



CAIXABANK, S.A. REMUNERATION COMMITTEE ACTIVITY REPORT 2018

December 2018

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This Activity Report was drawn up by the CaixaBank S.A. Remuneration Committee (hereinafter referred to as the “**Committee**”) on 20 December 2018, in accordance with the Company By-laws and the Rules of the Board of Directors, and will be submitted for approval by the Board of Directors of CaixaBank, S.A. (hereinafter referred to as “**CaixaBank**” or the “**Company**”) at its meeting of 20 December 2018.

This Report will be available for consultation on CaixaBank’s corporate website (www.caixabank.com) together with all other documentation made available to the shareholders by the Company for the 2019 Ordinary General Meeting.

During the financial year 2018, the Committee has furthered and consolidated the performance of its functions, acting within the scope of its responsibility at all times, adopting all the necessary resolutions and issuing all the relevant reports in accordance with current legislation or as expressly required from it.

1. REGULATION

The **Appointment and Remuneration Committee** was created on 20 September 2007 by unanimous resolution of the Board. On 25 September 2014 the Board of Directors agreed to amend the Rules of the Board of Directors to adapt them to the new provisions of Law 10/2014, of 26 June, regarding planning, supervision and solvency of credit institutions, and consequently split the Appointment and Remuneration Committee into two Committees, i.e. an Appointment Committee and a Remuneration Committee, the Appointment and Remuneration Committee being renamed the Appointment Committee and a **Remuneration Committee** created.

Its powers and functioning are described in Article 40.6 of the Company By-laws and Article 15 of the Rules of the Board of Directors of CaixaBank¹.

Until now, CaixaBank has not deemed it necessary for the Committee to have its own regulations governing its organisation and functioning, as all the Committee’s characteristics are governed in sufficient detail by the regulations included in the Rules of the Board of Directors.

Also, the composition and powers of the Committee meet the criteria established in the *European Banking Authority Guidelines on sound remuneration policies (EBA/GL/2015/22)* and the recent *Guidelines on Internal Governance (EBA/GL/2017/11)*.

¹ Both these documents are available for consultation on the Company’s website, www.caixabank.com.

2. COMPOSITION

A diverse committee, made up of non-executive Directors (the majority independent Directors, including its Chairwoman) with suitable knowledge and experience to perform its functions.

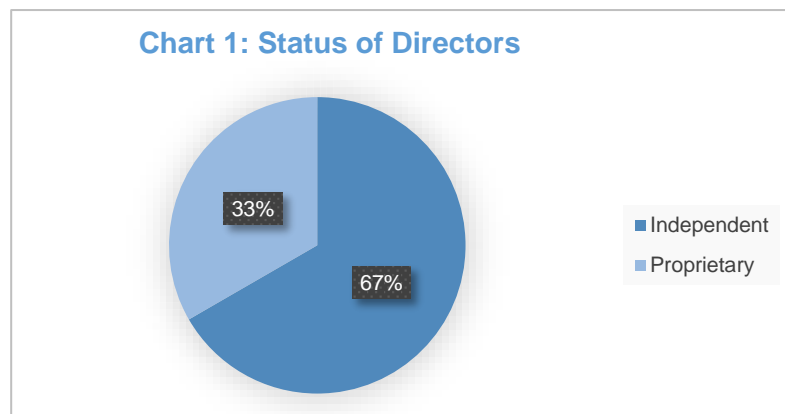
At the date on which this document was drawn up, the members of the Committee were as follows:

	Post	Status*	Committee member since**
María Amparo Moraleda	Chairwoman	Independent	25 September 2014
Alejandro García-Bragado	Committee	Proprietary	1 February 2018
Juan Rosell Lastortras	Committee	Independent	1 February 2018

*Chart 1

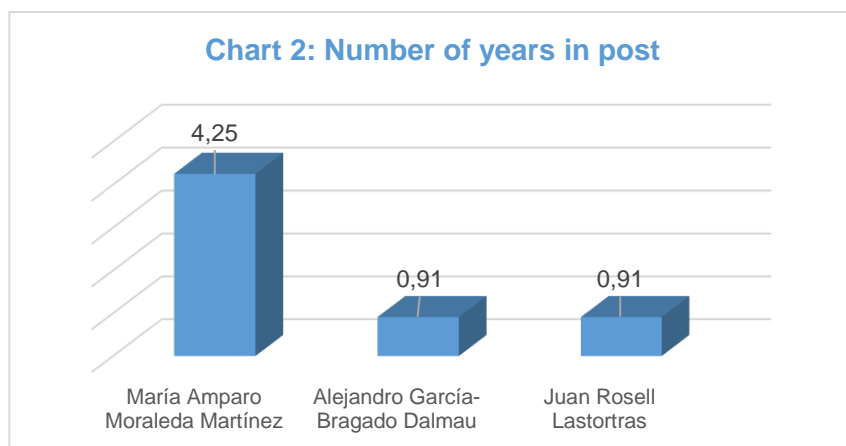
**Chart 2

The Committee consists exclusively of non-executive Directors. Two of its members (Amparo Moraleda and Joan Rosell) have the status of independent Directors. The Committee members were elected taking into consideration their knowledge and experience of the matters within the Committee's remit, and as a whole they have the relevant technical knowledge with regard to CaixaBank's business.



Amparo Moraleda has been a member of the Remuneration Committee since it was created and has held the post of Chairwoman since it began its work in September 2014.

On 1 February 2018, the Board of Directors of CaixaBank resolved to appoint Alejandro García-Bragado and Juan Rosell Lastortras as new members of the Committee, replacing María Teresa Bassons Boncompte and Alain Minc.



The Committee's Chairwoman is also a member of the Executive Committee.

The professional résumé of each of the Committee members is available for consultation on the Company's website, www.caixabank.com.

3. THE COMMITTEE'S FUNCTIONING

3.1. Preparation

In order to prepare the Committee's meetings, its members are provided with the documentation for the meeting (draft agenda, presentations, reports, minutes of the previous meetings and any other supporting documentation) sufficiently in advance of each meeting. Specially designed computer tools are used for this purpose to ensure the confidentiality of the information.

3.2. Attendance

In accordance with its regulations, the Committee meets as necessary for the correct performance of its functions. Its meetings are called at the initiative of its Chairwoman, or on request by two members of the Committee itself, and whenever the Board of Directors or its Chairman request issue of a report or adoption of a proposal.

In 2018 the Committee held 7 meetings. The Committee members' attendance of the meetings, either present or represented by proxy, was as follows in 2018:

Number of meetings	7
María Amparo Moraleda Martínez	7 / 7
María Teresa Bassons Boncompte	1 / 1 ¹
Alain Minc	1 / 1 ²
Alejandro García-Bragado Dalmau	6 / 6 ³
Joan Rosell Lastortras	6 / 6 ⁴

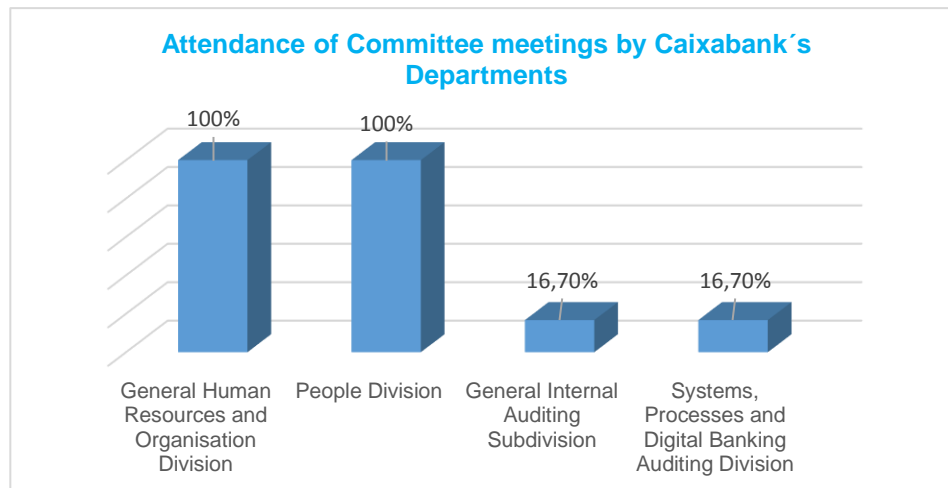
(1) María Teresa Bassons Boncompte was a Committee member until 1 February 2018

(2) Alain Minc was a Committee member until 1 February 2018

(3) Alejandro García-Bragado Dalmau has been a Committee member since 1 February 2018

(4) Joan Rosell Lastortras has been a Committee member since 1 February 2018

All the meetings were attended by the Company's Managing Director of Human Resources and Organisation, and by the Corporate Manager of People Management and Development (in January and February) and the Manager of the People Department (from July onwards). In 2018, the General Assistant Managing Director of the Internal Audit Department and the Manager of the Systems, Processes and Digital Banking Auditing Department also attended the meetings as guests, invited by the Committee Chairwoman, only attending the agenda items to which they had been invited.



3.3. Development

The Committee's system determines quoracy of the meetings when the majority of its members are present in person or represented by proxy. Members may delegate their proxy representation to another member. Resolutions are adopted by majority vote of the members attending in person or by proxy, and minutes of the resolutions adopted at each meeting are taken.

The Committee may request the attendance of persons from the organisation whose work is related to its functions, and it may obtain all necessary counselling for it to form an opinion on the matters within its remit. This is managed by the Secretary of the Board.

Similarly, when it has deemed it appropriate, the Committee has particularly collaborated with the Appointment Committee and the Risk Committee, this practice being in accordance with the recommendations in the Guidelines on Internal Governance (EBA/GL/2017/11).

3.4. Reporting to the Board

The Committee, via its Chairwoman, reports to the Board of Directors on its activity and the work it has carried out. The minutes of the Committee's meetings are also made available to the members of the Board.

4. PERFORMANCE OF FUNCTIONS

In accordance with Article 15.3 of the Rules of the CaixaBank Board of Directors, the Remuneration Committee has the following basic functions:

- To prepare the decisions regarding remuneration, and, in particular, to inform of and propose to the Board of Directors the remuneration policy, the system and amount of the annual remuneration for the Directors and Senior Managers and the individual remuneration of the Executive Directors and Senior Managers, together with the other terms of their contracts.
- To ensure compliance with the remuneration policy for Directors and Senior Managers and to inform of the basic terms established in the contracts signed with these Directors and Managers and compliance with the same.
- To report on and draw up the Company's general remuneration policy and, in particular, policies relating to categories of staff whose work has a significant impact on the Company's risk profile and those aimed at preventing or managing conflicts of interest with its customers.
- To analyse, draw up and periodically review the remuneration schemes, contemplating their adaptation and their performance and ensuring they are observed.
- To propose the Board's approval of the remuneration reports or policies it must submit to the General Shareholders' Meeting, and to inform the Board of any remuneration-related proposals it intends to propose to the General Meeting, where the case may be.
- To consider the suggestions made to it by the Chairman, the Board members, the Managers and the Company's shareholders.

There follows a summary of the work done by the **Remuneration Committee** in 2018, grouping the activities together in accordance with its basic functions.

4.1. Remuneration. Remuneration Policy for Directors and Senior Managers. System and amount of annual remuneration

In accordance with its function of proposing to the Board of Directors the remuneration policy, the system and amount of annual remuneration for Directors and Senior Managers and the individual remuneration of the Executive Directors and Senior Managers, the most relevant aspects dealt with by the Remuneration Committee in 2018 were as follows:

The Remuneration Committee began the financial year 2018 by making a comparative analysis of the total remuneration (pay mix) of the Senior Managers. This study showed that CaixaBank's variable and long-term remuneration were less developed and the Committee thus stressed the need for improvement of the variable aspects of the remuneration system, taking advantage of the approval of a new Strategic Plan to launch a new Long-term Incentive Plan.

Similarly, with the aim of aligning the retirement risk coverage with the fixed remuneration, the Remuneration Committee proposed to the Board that the pensionable salary of the recently incorporated members of the Management Committee should be increased.

With regard to the individual remuneration of Directors and Senior Managers, the Committee studied the result of the corporate and individual targets for the 2017 bonus scheme for the CEO, the Vice-Chairman and Management Committee members and made a proposal for the bonus for 2018. It also agreed to report favourably on the proposal for the financial terms for 2018 and the bonus scheme for the same year, introducing some changes from the previous year regarding the range of compliance with some of the targets.

The Committee approved the measurement scales for the corporate targets for the CEO, the Vice-Chairman, the members of the Management Committee and Central Services (the latter applying to the Subdirector General of Control and Compliance and the Executive Global Risk Management Director). It also reported positively on the proposal for the individual targets for 2018 for all of these posts.

Following these resolutions, the Committee adjusted the per diem expenses received by some of the Directors for their membership of other boards, as it formerly lacked the relevant information, and modified the individual targets for some of the Managers as the final information was not available to it at the time the targets were set.

The Committee also studied the Protocol for Termination of the Services Contract regarding performance of executive functions to be signed between CaixaBank and the Vice-Chairman, who had submitted his resignation from his executive functions. Also, as a result of organisational changes affecting the Management Committee, the Committee analysed the termination of the senior management contracts of the Manager of the Internal Audit Department and the Manager of the International Banking Department and studied the financial proposals and the new contractual conditions for the Executive Director of Insurance, the new Executive Director of the Internal Audit Department and the Executive Director of Corporate, Institutional and International Banking, who have Senior Manager status as they are due to join the Management Committee with effect from 1 January 2019, after compliance with all the applicable requirements for suitability assessment and entry of their appointments in the Bank of Spain's Register of Managers as the Executive Directors of the aforementioned departments.

4.2. Observance of the Remuneration Policy for Directors and Senior Managers – Information on the basic terms established in Directors' and Senior Managers' Contracts

In accordance with its function of ensuring observance of the Remuneration Policy for Directors and Senior Managers and reporting on the basic terms of their contracts, the Committee studied the possibility of eliminating the non-consolidation of the corporate pension scheme for cases of justified dismissal of Senior Managers or when there is a just cause for termination of an executive Director's contract. After having made this analysis, the Committee decided not to alter the system of contribution to the pension scheme with regard to non-consolidation and agreed to ask for an external study to be carried out on the classification as fixed or variable remuneration of the non-consolidation clause of the complementary pension scheme for executive Directors and Senior Managers.

4.3 General Remuneration Policy. Remuneration Policy for the Identified Group

With regard to the function of reporting on and drawing up the Company's General Remuneration Policy, the Committee reported favourably on amending the Remuneration Policy for the Board of Directors in aspects such as the maximum amount and the distribution of remuneration amounts for non-executive Directors, reflecting the inclusion of the Lead Independent Director as approved by the General Meeting in 2017; updating the information on the banks used for benchmarking purposes; modifying the corporate targets as approved by the Committee for 2018; and updating the information on remuneration for executive Directors, the composition of their corporate targets and the terms of their contracts.

Also, in 2018 the Remuneration Committee reported favourably on a proposal for amendment of the Remuneration Policy for the Identified Group, due to the use of mechanisms for rebalancing CaixaBank's staff over the last few years, such as voluntary termination incentive programmes. The Committee thus contemplated the need to study the procedure for facilitating the termination of any member of the Identified Group, particularly in the case of Senior Managers, and the regulatory treatment applicable to the amount received by the employee in terms of fixed or variable remuneration and its implications.

Similarly, the Committee studied the Audit Report on the application of Law 10/2014 on the CaixaBank Group's Remuneration Policy in 2017 and the Audit Report on the composition of the Identified Group.

4.4 Study, drafting and review of remuneration schemes

With regard to the Committee's function of studying, drawing up and periodically reviewing the remuneration schemes, contemplating their adaptation and performance and ensuring their observance, the most important aspects dealt with by the Committee were as follows:

The Remuneration Committee approved the form of payment and settlement of CaixaBank's Long-term Variable Remuneration Plan for 2015-2018 (LTI), approved by the General Shareholders' Meeting in 2015. In order to study this matter, the Committee obtained the opinion of Garrigues in relation to the regulatory requirements applicable at the time of delivery of the Entity's shares to the beneficiaries in accordance with the Plan.

Also, with the aim of reducing the possible impact of the volatility of share prices and to streamline it with the practice used by some competitors, the Committee studied and approved a new system for valuation of the shares to be delivered to the Identified Group. However, it was accepted that this new system had not yet been perfected and the Committee therefore undertakes to make a fair evaluation of the harm or benefit it could entail for the employee.

Also, with the aim of developing a new Long-term Incentive Plan linked to the Strategic Plan for 2019-2021, to be approved at CaixaBank's General Shareholders' Meeting in 2019, the Committee worked together with the Risk Committee on drawing up a proposal for a new Plan.

Finally, in 2018 the Remuneration Committee agreed to report favourably on the incorporation of new professionals to the group of beneficiaries of the Long-term Incentive Plan.

4.5 Proposals to the Board for Remuneration Reports or Policies to be submitted to the General Meeting. Reporting to the Board on proposals made to the General Meeting

In accordance with its function of making proposals to the Board regarding approval of the remuneration reports or policies that the latter must submit to the General Shareholders' Meeting, and reporting to the Board on any remuneration-related proposals it intends to propose to the General Meeting, where the case may be, the Remuneration Committee reported favourably on amending the Remuneration Policy for the Board of Directors, as already mentioned in the previous section of this document.

Also during this financial year, the Committee approved a report on the proposal for amendment described in the previous paragraph, approving the necessary reasoned proposal by the Board of Directors regarding the amendment of the Board's Remuneration Policy.

Similarly, the Committee studied and approved the proposal to the General Meeting regarding the maximum amount of shares to be delivered to the executive Directors and Senior Managers.

Finally, the Committee reported favourably on both the text of the proposal and the Draft Directors' Report on the maximum level of variable remuneration of certain employees whose work has a significant impact on the Entity's risk profile. The proposal consists of allowing the variable remuneration to reach an amount of up to 200% of the fixed remuneration in the case of 25 employees in the Identified Group.

At the Company's Ordinary General Meeting held on 6 April 2018, these proposals, which are included in items 6 - 8 of the agenda of the General Meeting, were approved with the following percentage of votes in favour:

<u>Proposal</u>	<u>Votes for</u>	<u>Votes against</u>	<u>Abstentions</u>
Amendment of the Board of Directors' Remuneration Policy	3.809.506.970	30.624.873	38.656.014
Delivery of shares to executive Directors and Senior Managers as part of the variable remuneration scheme	3.862.843.456	22.035.486	4.117.964
Maximum level of variable remuneration for employees whose work has a significant impact on the Company's risk profile	3.871.014.391	13.900.240	4.093.792

5. MAIN PROGRESS IN COMPARISON TO THE EXTERNAL ASSESSMENT FOR 2017

Taking as a basis the Report on the Effectiveness and Performance of the Board of Directors and its Committees for 2017 drawn up by the external consultants Russell Reynolds Associates, and in particular the section on the Remuneration Committee, the following progress can be highlighted with regard to the recommendations made in the said report.

Recommendation: earlier distribution of the minutes of the committee meeting for review and consultation.

In 2018 the distribution of the minutes of the previous meeting to the Committee members was made earlier, an average of 4 days before the date of the meeting at which they are to be approved.

Recommendation: To continue generating the committee's reporting in a recurrent, formalised and planned manner, including market surveys and trend studies on remuneration, and to make them available to the rest of the Board.

Work in this line has continued during 2018. In this regard, special mention should be made of the European-level comparative study on the total remuneration (pay mix) of Senior Managers.

6. ASSESSMENT OF THE COMMITTEE'S FUNCTIONING

Favourable report on the quality and efficiency of the Committee's functioning, drawn up in 2018.

In accordance with Article 15.4 vi) of the Rules of the Board of Directors of CaixaBank, S.A., the Committee must draw up an annual report on its functioning, noting any main incidents that have occurred, in relation to its functions. This report, together with other reports where the case may be, will serve as a basis for the assessment of the Board of Directors. Also, if the Committee deems it appropriate, it will include suggestions for improvement in this report.

On assessing the functioning of the Remuneration Committee, its members were asked for their opinion on the composition, organisation and performance of the functions entrusted to the Committee in the Company By-laws and the Rules of the CaixaBank Board of Directors, and the rest of the Directors were also asked their opinion.

The Remuneration Committee reported favourably on the quality and efficiency of the Committee's functioning in the financial year 2018, and the general opinion among the members of the Board is that the Committee has complied diligently with its tasks and obligations.

Barcelona, 20 December 2018
The Remuneration Committee of CaixaBank, S.A.