are assumed by the corresponding departments of CaixaBank.

On the other hand, the Management Committee of CaixaBank incorporates representatives of, among others, the areas of risks, finance, internal audit, HR and general secretariat (judicial affairs); the Management Committee of CaixaBank is responsible for guaranteeing the obtaining and preparation of the necessary information so that the Remuneration Committee can comply with its responsibilities efficiently. The CaixaBank Human Resources Department (hereinafter, HR) is responsible for initiating this action by the Management Committee of CaixaBank.

In order to avoid conflicts of interest, the RC is responsible for directly obtaining, drawing up and reviewing the information on the remuneration of the members of the CaixaBank Board of Directors, for both supervisory and executive functions, and the members of the CaixaBank Management Committee are directly developed by the Remuneration Committee.

## **Caixabank, S.A.**

### **Report from the Remunerations Committee about the proposed Remunerations Policy for Members of Board of Directors**

**Article 529 novodecies of the Capital Companies Act**

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## I. INTRODUCTION

Article 529 novodecies of the current Capital Companies Act (**CCA**) stipulates the obligation for indexed companies to prepare and submit for approval of the General Shareholders Meeting any proposal for approval, modification or replacement of the Remuneration Policy for the Members of the Board of Directors.

The elaboration of the proposal for the Remuneration Policy for the Members of the Board of Directors must be motivated and accompanied by a specific report from the Remuneration Committee.

In compliance with said legal precept, the Remuneration Committee of the Board of Directors of CaixaBank, S.A. (**CaixaBank**) has elaborated, for approval by the full Board, this report (**Report**) on the proposal for the Remuneration Policy for the Members of the Board of Directors (**Remuneration Policy**) for the years 2017 to 2020, both included, which fully replaces that approved by the Board of Directors on 26 February 2015 and by the CaixaBank General Meeting on 23 April 2015, without prejudice to the effects produced and consolidated during its valid term.

## II. MOTIVES FOR APPROVAL OF A NEW REMUNERATION POLICY

The approval of a new Remuneration Policy to replace that approved on 23 April 2015 is principally motivated by the need to adapt it to the following regulatory and internal texts which are applicable to the entity and the best practice of corporate governance:

- (i) Newsletter 2/2016, 2 February, from the Bank of Spain to the credit entities on supervision and solvency, which completes the adaptation of the Spanish legal system to the Guideline 2013/36/EU and EU Regulation No. 575/2013 (**Newsletter 2/2016**).
- (ii) The Guidelines for adequate remuneration policies in virtue of articles 74, section 3, and 75, section 2, of the Guideline 2013/36/EU and the distribution of information in virtue of article 450 of the EU Regulation No. 575/2013 (EBA/GL/2015/22) (**EBA Guidelines**), which came into force on 1 January 2017.
- (iii) The new remuneration policies on group and identified collective level of CaixaBank, to which the members of the Board of Directors pertain, both for executive and non-executive functions, approved on [●] December 2016 by the Board of Directors of CaixaBank (the modification of which also had the principal objective of adaptation to Newsletter 2/2016 and the EBA Guidelines).

The principal modifications introduced to the Remuneration Policy are explained in section IV of the Report.

## III. MAIN REGULATIONS APPLICABLE TO THE REMUNERATION OF DIRECTORS

The main regulations applicable to the CaixaBank directors remuneration are as follows:

## 1. CAPITAL COMPANIES ACT

The CCA established the necessarily remunerated position of the director position of an indexed company, unless the by-laws establish otherwise. The CaixaBank By-laws confirm the remunerated character of the position, at the same time it establishes the remuneration system applicable to the directors in their condition as such and regulates the addition retribution for those directors having executive functions, established by the Board of Directors itself. The remuneration of the directors, either in their condition as such for the development of executive functions, should be adapted to that established in the Remunerations Policy.

In relation to the members of the Board of Directors in their conditions as such (**Non-executive Directors**) the Remunerations Policy should determine their remuneration within the regulator foreseen system, and necessarily include the maximum amount of annual remuneration to satisfy their mere condition as directors as a group.

In relation to the directors developing executive functions (Executive Directors) the Remuneration Policy should contemplate the amount of the fixed annual remuneration in the period referred to in the policy, the different parameters for fixing the variable component and the terms and main conditions of their contracts, particularly consisting of, the duration, compensations for anticipated separation or termination of the contractual relationship, and exclusivity, post contractual non-concurrence and permanency or loyalty.

Any remuneration received by the directors for the year or termination of their position and for developing executive functions has to be according to the current Remunerations Policy at any given time, except the remunerations that are expressly approved by the General Meeting.

On the other hand, the CCA generally establishes that the remuneration of directors should keep a reasonable proportion with the importance of the company, its economic situation at any given time and the market standards of comparable companies; likewise, the established remunerations system should be aimed at promoting profitability and long-term sustainability of the company and include the necessary care to avoid excessive assumption of risks and the benefits of unfavourable results.

## 2. LAW ON REGULATION, SUPERVISION AND SOLVENCY OF CREDIT ENTITIES AND ITS REGULATION FOR DEVELOPMENT AND THE EBA GUIDELINES

Due to its condition as a credit entity, these are applicable to CaixaBank, as well as general regulations relative to listed companies, the standards relative to remuneration established in Law 10/2014, 26 June, on regulation, supervision and solvency of credit entities (**LOSS**), applicable to people whose activities significantly influence in the risk profile of the entity and its group (**Identified Collective**) and its regulation for development, in particular, Royal Decree 84/2015, 13 February, which develops Law 10/2014, 26 June, on regulation, supervision and solvency of credit entities (**RD 84/2015**) and in Newsletter 2/2016, as well as the EBA Guidelines, adopted as its own by the Bank of Spain, 27 July 2016. A consequence of this is that both the European Central Bank and the Bank of Spain have integrated the EBA Guidelines to their supervision practices.

The members of the Board of Directors, in both their executive functions as the non-executive ones, form part of the CaixaBank Identified Group pursuant to the established in the Delegated Regulation (EU) No. 604/2014 of the Counsel, of 4 March 2014 which complements Directive 2013/36/EU from the European Parliament and Counsel in that regarding the technical regulations related to adequate qualitative criteria and the quantitative criteria to determine the the categories of personnel whose professional

activities have an important affect on the risk profile of an entity (**Delegated Regulation No. 604/2014**).

The general principles of the remuneration policy applicable to the identified collective as established in the LOSS are as follows:

- (i) The remuneration policy must encourage, and be compatible with, suitable efficient risk management, and it must not offer incentives for assuming risks exceeding the level tolerated by the entity.
- (ii) The remuneration policy should be compatible with the company strategy, the objectives, the values and the long-term interests of the entity and include measures to avoid the conflict of interests.
- (iii) The personnel exercising control functions in credit entities should be independent from the business units they supervise, have the necessary powers to develop their task and be remunerated in function of reaching the objectives related to their functions, with independence of the results of those business areas they control.
- (iv) The remuneration of the senior directors responsible for risk management and with compliance functions should be directly supervised by the remunerations committee.
- (v) The remuneration policy should clearly distinguish between the criteria for the establishment of:
  - a) the fixed remuneration that should mainly reflect pertinent professional experience and the responsibility in the organization according to that stipulated in the functions description as part of the work conditions; and
  - b) the variable remuneration that should reflect a sustainable performance adapted to risk, as well as performance higher than that required to comply with that stipulated in the functions description as part of the work conditions.

The LOSS also contains specific precepts regulating the different remuneration components, either fixed or variable, and the payments for anticipated termination of the directors corresponding functions.

### **3. CAIXABANK BY-LAWS AND INTERNAL REGULATIONS**

The remuneration regulation of the CaixaBank directors are contained in article 34 of the By-laws, and is developed in the CaixaBank Board of Directors Regulation. These texts, in turn, regulate the composition, operation, and functions of the Remunerations Committee; all that consistent with the CCA precepts and those of the LOSS and its regulation for development.

On the other hand, the CaixaBank Board of Directors has approved the general remuneration principles applicable to the level of its group, described in section II of the Remuneration Policy, including the principles applicable to the professionals that form part of the Identified Collective.



#### **IV. MAIN CHANGES IN THE REMUNERATIONS POLICY REGARDING THE PREVIOUS POLICY**

Due to the entry into force of Circular 2/2016 and the EBA Guidelines, CaixaBank has revised the general remuneration policy of the entity and of the Identified Group, which includes the Non-Executive Directors and the Executive Directors.

In relation to the remuneration of Directors in their condition as the same, and without taking into consideration the executive functions, no significant changes are foreseen in relation to the Policy applied in 2016, except the provisions in section 3 of the Policy. Said changes are based on the increase of the maximum remuneration expected to be proposed to the General Meeting in order to meet possible needs, such as, among others, the possible creation of new Committees, the remuneration of the Coordination Director, the possible increase in the number of members in a Committee and the possible alignment of remuneration among Committees depending on the dedication required. In any case, the Policy protects the Board's authority to distribute the amounts within the maximum quantity authorised by the Meeting, in conformance with the provisions of the CCA and the By-laws.

In relation to the Executive Directors, the most significant changes for the years referred to in this Remuneration Policy are as follows:

- (i) With the purpose of adjusting the Policy to the practice which is already reflected in the corresponding contracts, the fixed remuneration of the Executive Directors includes the remunerations that these can perceive for developing positions in the administrations of companies in the CaixaBank group, including CaixaBank itself, or in other interesting entities of the same, in such way that the mentioned remuneration is discounted from the liquid amount to be satisfied by CaixaBank as fixed remuneration.
- (ii) The variable remuneration in the form of an annual bonus must not exceed, generally, 40% of the fixed components.
- (iii) Other fixed remuneration components are foreseen by CaixaBank (medical insurance or other payment in kind which is common in the sector and adequate for the professional sector to which the Executive Directors pertain).
- (iv) The parameters corresponding to the corporate challenges are updated to determine the variable remuneration in the form of a bonus for the Executive Directors, which consist of objective variables depending on the principal objectives of CaixaBank.
- (v) The deferral of the variable remuneration is maintained at the highest percentage (60%), however, in accordance with the EBA Guidelines, said deferral percentage may be subject to modification to the extent considered by the competent authorities by establishing absolute or relative thresholds for determining said percentage.
- (vi) The deferral period for the variable remuneration of the Executive Directors is extended from three to five years for the variable remunerations accrued in the years 2017 and following.
- (vii) Payment of the variable remuneration is possible in shares other than those of CaixaBank, under the conditions and requirements established in section 1.I) of article 34 of the LOSS, in the Delegated Regulation (EU) No. 527/2014 of the Commission on 12 March 2014 which completes the Guideline 2013/36/EU of the European Parliament and the Board with regards the to technical standards for regulation that specify the types of shares that adequately reflect the credit quality of the entity in a perspective of continued exploitation and are adequate for the

purposes of variable remuneration (Regulation 527/2014) and the EBA Guidelines, although the payment of CaixaBank shares will remain to be preferential.

- (viii) The payment of interests and dividends in deferred shares other than the payment of CaixaBank shares is prohibited.
- (ix) The payment cycle of the variable remuneration is not interrupted in any situation of extinction or suspension of the professional relationship between the Chief Executive Officer and the entity, or in the case of leave due to disability, early retirement, retirement or partial retirement.
- (x) The situations for reduction and recovery of the variable remuneration are updated in order to adapt them to the content of Newsletter 2/2016.
- (xi) In application of the provisions of the EBA Guidelines, the situations for recovery of the variable remuneration will be applicable during the term of one year to be counted from the payment of the variable remuneration, except where there has been serious misconduct or negligence, in which case the general provisions in the civil or labour legislation with regards to prescription will be followed.
- (xii) In compliance with the provisions of Newsletter 2/2016, it is established that 15% of the agreed contributions to complementary social prevision plans will have the consideration of variable remuneration (with the remaining 85% having the consideration as a fixed component of the remuneration).
- (xiii) The possibility of paying withholding premiums which, as an exception, may be agreed upon between the entity and an Executive Director is introduced, subject to the conditions and requirements established in the EBA Guidelines.
- (xiv) In relation to payments for anticipated termination:
  - a) They are decoupled from the funds accumulated in social prevision plans
  - b) The amount of the compensation for termination of the contracts of the Executive Directors cannot exceed the limits established in relation to the maximum ratio of variable remuneration, taking into account the criteria established by the EBA Guidelines.
  - c) The application of the payment cycle is established for the variable remuneration (deferral, payment in shares, withholding and reduction and recovery clauses in the terms established for variable remuneration) to the other party of the compensation considered variable remuneration in the terms of the EBA Guidelines (among others, the situations of unavailable compensation due to labour regulations and deferred payments due to post-contractual non-competition pacts are excluded).
  - d) The amount of the compensation for contract termination of Executive Directors will be established at all times so that it does not exceed the legally established limits in relation to the maximum ratio of variable remuneration (100% or 200% according to the agreement with the general meeting), taking into consideration the criteria established by the EBA Guidelines.

- (xv) Among others, the retribution conditions of the Executive Directors are updated in accordance with the new contracts signed with the entity.
- (xvi) The holding details of the Executive Directors are included in the long term incentive based on CaixaBank shares or referencing their value (LTI), approved by the CaixaBank General Shareholders Meeting on 23 April 2015; the LTI covers the period of four years including the years from 2015 to 2018, both included, and is linked to the Strategic Plan.
- (xvii) The compensation for the post-contractual non-competition commitment is established in an annuity of the fixed components for each year of non-competition, upon termination of the contract for any reason, payable in equal monthly instalments upon termination of the contract (the current contracts of the Executive Directors establish the duration of the non-competition clause as one year).

These changes are described in more detail in the corresponding sections of the Remuneration Policy.

## **V. CONTENTS OF THE REMUNERATION POLICY**

### **1. REMUNERATION OF NON-EXECUTIVE DIRECTORS**

In consistency with that established in the corporate governance general principles and the By-laws, the remuneration of Non-executive Directors only consists of a fixed annual quantity, excluding any variable components. The maximum global amount for the remuneration of Non-executive Directors should, following the precepts of the CCA, be fixed by the General Meeting and has to be maintained in force as long as the Meeting does not agree a modification. The figure fixed by the General Shareholders Meeting is aimed at remunerating the Board of Directors and its Delegated Committees and is distributed in the way that the Board of Directors considers more appropriate; the distribution can be in the form of different remunerations for each Director.

The Remunerations Policy also contains the justification of the additional remuneration of the Board of Director Chairman, in section III 2., and the provisions about the remuneration of the Non-executive Directors for the year 2017 and following in section III.3.

The Non-executive Directors form part as insured parties of the civil responsibility insurance for administrators and directors of the CaixaBank group, to cover the responsibilities in which these latter can incur while developing their functions.

Likewise, the Remunerations Policy contains the remuneration provisions for the Non-executive Directors for the year 2017 and following, particularly in that referring to the additional remuneration of the Board of Directors Chairman.

### **2. REMUNERATION OF EXECUTIVE DIRECTORS**

Regarding Executive Directors, the Remunerations Policy, in line with the precepts of the CAA, the LOSS and its development regulation, the EBA Guidelines and the By-laws and the rest of the CaixaBank internal regulations, contains a detailed description of each of the remuneration elements indicated below:

- (i) General description and relative importance of fixed and variable components
- (ii) Fixed remuneration components

- (iii) Variable remuneration in the form of a bonus, with a description of the general aspects, the performance measurement criteria, the special restriction situations, the percentage and period for deferral, the form of payment, the withholding policy, the performance payment, the deferred concepts, the extinction or suspension of the professional relationship, the special situations, the permanence requirement and the non-compatibility with personal coverage strategies or circumvention mechanisms
- (iv) Long-term incentives based on shares
- (v) Situations of reduction (malus) and recovery (clawback) of the variable remuneration
- (vi) Guaranteed variable remuneration
- (vii) Social prevision and long-term saving systems including the general aspects, the non-discreet character, elimination of duplicities, and the rights consolidation and obligatory contributions with a variable base
- (viii) Payment for abandonment of previous contracts
- (ix) Withholding premiums
- (x) Other benefits, including the civil responsibility coverage
- (xi) Payment for early termination, including the amount and limits of the same, the payments for post-contractual non-competition agreements, deferral and payment and the situations of reduction and recovery

Furthermore, the Remuneration Policy contains the specific provisions relative to the remuneration of the Executive Directors for the year 2017 and following.

### **3. CONTRACTUAL CONDITIONS FOR CONTRACTS OF THE EXECUTIVE DIRECTORS**

In line with the precepts of the CAA, the LOSS and its regulation for development, the EBA Guidelines and the rest of the CaixaBank internal regulations, the Remunerations Policy contains a description of the conditions applicable to the contracts with the Executive Directors, with details of those subscribed with Mr Gonzalo Gortazar Rotaeche and with Mr Antonio Massanell Lavilla, in their respective conditions of Executive Director and Vice-Chairman of the Board with executive functions.

Specifically, the Remuneration Policy contains a description of the following conditions:

- (i) Nature of contracts
- (ii) Duration
- (iii) Description of functions, dedication, exclusivity and incompatibilities
- (iv) Fulfilment of duties and obligation of confidentiality
- (v) Coverage of civil responsibilities and compensation
- (vi) Agreements of post-contractual non-competition
- (vii) Termination clauses

Specifically, it is established that the Executive Directors will receive an annuity of the fixed components of their remuneration as compensation for the non-competition agreement, the duration of which is one year. Where applicable, Mr. Gonzalo Gortázar Rotaeché will receive an annuity of the fixed components in the concept of compensation for early termination of the contract, whereas no compensation is established for this concept for Mr. Antonio Massanell Lavilla.

#### **4. GOVERNANCE OF THE REMUNERATION POLICY**

In line with the precepts of the CAA, the LOSS and its development regulation, the EBA Guidelines and the By-laws and the rest of the CaixaBank internal regulations, the Remuneration Policy contains a governance description of the CaixaBank Remunerations Policy, mentioning the typical competences of the different bodies intervening in its preparation and approval, including the Board of Directors, the Remuneration Committee, the areas of control and the Management Committee of CaixaBank.

The proposals from the Remunerations Committee are presented to the Board of Directors for consideration and, if applicable, approval. In the case that the decisions correspond to the General CaixaBank Meeting, according to its powers, the Board of Directors approves their inclusion in the agenda and the proposals of the corresponding agreements, accompanied by the preceptive reports.

#### **VI. CONCLUSION**

In accordance to that explained in this report, the CaixaBank Remunerations Committee, considers that the Remunerations Policy contains the mentions required by the applicable regulations; likewise, it considers that the contents adapt to the criteria of prudence in the assumption of risks, good governance and transparency and is aligned with the interests of the shareholders.