

**CaixaBank, S.A.**

**Reasoned proposal in relation to the Director Remuneration Policy (2020-2022)**

**Article 529 *novodecies* of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*)**

16 April 2020

Article 529 *novodecies* of the current Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) requires listed companies to draw up a remuneration policy for the Board of Directors ("**Remuneration Policy**") and submit it to General Shareholders' Meeting for approval.

With regard to the members of the Board of Directors acting in their capacity as such, the Remuneration Policy must determine their remuneration within the framework of the system laid out in the By-laws, necessarily including the maximum amount of annual remuneration payable to all of them in their sole capacity as directors.

In relation to directors who discharge executive functions (Executive Directors), the Remuneration Policy must also contemplate the amount of fixed annual remuneration and how it may change over the period to which the policy relates, as well as the different parameters for establishing the variable components and the main terms and conditions of their contracts, particularly duration, indemnity payments for early termination or termination of the contractual relationship and any exclusivity, post-contractual non-compete and minimum contract commitment or loyalty arrangements.

Any remuneration received by the directors for holding or terminating their posts and for performing executive functions must be in accordance with the prevailing Remuneration Policy, except in the case of remuneration expressly approved at the General Meeting.

The Remuneration Policy must be in accordance with the system laid out in the By-laws and must be approved by the General Meeting every three years at least, as a separate item on the agenda. Any amendment to the policy during that period must again be approved by the General Meeting before it takes effect and must be justified and accompanied by a specific report drawn up by the Remuneration Committee. Both documents must be made available to shareholders on the company website from the date on which the General Meeting is announced. Shareholders may also request that the document be delivered or sent to them free of charge, and this right must be mentioned in the meeting announcement.

The Annual General Meeting held on 6 April 2017 approved the Remuneration Policy for 2017 through to 2020 (both inclusive), as subsequently amended at the Annual General Meetings held on 6 April 2018 and 5 April 2019. The Board of Directors deemed it necessary to make a number of adjustments to the Remuneration Policy hitherto in effect. However, since the principles and main features of the policy continue to be enforceable and given that the policy is soon to expire, the decision was made to retain the existing policy and therefore approve it as the Bank's new Remuneration Policy for the 2020-2022 period (both inclusive).

As a consequence of the above, the Board of Directors of CaixaBank, S.A., in a meeting held on 16 April 2020, resolved to approve the new draft of the Remuneration Policy for 2020 to 2022 (both inclusive) and to submit it to the General Shareholders' Meeting for its approval as a separate item on the agenda.

At the same meeting, CaixaBank's Board of Directors also agreed to approve the required report drawn up by the Remunerations Committee concerning the Remuneration Policy, with the Board accepting and endorsing the information and contained in the report and the justification for the new policy as part of its proposal.

- Annex 1     Director Remuneration Policy for 2020 to 2022 to be submitted to the General Meeting for its approval
- Annex 2     Report of the Remuneration Committee on the proposed Director Remuneration Policy

# CaixaBank, S.A.

## **DIRECTOR REMUNERATION POLICY (2020-2022)**

**Article 529 *novodecies* of the Corporate Enterprises Act (*Ley de Sociedades de Capital*)**

16 April 2020

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## I. INTRODUCTION

Article 529 *novodecies* of the Spanish Corporate Enterprises Act<sup>1</sup> (*Ley de Sociedades de Capital*) “**LSC**” for short) requires listed companies to draw up a remuneration policy for their Board of Directors and submit that policy to the General Shareholders’ Meeting for approval.

In this section we describe the remuneration policy of the Board of Directors of CaixaBank, S.A. (“**CaixaBank**”) for the years 2020 to 2022 (both inclusive) (the “**Remuneration Policy**”).

The Remuneration Policy supersedes and replaces the policy approved by shareholders at the General Meeting held on 6 April 2017 —as subsequently amended at the General Meetings of 6 April 2018 and 5 April 2019— which was nearing its expiry date, without prejudice to the effects and vested rights to have accrued under that policy. This Remuneration Policy substantially replicates the principles and features of the previous policy, since the Board of Directors believes that they still hold true and should apply equally over the new period.

## II. PRINCIPLES OF THE REMUNERATION POLICY

The general principles of remuneration at CaixaBank 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 employees and professionals becoming involved in a distinctive social and business endeavour and developing professionally with competitive overall remuneration 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 employees and professionals, which stands out in comparison to other Spanish financial institutions and is a key feature of their remuneration.

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<sup>1</sup> Royal Legislative Decree 1/2010, of 2 July, enacting the restated text of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*).

- VI. Fixed remuneration and employee benefits constitute the bulk of the overall remuneration package, in which variable remuneration tends to be conservative and moderate as it carries risk.
- VII. The promotions system is based on an appraisal of skills, performance, commitment and professional merit of employees over time.
- VIII. Remuneration of senior management is established within the general framework defined in this Remuneration Policy, and is approved by the governing bodies of CaixaBank.

Furthermore, directors are subject to the general remuneration principles set out in article 33 of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions (hereinafter “**LOSS**” for its initials in Spanish), and its implementing regulations, governing those persons whose activities have a significant impact on the risk profile of the Company and its Group (hereinafter the “**Identified Group**”).

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

#### **1. COMPONENTS OF REMUNERATION**

In accordance with the By-laws, the current remuneration payable to members of CaixaBank’s Board of Directors acting in their capacity as such (“**Non-executive Directors**”) consists solely of fixed components. Non-executive directors maintain a purely organic relationship with CaixaBank and therefore have no contract in effect with the Company governing the performance of their duties and have no type of recognised payment upon termination of their directorship.

The system provided for in the By-laws thus establishes that the remuneration of CaixaBank directorships should consist of a fixed annual amount to be determined by the General Meeting, which shall remain in force until the General Meeting agrees to modify it.

The figure set by the General Shareholders' Meeting shall be used to remunerate the Board of Directors and its committees and shall be distributed as the Board of Directors sees fit upon the recommendation of the Remuneration Committee, not only in terms of remuneration payable to members, especially the Chairman, according to the duties and dedication of each member and the positions they hold on the various committees, but also as regards the frequency and the form of remuneration stipulated in the By-laws. Consequently, the distribution may give rise to different remuneration for each director.

Any future proposals for share-based remuneration must be approved by the CaixaBank General Shareholders' Meeting pursuant to the Corporate Enterprises Act and the Bylaws.



Lastly, the Non-executive Directors are named as insured parties under the civil liability insurance policy arranged for directors and managers of the CaixaBank Group to cover any liability they may incur when discharging their functions.

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

The Chairman of CaixaBank's Board of Directors receives additional fixed remuneration for his status as such. This additional remuneration is warranted due to the special dedication required of him in performing the duties inherent to his post as Chairman —as established in the LSC and especially in the Company's By-laws— at such a large and complex a group as CaixaBank.

The LSC also vests the Chairman with ultimate responsibility for the efficient operation of the Board of Directors and for calling and presiding Board meetings, establishing the agenda and steering discussions and debates. The Chairman must also ensure that directors receive sufficient information ahead of the meeting to be able to discuss the agenda and shall encourage debate among directors and ensure their active involvement at meetings and protect their freedom to express their opinions freely. The Chairman of CaixaBank's Board of Directors also chairs the Company's General Shareholders' Meetings.

In addition, and as established in the By-laws and without prejudice to powers of the Chief Executive Officer and any powers and delegations that may have been established, the Chairman is also responsible for the institutional representation of CaixaBank and its subsidiary companies (without prejudice to the duties and functions ascribed to the Board of Directors in this regard); for representing the Company vis-à-vis corporate bodies and representatives of the sector, pursuant to the Articles of Association; for affixing the Company's official signature and thus for signing, on the Company's behalf, all agreements required by law or under the By-laws, including contracts, labour agreements or other legal instruments with local authorities and other entities; and for acting as the Company's official representative vis-à-vis authorities, entities and third-party bodies, whether Spanish or foreign.

While the aforementioned duties cannot be considered executive functions due to their organisational or representative nature, from a quantitative viewpoint they require considerable dedication and are much more intensive than those of the other members of the Board of Directors (except those directors who have also been entrusted with executive functions).

## **3. REMUNERATION ENVISIONED FOR 2020 AND FOLLOWING YEARS**

### **a) Remuneration envisioned for 2020**

The maximum annual amount of remuneration payable to all directors acting in their capacity as such, without therefore taking into account any possible executive positions they may held, is €3,925,000, which was approved at the 2017 Annual General Meeting and has remained unchanged ever since. The maximum amount mentioned above will remain invariable in future years, until the General Shareholders Meeting agrees on a new figure.

The rules and criteria regulating the distribution of this maximum remuneration among directors will remain unchanged until such time as the Board of Directors sees fit to approve

a different distribution by virtue of the powers vested in the Board under the terms of the Spanish Corporate Enterprises Act ("LSC") and the Company's own By-laws.

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 of additional annual remuneration for each member of the Appointments Committee or Remuneration Committee.
- III. €30,000 of additional annual remuneration for each member of the Innovation, Technology and Digital Transformation Committee. While the Chairman of the Board of Directors and the Chief Executive Officer sit on this committee, they do not receive remuneration for their seats.
- IV. €50,000 of additional annual remuneration for each member of the Executive Committee, the Audit and Control Committee or the Risks Committee, due to the responsibility and dedication required.
- V. €1,000,000 of additional annual remuneration for the Chairman of the Board of Directors.
- VI. The remuneration of the chairmen of the various committees attached to the Board of Directors will always be 20% higher than that of the other members.
- VII. The Coordinating Director receives remuneration of €38,000 per year. The remuneration of the Coordinating Director was approved by the Board of Directors on 23 November 2017, within the overall limit approved by the Annual General Meeting.

CaixaBank, as one of Spain's leading credit institutions, remains the entity at which non-executive directors are paid the least.

**b) Remuneration envisioned for the following years**

With respect to directors acting in their capacity as such (i.e. without taking into account remuneration for the executive duties of Executive Directors), their remuneration in the coming years will be adapted to the system defined from time to time in the By-laws and to the maximum amount of remuneration established at the General Shareholders' Meeting. Accordingly, the current remuneration policy will be deemed to have been amended in relation to the maximum amount of remuneration payable to directors acting in their capacity as such if and when the Annual General Meeting agrees upon a different maximum figure to that stipulated in section III.3.a).

Any future proposals for remuneration based on Bylaws systems must be approved pursuant to the precepts of the Corporate Enterprises Act and the Bylaws, and share-based payments shall require the approval of the CaixaBank General Meeting.

#### IV. REMUNERATION OF EXECUTIVE DIRECTORS

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

The LSC and CaixaBank's By-laws grant Executive Directors remuneration for their executive duties in addition to that received for their directorships.

At present, Gonzalo Gortázar Rotaecche is the only member of the Board of Directors to perform executive duties at CaixaBank, as its Chief Executive Officer ("**Chief Executive**").

The remuneration components of directors discharging executive functions ("**Executive Directors**") are determined by taking due account of the prevailing situation and climate and the Company's results and earnings, and include mainly:

- I. Fixed remuneration based on the subject's responsibility and track record, which constitutes a major portion of the total remuneration.
- II. Variable remuneration, mainly in the form of a bonus, linked to the achievement of previously established targets and prudent risk management.
- III. Employee benefits.

In addition, a long-term incentive based on CaixaBank shares or pegged to their value ("**LTI**") may be established for some or for all of the Executive Directors as a variable component of their remuneration, as discussed in section IV.4.

In accordance with 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 40%, without taking into account other possible variable components like the LTI.

The variable component of the remuneration payable to executive directors must not exceed 100% of the fixed component of each executive director's total remuneration, unless CaixaBank's General Meeting approves a higher level, which may never exceed 200% of the fixed component, in the manner and as per the requirements and procedures set forth in the LOSS.

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

## **2. FIXED COMPONENTS OF REMUNERATION**

### **a) Fixed remuneration**

Fixed remuneration for Executive Directors, including any modifications or reviews of that remuneration, is largely based on the level of responsibility and professional track record of each such director, combined with a market approach based on salary surveys and ad hoc studies. These salary surveys and specific ad hoc studies are conducted by top tier companies, based on a comparable sample of peer financial institutions operating in the markets in which CaixaBank is present and a sample of comparable IBEX 35 companies.

As its sample from the financial sector, CaixaBank relies on public information about the executive directors of banks listed on the IBEX 35 (Santander, BBVA, Bankia, Banco Sabadell and Bankinter) and also, from 2018 onward, a sample of European banks such as ABN Amro, Commerzbank, Crédit Agricole, Deutsche Bank, Erste Group, KBC Groep, Lloyds Banking Group, Natixis, Raiffeisen, Royal Bank of Scotland and Swedbank. When conducting multi-sector peer comparisons, it relies on available public information concerning the executive directors of a representative number of companies that are similar to CaixaBank in terms of scale (stock market capitalisation, assets, turnover and number of employees).

### **b) Remuneration for holding posts at investee companies**

The fixed remuneration of Executive Directors includes any remuneration they may receive for holding managerial posts at CaixaBank Group companies or at other companies in CaixaBank's interests, with this remuneration to be deducted from the net amount to be paid by CaixaBank as fixed remuneration.

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

As a fixed component of remuneration, the contracts of the Executive Directors envisage pre-defined contributions to pension and savings plans, as explained at greater length in section IV.7.

CaixaBank may also make the Executive Directors beneficiaries of medical insurance for themselves and their close family and of other types of non-cash remuneration common in the sector (use of a car or home or similar advantages), in accordance with their professional status and with the standards set by CaixaBank at any given time for the segment of professionals to which they belong.

## **3. VARIABLE COMPONENTS IN THE FORM OF A BONUS**

### **a) General aspects**

The Executive Directors may be granted variable remuneration in the form of a risk-adjusted bonus, based on measurement of their performance. Ex-ante and ex-post remuneration adjustments are applied in view of the performance measurements, as a risk alignment mechanism.

**b) Performance measurement**

Both quantitative (financial) and qualitative (non-financial) criteria are taken into account when assessing performance and evaluating individual results. These must be clearly specified and documented.

Variable remuneration for Executive Directors is established on the basis of an individual target bonus established by the Board of Directors based on the recommendation of the Remuneration Committee, subject to a maximum attainment percentage of 120%. Level of attainment is set on the basis of the following measurement criteria:

- 50% based on individual targets
- 50% based on corporate targets

The 50% corresponding to corporate targets is set each year by the CaixaBank Board of Directors based on a proposal by the Remuneration Committee, and its weighting is distributed among objective concepts according to the Entity's main objectives. These concepts may, by way of example, include some or all of:

- RoTE
- Core efficiency ratio
- Change in non-performing assets
- Risk appetite framework
- Regulatory compliance
- Quality

The proposal for the composition and weighting of corporate targets is in any case set in accordance with the provisions of the LOSS and implementing regulations, and may vary between Executive Directors.

The part consisting of individual targets (50%) must be globally distributed over the targets linked to CaixaBank's strategy. The final assessment to be made by the Remuneration Committee, after consultation with the Chairman, may vary by +/- 25% depending on the objective assessment of the individual targets, in order to include the qualitative assessment of the Executive Director's performance and to take into account any exceptional targets that may arise during the year and that were not established at the start.

The Board of Directors, based on a proposal by the Remuneration Committee, shall approve the final determination of achievement of the variable remuneration to be accrued.

**c) Special cases of restrictions**

Variable remuneration shall be reduced if, at the time of the performance assessment, CaixaBank is subject to any requirement or recommendation from the competent authorities restricting its dividend distribution policy, or if this is required by a competent authority under its regulatory powers, pursuant to RD 84/2015<sup>2</sup> and Circular 2/2016<sup>3</sup>.

**d) Deferral percentage**

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

This deferral percentage may be amended if the competent authorities decide to establish absolute or relative thresholds for determining what constitutes a “particularly high amount” of variable remuneration within the meaning of the EBA Guidelines<sup>4</sup>.

**e) Deferral period**

At the date of the bonus payment, the non-deferred part of the variable remuneration to have accrued must be paid (the “**Initial Payment Date**”)

Of the initial payment, 50% will be paid in cash and the remaining 50% in financial instruments.

The deferred part of the risk-adjusted variable remuneration, provided the malus events described in section IV.5. do not apply, shall be paid in five instalments, the dates and amounts of which are as follows:

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

**f) Payment in cash and shares**

50% of the amount to be paid on each of the dates indicated in the section above will be paid in cash and the remaining 50% will be paid in non-cash instruments, once the applicable taxes (withheld or on account) have been paid.

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<sup>2</sup> Royal Decree 84/2015, of 13 February, implementing Act 10/2014 of 26 June, on the regulation, supervision and solvency of credit institutions.

<sup>3</sup> Circular 2/2106 of 2 February, of the Bank of Spain, on the supervision and solvency of credit institutions and completing the transposition into the laws of Spain of Directive 2013/36/EU and Regulation (EU) No. 575/2013.

<sup>4</sup> Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22).

Where payment is to be made in financial instruments, this shall preferably be in the form of CaixaBank shares. However, CaixaBank may deliver other eligible instruments for payment of the variable remuneration, subject to the conditions and requirements set out in section 1.I) of article 34 of the LOSS; in Delegated Regulation (EU) No. 527/2014<sup>5</sup> (hereinafter, **Regulation 527/2014**); and in the EBA Guidelines.

**g) Lock-up policy**

All of the shares provided are subject to a lock-up period of one year from their delivery, during which the employee or professional may not use the shares.

During the lock-up period, the employee or professional will enjoy all of the rights as shareholder.

**h) Payment of interest and returns on deferred cash and instruments**

During the deferral period, CaixaBank will retain ownership of both the shares and the cash for which delivery has been deferred.

Pursuant to the principles of contract and employment law applicable in Spain, particularly the bilateral nature of contracts and equity in the accrual of reciprocal benefits, deferred cash shall accrue interest in favour of the employee or professional, calculated by applying the corresponding interest rate to the first tranche of the account payable to the employee. Interest shall be paid at each payment date only and shall be applied to the cash amount of the variable remuneration effectively payable, net of any reduction that may apply in accordance with section IV.5.

With respect to returns on instruments, and in accordance with the EBA Guidelines, the Company shall not pay, either during or after the deferral period, any interest or dividends on deferred instruments to have accrued from 1 January 2017 onward.

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

Termination or suspension of the professional relationship, and departures due to invalidity, early retirement, retirement or partial retirement, shall not interrupt the payment cycle for variable remuneration, this without prejudice to the provisions on malus and clawback of variable remuneration discussed in section IV.5.

In the case of death, the human resources department ("HR") and the risk department shall determine and, as the case may be, propose a suitable liquidation process for the outstanding payment cycles under criteria compatible with the general principles enshrined in the LOSS, its implementing regulations and the Remuneration Policy.

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<sup>5</sup> Commission Delegated Regulation (EU) No 527/2014 of 12 March 2014, supplementing Directive (EU) No 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration.

**j) Special situations**

In the event of any unexpected special situation (meaning corporate operations that affect ownership of the deferred or delivered shares), specific solutions must be applied in accordance with the LOSS, its implementing regulations and the principles enshrined in the Remuneration Policy, so as not to artificially dilute or alter the value of the consideration in question.

**k) Permanence requirement**

In order to be eligible for variable remuneration as a bonus, one necessary condition is that the Executive Director must maintain a service relationship with CaixaBank as at 31 December of the year in which the variable remuneration is to be accrued.

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

Pursuant to the provisions of Article 34.1 o) of the LOSS and the EBA Guidelines, Executive Directors undertake to refrain from using personal hedging strategies or insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

Nor shall CaixaBank pay variable remuneration with instruments or methods the purpose of which is or which effectively entail non-compliance with the requisites of remuneration applicable to Executive Directors as members of CaixaBank's Identified Group.

**4. LONG-TERM INCENTIVES BASED ON FINANCIAL INSTRUMENTS**

Some or all of the Executive Directors may receive additional compensation through a long-term incentive plan based on shares or other instruments and configured as a multi-year variable remuneration scheme.

The LTI may be structured as a variable remuneration scheme enabling participants to receive an amount in shares or other instruments, stock options or cash, after a certain period of time, providing they meet certain conditions established in the LTI.

The specific terms of the LTI (including those concerning the payment cycle and malus and clawback clauses) will be as established by CaixaBank's Board of Directors, on the recommendation of the Remuneration Committee, in the corresponding resolutions and implementing documents, which must be compliant with the principles of the Remuneration Policy and be subject to approval by CaixaBank's General Shareholders' Meeting, insofar as required.



## **5. MALUS AND CLAWBACK OF VARIABLE REMUNERATION**

### **a) Deductions**

Pursuant to the LOSS, amounts of variable remuneration accrued by Executive Directors shall be reduced partially or to zero, including amounts pending payment (whether in cash or in shares), in the event of poor financial performance by CaixaBank overall or by any given division or area, or because of the exposure generated. For such purposes, CaixaBank must compare the assessed performance with the subsequent performance of the variables that helped attain the targets.

The following situations will prompt a reduction (malus) in the variable remuneration::

- I. Material failures in risk management committed by CaixaBank, or by a business unit or risk control unit, including any qualified opinions in the external auditor's report or circumstances that would impair the financial parameters used as a basis to calculate the variable remuneration.
- II. Any increase in capital requirements for CaixaBank or one of its business units that was not envisaged at the time the exposure was generated.
- III. Regulatory sanctions or adverse legal rulings attributable to the unit or the employee responsible for those proceedings and to the executive director.
- IV. Non-compliance with internal regulations or codes of conduct of the entity, including, in particular:
  - a. Any serious or very serious regulatory breaches attributable to them.
  - b. Any serious or very serious breaches of internal regulations.
  - c. Failure to observe applicable suitability and behavioural requirements.
  - d. Regulatory breaches for which they are responsible, irrespective of whether they cause losses that may threaten the solvency of a business line, and, in general, any involvement in, or responsibility for, behaviour that causes significant losses.
- V. Improper conduct, whether committed individually or with others, with specific consideration of the adverse effects of the sale of unsuitable products and the responsibility of executive directors in taking such decisions.
- VI. Fair dismissal on disciplinary grounds or, in the case of commercial contracts, termination with just cause.<sup>6</sup> initiated by the company (in this case the reduction will be total).

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<sup>6</sup> Just cause means any serious and culpable breach of the duties of loyalty, care and good faith governing the employee's performance of his/her duties at the CaixaBank Group, and any other serious and culpable breach of the obligations assumed by virtue of his/her contract or any other organic relationships or service arrangements that may be established between the employee and the CaixaBank Group.

- VII. When the payment or vesting is not sustainable in light of CaixaBank's financial situation overall, or not justified in light of CaixaBank's overall results, those of the business unit and those of the Executive Director in question.
- VIII. Any others reasons that may be provided for in the corresponding contracts.
- IX. Any others as set down in applicable law or by regulatory authorities in exercise of their powers to issue or interpret regulations, or their executive powers.

**b) Recovery**

Where any of the situations described in section a) above occurred prior to the effective payment of any amount of variable remuneration, such that had that situation been known or taken into account, the payment would have been reduced partially or to zero, the Executive Director shall repay CaixaBank the part of the variable remuneration unduly received, plus any interest or returns they may also have received under the terms of section IV.3.h). These amounts are to be returned in either cash or instruments, as applicable.

Scenarios in which the executive director has made a major contribution to poor or negative financial results will be regarded as being particularly serious, as shall cases of fraud or other instances of fraudulent behaviour or gross negligence leading to significant losses.

**c) Common rules**

The Remuneration Committee is responsible for proposing to the Board of Directors that the right to receive the deferred amounts should be reduced or forfeited, or totally or partially recovered, in accordance with the characteristics and circumstances of each specific case.

In accordance with the EBA Guidelines, the cases for reduction (malus) of the variable remuneration will apply over the entire deferral period for the remuneration in question. The cases warranting the recovery, or clawback, of variable remuneration will apply for a period of one year, running from the date of payment of the variable remuneration, except for cases of fraud or serious negligence, in which case the general provisions of civil or employment law regarding prescription will apply.

The implementing regulations of the LTI must establish specific rules regarding the reduction (malus) or recovery (clawback) of benefits by Executive Directors, adapting the malus and clawback events set out in the Remuneration Policy to the terms and purposes of the LTI, as and when necessary.

**d) Main principles of contract or employment law**

In accordance with the LOSS, proposals for the reduction or recovery of variable remuneration must be compliant with the main principles of contract or employment law.

## **6. GUARANTEED VARIABLE REMUNERATION**

Executive Directors shall not be paid any guaranteed variable remuneration. However, in exceptional circumstances the Entity may consider this advisable in the event of new appointments or new hires, provided it has a healthy solid capital base and the remuneration is applied to the first year of the contract.

## **7. EMPLOYEE BENEFITS AND LONG-TERM SAVINGS SYSTEMS**

### **a) General description**

Executive Directors who hold an employment contract may be eligible for a complementary pension scheme, as are all CaixaBank employees. If they hold a commercial contract, they may be eligible for specific pension schemes equivalent to the complementary pension scheme.

The commitments assumed with Executive Directors may take the form of a defined contribution scheme to cover situations of retirement, disability and death and such directors may also be entitled to defined benefit coverage in the event of disability or death. These commitments are arranged through an insurance contract.

### **b) Non-discretionary nature**

Without prejudice to the terms of section e) below, the contributions or benefits arrangement for the pension system applicable to Executive Directors cannot be set up as a discretionary benefit; As a result, the pension scheme for executive directors must be applied objectively according to when the individual became an executive director or similar circumstances that entail changes to their remuneration, taking the form of a lump sum or an amount benchmarked to fixed remuneration, according to their respective contracts.

Therefore, the amount of contributions or the degree of coverage of the benefits: (i) must be set at the beginning of the year and be suitably defined in the corresponding contracts; (ii) may not originate from variable parameters (such as attaining targets, achieving milestones etc.); (iii) may not take the form of extraordinary contributions (e.g. bonuses, awards or extraordinary contributions made in the years leading up to retirement or departure); and (iv) may not be related to substantial changes in the retirement conditions, including any changes arising from merger processes or business combinations.

### **c) Elimination of duplicate coverage or benefits**

The contributions paid to pension schemes by CaixaBank shall deduct the amount of any contributions paid to equivalent instruments or policies that may be established as a result of positions held at Group companies or other companies in the interests of CaixaBank. This procedure shall also be followed for benefits, which must be adjusted accordingly to avoid any overlap or duplication.

**d) Vesting of rights**

The pension scheme for Executive Directors recognises the vesting of economic rights in the event that the professional relationship is terminated or ends before the date the covered contingencies occur, unless that termination is due to lawful disciplinary dismissal in the case of employment contracts or with just cause in the case of commercial contracts, as defined in section IV.5, or for any other specific causes that may be expressly envisaged in the relevant contracts.

**e) Mandatory variable-base contributions**

Without prejudice to the provisions of section b) above, and pursuant to the provisions of Circular 2/2016, 15% of the contributions paid to complementary pension schemes will be considered a target amount (the remaining 85% is considered a fixed component of remuneration).

This amount will be determined based on the same principles and procedures as those in place for variable remuneration in the form of a bonus, as discussed in section IV.3, employing individual assessment parameters only, and will be contributed to a Discretionary Benefits Pension Policy.

The contribution shall qualify as deferred variable remuneration for the purposes of Circular 2/2016. Therefore, the Discretionary Benefits Pension Policy shall contain the necessary clauses to make it explicitly subject to the malus events discussed in section IV.5 for variable remuneration payable in the form of a bonus. It shall also be included in the sum of variable remuneration for the purposes of limits and other factors that might be established.

In accordance with section 1.ñ) of Article 34 of the LOSS, if the Executive Director leaves the entity due to retirement or for any other reason, the discretionary pension benefits will be subject to a retention period of five years. The five-year retention just mentioned in the preceding paragraph will run from the date on which the employee no longer provides services at the entity, no matter the reason. During the retention period, the company shall apply the same requirements governing malus and clawback of remuneration as those discussed in section IV.5.

**8. PAYMENTS FOR CANCELLATION OF PREVIOUS CONTRACTS**

Where the parties agree upon remuneration packages that include signing bonuses or other forms of compensation or payments for cancellation of previous contracts, these arrangements must be in the Company's long-term interests, and the parties must, pursuant to the LOSS, include clauses governing retention, deferral, malus and clawback consistent with the principles set out in the Remuneration Policy.

## **9. RETENTION PREMIUMS**

Any withholding premiums that may exceptionally be agreed on between the entity and an Executive Director will be subject to the terms and requirements established in the EBA Guidelines and similar principles to those applicable to variable remuneration in the Remuneration Policy.

## **10. OTHER BENEFITS**

The Executive Directors are eligible for the generally established benefits policy for the CaixaBank Group employees, which aims to offer competitive employee benefits in response to group synergies (i.e. preferential financial conditions or healthcare).

Executive Directors are covered by the civil liability policy arranged for directors and managers of the CaixaBank Group to cover any third-party liability they may incur when discharging their duties; all this in accordance with the relevant persons named in the policies to have been signed.

## **11. EARLY TERMINATION BENEFITS**

### **a) Amount and limits of severance for termination of contract**

The amount of compensation to be paid for termination of Executive Directors' contracts shall be established at all times in such a way that it does not exceed the limits legally established in terms of maximum ratios of variable remuneration, in due consideration of the criteria stipulated in the EBA Guidelines.

Ordinary payments associated with the duration of the applicable prior notice periods will not be considered severance payments.

### **b) Post-contractual non-compete clauses**

The contracts signed with Executive Directors may contain post-contractual non-compete clauses, for which compensation will consist of an amount that may not generally exceed the sum of the fixed components of remuneration that the Executive Director would have received had they remained at the company. The amount of the compensation will be split into future periodic instalments, payable over the duration of the non-compete undertaking.

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

Early termination payments that qualify as variable remuneration under the terms of applicable regulations and the EBA Guidelines will be deferred and paid in the manner described in the Remuneration Policy for variable remuneration in the form of a bonus, as discussed under section IV.3.

**d) Reduction and recovery**

Early termination payments that qualify as variable remuneration under the terms of applicable regulations and the EBA Guidelines will be subject to the same malus and clawback events as those envisaged for variable remuneration under section IV.5, thus having the effects and being subject to the procedure described in that section, including their possible treatment as deferred payments payable in future.

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

Under no circumstances may early termination payments cause the CaixaBank Group to breach the limits on variable remuneration to fixed remuneration prescribed by law. If necessary, early termination payments will be reduced accordingly in order to comply with those mandatory limits.

**f) Main principles of contract or employment law**

In accordance with the LOSS, any proposals for reduction or recovery of early termination payments must take into account the main legal principles with regard to contractual or employment matters.

**12. REMUNERATION ENVISIONED FOR 2020 AND FOLLOWING YEARS**

**a) Fixed remuneration in cash**

The annual fixed remuneration payable in cash to the Chief Executive Officer will be €2,261,200; the same amount as in 2019.

Annual remuneration for positions held at Group companies or other companies on CaixaBank's behalf—as per the positions held at 31 December 2019 (last available information as at the date of approval of this Remuneration Policy by the Board of Directors)—amounts to a total sum of €704,900 for Gonzalo Gortázar Rotaèche. This remuneration includes the annual remuneration as mere member of the Board of Directors of CaixaBank, S.A. and as member of its Committees, which is set at €140,000. The total amount of his remuneration for positions held (or the amount effectively received in 2020 and following years by Gonzalo Gortázar Rotaèche for positions held at Group companies or other companies when acting on CaixaBank's behalf) will be deducted from the amount payable by CaixaBank as the fixed remuneration discussed in this section. Accordingly, the estimated amount payable by CaixaBank in 2020 will in fact be €1,556,300. The relevant amounts will be deducted over the successive years of application of the Remuneration Policy.

**b) Variable remuneration in the form of bonuses**

The annual target bonus of Gonzalo Gortázar is €708,800. Corporate targets (50%) comprise the following parameters:

- I. CaixaBank ROTE: assigned a weighting of 10%, subject to a minimum degree of attainment of 80% and a maximum of 120%.
- II. Core efficiency ratio: assigned a weighting of 15%, subject to a minimum degree of attainment of 80% and a maximum of 120%.

- III. Change in non-performing assets: assigned a weighting of 5%, subject to a minimum degree of attainment of 80% and a maximum of 120%.
- IV. Risk appetite framework (risk scorecard): assigned a weighting of 10%, subject to a minimum degree of attainment of 80% and a maximum of 120%.
- V. CaixaBank quality: assigned a weighting of 5%, subject to a minimum degree of attainment of 80% and a maximum of 120%.
- VI. Conduct and compliance: target linked to the Regulatory Compliance Culture, with a weighting of 5% and subject to a minimum degree of attainment of 80% and a maximum of 120%.

Meanwhile, individual targets (50%) shall have a minimum degree of fulfilment of 60% and a maximum of 120%, and shall be distributed overall between targets linked to CaixaBank's strategy. In all cases, should the minimum degree of fulfilment not be attained, a zero bonus shall be accrued for each of the indicators or individual targets.

**c) Performance-based payments in deferred cash**

Deferred cash payments in the case of Gonzalo Gortázar Rotaeché, as described under section IV.3.h), amount to €400 for each year over which this Remuneration Policy remains in effect.

**d) Interest and returns under CaixaBank's 2015-2018 Long-Term Variable Remuneration Plan**

The Chief Executive will receive the deferred shares to which he is entitled upon settlement of CaixaBank's 2015-2018 Long-Term Variable Remuneration Plan.

The Annual Report on Director Remuneration will include information on the shares to which he is entitled.

**e) Conditional Annual Incentives Plan linked to the 2019-2021 Strategic Plan**

Gonzalo Gortázar Rotaeché, along with the members of the Management Committee and the rest of the management team and key function holders at CaixaBank, are the beneficiaries under the conditional long-term incentives plan linked to the 2019-2021 Strategic Plan of the CaixaBank Group (the "**Plan**"), which was approved by shareholders at the General Meeting held on 5 April 2019.

The Plan will entitle the Chief Executive to receive, once a certain vesting period has elapsed, a certain number of CaixaBank shares, provided the strategic objectives and other requirements envisaged in the Plan are fulfilled.

The Plan will consist of the free assignment of a number of units in 2019, 2020 and 2021. These units will be used as the calculation base for establishing the number of CaixaBank shares to be delivered, if any, to each beneficiary under the Plan.

The Plan has three cycles, each lasting three years, with three assignments of units, each of which will take place (or has already taken place) in 2019, 2020 and 2021.

The first cycle spans the period from 1 January 2019 to 31 December 2021; the second cycle spans the period from 1 January 2020 to 31 December 2022; and the third cycle spans the period from 1 January 2021 to 31 December 2023.

Each cycle has two target measurement periods. Depending on the degree of attainment of targets for the first measurement period, which relates to year one of each cycle, and based on the units assigned at the start of that period, the beneficiaries will be granted a provisional incentive in year two of each cycle, equivalent to a certain number of shares in the Company. The granting of the provisional incentive does not entail the delivery of any CaixaBank's shares at that time.

The final number of shares to be delivered will be determined after each cycle of the Plan has ended, and will be subject to and dependent on fulfilment of the objectives for the second measurement period, which will cover the three-year duration of each cycle of the Plan. Under no circumstances may the number of shares to be delivered under the final incentive exceed the number of shares calculated under the provisional incentive on the award date.

For the Chief Executive, the shares corresponding to the final incentive of each cycle will be delivered in three instalments on the third, fourth and fifth anniversary of each of the award dates for the various cycles of the Plan. The Plan will end on the last settlement date of shares pertaining to the third cycle of the Plan, i.e. in 2027.

For the first cycle of the Plan, a maximum of 73,104 shares may be delivered to the Chief Executive for the years 2023, 2024 and 2025, on the assumption that all targets relating to the first cycle of the Plan are fulfilled.

For the second cycle of the Plan, a maximum of 87,369 shares may be delivered to the Chief Executive for the years 2024, 2025 and 2026, on the assumption that all targets relating to the second cycle of the Plan are fulfilled.

The maximum number of shares corresponding to the third cycle of the Plan that may be delivered to the Chief Executive will be subject to the approval of the General Shareholders' Meeting to be held in 2021.

The terms and conditions of the Plan, including its description and purpose, beneficiaries, duration and liquidation, determination of the number of units for each beneficiary, determination of the number of shares to be granted on each award date, determination of the number of shares to be delivered upon settlement of the Plan, the value of the shares to be used as reference, metrics, requirements for receiving the shares, delivery of the shares and the lock-up system, early settlement events and amendments to the plan, malus and clawback clauses and compliance with regulatory requirements, are all described in Resolution Ten of the aforementioned General Shareholders' Meeting held on 5 April 2019, as explained in the Annual Report on the Remuneration of CaixaBank Directors.

For 2022 and the following financial years, the Board of Directors may lay a new long-term incentives plan before the General Shareholders' Meeting.

**f) Long-term savings system**

A total defined contribution of €500,000 will be made in each year to cover the contingencies of retirement, death, total permanent disability, or the absolute or major disability of Gonzalo Gortázar Rotaèche. In addition to the above, the same policy shall include coverage in the event of death or total, absolute or serious permanent disability in



the amount of two annual payments of fixed remuneration at the time the event occurs. The estimated premium for this coverage is €58,366 for each year in which this Remuneration Policy remains in effect.

The annual target amount in relation to the Discretionary Benefits Pension Policy, in accordance with section IV.7.e), is €75,000 for Gonzalo Gortázar Rotaeché.

**g) Other benefits**

The contract with the Chief Executive also includes medical assistance insurance for him, his spouse and children under the age of 25, valued at €5,610 for each in which this Remuneration Policy remains in effect.

**13. UPDATING OF CONCEPTS AND AMOUNTS OF REMUNERATION COMPONENTS FOR EXECUTIVE DIRECTORS**

The items and amounts of the various remuneration components for both the existing Executive Directors, and any new arrivals of Executive Directors, may be fixed or modified in any of the financial years covered by this Remuneration Policy, providing this is agreed by the Board of Directors in exercise of the powers laid down in Article 529.2 *octodecies* and Article 249.3 of the LSC, and always in accordance with the terms and principles set forth in sections IV.1 to IV.11 (both inclusive) of this Remuneration Policy. In particular, by way of example and without limitation:

- I. With regard to the fixed remuneration of the Executive Directors, it will be determined or updated in accordance with the approach described in section IV.2.a).
- II. Future changes may be made to the amount of the variable remuneration payable in the form of a bonus or to the proportion of that remuneration to the fixed components. Changes may also be made to the measurement parameters for the variable remuneration components. Where applicable, any fixing or changing of the amount, proportion, structure or measurement parameters of the variable components of director remuneration would be made in strict accordance with the Remuneration Policy (especially section IV.3.b) in relation to the measurement parameters) and the terms of the LOSS.
- III. Any change to the amount, proportion or structure of the long-term savings plans for Executive Directors would also be made in accordance with the Remuneration Policy and the LOSS.

Any new conditions or any changes to the items and amounts of the remuneration components of Executive Directors must be disclosed in the Annual Director Remuneration Report for the financial year in which they are made.

## **V. CONTRACT TERMS OF EXECUTIVE DIRECTORS**

### **1. GENERAL TERMS OF CONTRACT**

#### **a) Type of contract**

Executive Directors generally hold commercial or employment contracts which are determined by the level of duties carried out above and beyond those of Director, pursuant to prevailing legislation and Supreme Court case-law concerning the so-called "relationship theory".

#### **b) Term**

In general, contracts shall be drawn up for an indefinite term.

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

The contracts must provide a clear description of the duties and responsibilities to be assumed and the director's functional location and hierarchical position within CaixaBank's organisational and governance structure. In general, they must also establish the obligation of exclusive dedication to the group, notwithstanding any other activities authorised in the interests of the CaixaBank Group, other occasional lecturing or conference speaking activities, or the administration and management of personal assets or duties at their own or family enterprises, provided these additional activities do not interfere with the performance and fulfilment of the duties of care and loyalty inherent to their posts and do not entail any conflict with the entity.

The contract may also include other permanency obligations that are in CaixaBank's best interests.

Executive Directors shall be subject to the regime of incompatibilities laid down in laws governing credit institutions.

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

Notwithstanding the legally established system for administrators of commercial enterprises, the contracts will establish strict obligations for fulfilment of the duties inherent to the administrators' posts and confidentiality commitments regarding any confidential information to which the directors may be privy when performing the functions of their posts at CaixaBank or its group.

#### **e) Civil liability coverage and compensation**

Executive Directors are covered by the civil liability policy for directors and managers of the CaixaBank Group to cover any third-party liability they may incur when discharging their duties.

Likewise, the contracts may state that CaixaBank shall hold Executive Directors harmless of any losses or damages arising from claims by third parties, unless the Executive Directors have acted negligently or with wilful deceit.

**f) Post-contractual non-compete undertakings**

The contracts may establish post-contractual non-compete clauses within the scope of financial activities in general, which must remain valid for at least one year following termination of the contract, subject to the consideration stipulated in section IV.11.b).

Likewise, should the non-competition agreement not be honoured, CaixaBank shall be entitled to receive compensation from the Executive Directors in an amount in proportion to the compensation paid to the Director.

**g) Termination clauses**

Contracts shall establish the scenarios in which Executive Directors may terminate their contract with the right to compensation. These may include non-compliance on the part of CaixaBank, unfair dismissal or a change of control at the Entity.

Likewise, contracts shall recognise CaixaBank's right to terminate the contract in the event of non-compliance by the Executive Director, with no compensation due to the Director.

In any case of termination of contract, CaixaBank reserves the right to insist on the Executive Directors' resignation from any other posts or duties they may hold or perform within the CaixaBank Group or at any other companies in the company's interests.

Contracts shall also include reasonable notice periods in the event of termination of the contract, and appropriate compensation in the event of non-compliance, proportional to the fixed remuneration to be accrued during the years not served.

The compensation and indemnity payments to be received by the Executive Directors due to the early termination of their contracts will also be governed by the provisions of section IV.11.

**h) Other terms of contract**

Executive Directors' contracts may contain other common contractual clauses which are compatible with the LOSS, the Corporate Enterprises Act, other prevailing legislation and the Remuneration Policy.

**i) Establishing or amending the terms of contract**

Terms of contract for new Executive Directors, and those included in the contract currently in effect with the Chief Executive Officer, may be established or amended by mutual agreement between the latter and the Entity in the financial years covered by the Remuneration Policy. The terms established or amended must be in accordance with the general terms set forth in this section V.1 of the Remuneration Policy and must be approved by the Board of Directors in exercise of the powers set out in Article 529.2 octodecies and in Article 249.3 of the LSC.

The terms included in the contracts signed with new Executive Directors, or amendments to the terms of the contract currently in effect with the Chief Executive Officer, must be disclosed in the Annual Director Remuneration Report for the financial year in which they are formalised.

## **2. TERMS OF CONTRACT OF GONZALO GORTÁZAR ROTAECHE AS CHIEF EXECUTIVE OFFICER**

### **a) General aspects**

The services agreement for the post of Chief Executive Officer signed with Gonzalo Gortázar Rotaeche is an open-ended commercial contract. It took effect on the date of CaixaBank's 2017 General Shareholders' Meeting, applying retroactively from 1 January 2017.

The contract contains a clear description of his duties and responsibilities and of his obligation to work exclusively for CaixaBank, under the terms of section V.1.c).

It also includes clauses on fulfilment of duties, confidentiality and scope of responsibilities, as governed by sections V.1.c) and V.1.e). The contract does not contain any seniority agreements.

The contract contains provisions to be integrated in the Remuneration Policy and any amendments thereto, as well as possible adaptations to any future regulatory requirements.

### **b) Post-contractual and non-competition compensation agreement**

The contract contains a post-contractual non-compete undertaking of one year running from termination of contract, covering any direct or indirect activities carried out within the financial sector.

In any situation of termination, the compensation for the non-compete clause is set at one year's payment of the fixed components of their remuneration, payable in twelve equal instalments.

In the event that Gonzalo Gortázar Rotaeche breaches the non-compete clause, he must CaixaBank the amount established as compensation.

### **c) Reasons for termination**

The contract shall contain the following termination events:

- I. Unilateral termination by Gonzalo Gortázar due to serious breach by CaixaBank of the obligations included in the contract.
- II. Unilateral termination by CaixaBank where no just cause is found.
- III. Cessation or non-renewal of his position on the Board of Directors of CaixaBank and of his duties as Chief Executive Officer without just cause.
- IV. Unilateral termination by Gonzalo Gortázar in the event of a takeover of CaixaBank by any entity other than Fundación Bancaria "la Caixa" under the terms of Article 42 of the Commercial Code, or assignment or transfer of all or a significant portion of its business or its assets and liabilities to a third party, or integration with another business group acquiring control of the Company.

- V. Gonzalo Gortázar's resignation as Chief Executive Officer and termination of the contract for just cause (serious and culpable breach of his obligations).
- VI. Voluntary termination by Gonzalo Gortázar with a minimum notice period of three months.

Gonzalo Gortázar must exercise his right to terminate the contract in the cases foreseen in points (i) and (iv) above, within six (6) months from the time he is aware of the cause of termination. If he has not exercised his right of termination once this time has elapsed, Gonzalo Gortázar shall not be entitled to any compensation.

**d) Severance for early termination**

In all cases of termination where just cause is not present, and unless Gonzalo Gortázar has stood down voluntarily, he will be entitled to receive an indemnity payment (in addition to the compensation for the post-contractual non-compete clause established in section V.2.b).

The envisaged compensation to be received by Gonzalo Gortázar is an amount equivalent to one year of the gross fixed annual components of his remuneration, equivalent to the amount of the annual fixed remuneration provided for in section IV.12.a) and 85% of the annual contribution to the supplementary pension system provided for in section IV.12.f), for the amounts applicable on the date of contract termination.

Mr. Gortázar's right to receive the indemnity payments is subject to him simultaneously standing down from all the posts he holds at companies on CaixaBank's behalf.

**VI. MAXIMUM AMOUNT OF DIRECTOR REMUNERATION**

The maximum amount of remuneration that the Company may pay to all of its directors each year will be the sum of the following:

- a) The amounts of the items described in sections IV.12.a), b), c), d), e), f) and g) above, which are there to remunerate the performance of executive functions by the Chief Executive.
- b) An amount of €3,925,000, approved at the 2017 General Shareholders' Meeting for Non-executive Directors.

In the event of the Chief Executive's departure, the above amounts will be in addition to the amount to which he is entitled under the terms of his contract, as described under sections V.2.b) and d) above.

The maximum amount described in this section will continue to apply over the term of this Remuneration Policy, unless the General Shareholders' Meeting decides to modify it in the future.

## **VII. CORPORATE GOVERNANCE OF THE REMUNERATION POLICY**

### **1. GENERAL POINTS**

The main rules and regulations in effect at CaixaBank governing the process of determining, applying and supervising the Remuneration Policy are described below.

### **2. DUTIES OF CAIXABANK'S BOARD OF DIRECTORS**

The LOSS establishes that the Board of Directors of a credit institution must adopt and periodically review the main principles of its remuneration policy and take responsibility for overseeing their application.

The LSC states that the board of directors of a listed company is vested with the following powers, among other non-delegable powers:

- I. determining the company's general policies and strategies;
- II. determining the risk management policy;
- III. determining the corporate governance policy of the company and of the group they are the parent company of;
- IV. appointing and dismissing the company's Executive Directors and determining the terms of their contracts; and
- V. making decisions regarding director remuneration, within the framework set out in the By-laws and the remuneration policy approved by the General Meeting.

CaixaBank's Bylaws and the Regulations of the Board of Directors are consistent with these precepts.

Meanwhile, the EBA Guidelines establish the following as duties of the entity's Board of Directors, among others:

- I. adopting and maintaining the entity's remuneration policy and supervising its application in order to guarantee it is fully operational as envisaged;
- II. approving any subsequent significant exemptions with regard to individual members of staff and changes in the remuneration policy, and carefully contemplating and controlling their effects; and
- III. ensuring that the entity's remuneration policies and practices are adequately applied and are in accordance with the entity's general corporate governance framework, corporate culture, risk appetite and capital structure.

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

The functions attributed by the LSC to a listed company's Remuneration Committee include that of drawing up and proposing the Director Remuneration Policy to the Board of Directors.

CaixaBank's Bylaws and the Regulations of the Board of Directors are consistent with these precepts.

Lastly, in accordance with the EBA Guidelines, CaixaBank's Remuneration Committee must perform the following functions:

- I. drawing up the remuneration decisions to be made by the Board of Directors, particularly with regard to the remuneration of executive directors, together with the rest of the Identified Group;
- II. providing support and advice to the Board of Directors with regard to the definition of the entity's remuneration policy;
- III. supporting the Board of Directors with regard to control of the remuneration policies, practices and processes and compliance with the remuneration policy;
- IV. checking that the current remuneration policy is up to date and proposing any necessary changes;
- V. reviewing the appointment of any external remuneration consultants whose services the Board of Directors may wish to arrange in order to receive advice or support;
- VI. guaranteeing the adequacy of the information on remuneration policies and practices provided to the shareholders, and in particular the proposal of any upper limits exceeding the ratio between the fixed and variable remuneration;
- VII. evaluating the mechanisms and systems in place in order to guarantee that the remuneration system takes into due consideration the risk types and the liquidity and capital levels and that the general remuneration policy encourages and is coherent with adequate, efficient risk management and is in line with the entity's business strategy, objectives, corporate culture and values and long-term interests;
- VIII. as the case may be, evaluating attainment of the results targets and the need for any ex-post risk adjustments, including the application of malus and clawback clauses; and
- IX. as the case may be, reviewing different possible scenarios in order to analyse how the remuneration policies and practices react in the case of internal and external events, and back-testing the criteria used to determine ex-ante risk assumption and adjustment based on real risk results.

The Remuneration Committee's proposals are submitted to CaixaBank's Board of Directors for its scrutiny and, as the case may be, approval. If the decisions correspond to the CaixaBank General Shareholders' Meeting, in accordance with its remit, CaixaBank's Board of Directors shall approve their inclusion on the agenda and the corresponding motions, accompanied by the mandatory reports.

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

The EBA Guidelines state that an institution's control functions (internal audit, risk control and management, regulatory compliance), other appropriate corporate bodies (HR, legal, strategic planning, budget function, etc.) and business units must provide all necessary input about the design, implementation and oversight of the institution's remuneration policies; they also entrust specific responsibilities to the functions of HR, risk management, compliance and internal audit, which are assumed by the corresponding departments of CaixaBank.

Similarly, CaixaBank's Management Committee includes representatives from the areas of risk, finance, internal auditing, human resources and the general secretary's office (legal counsel), among others, and it is responsible for ensuring that the necessary information is obtained and drawn up so that the Remuneration Committee can efficiently perform its duties. CaixaBank's Human Resources Department ("HR") is responsible for initiating this action at CaixaBank's Management Committee.

To avoid conflicts of interest, the Remuneration Committee is directly responsible for obtaining, drawing up and reviewing information on the remuneration of the members of CaixaBank's Board of Directors for both their supervisory and executive functions, and of the members of CaixaBank's Management Committee.



**CaixaBank, S.A.**

**Report of the Remuneration Committee on the proposed Director  
Remuneration Policy (2020-2022)**

**Article 529 *novodecies* of the Corporate Enterprises Act (*Ley de Sociedades de Capital*)**

Barcelona, 18 February 2020

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## I. INTRODUCTION

Article 529 *novodecies* of the current Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*, or “**LSC**” for short) requires listed companies to draw up a remuneration policy for the Board of Directors and to submit it to General Shareholders’ Meeting for approval, including any change or replacement of that policy.

Any new or amended Director Remuneration Policy must be justified and accompanied by a specific report drawn up by the Remuneration Committee.

In compliance with the LSC, the Remuneration Committee attached to the Board of Directors of CaixaBank, S.A. (“**CaixaBank**” or the “**Company**”) has drawn up this report (the “**Report**”) —for approval by the Board sitting in plenary— on the proposed Director Remuneration Policy (“**Remuneration Policy**”) for 2020 to 2022 (both inclusive), such policy to fully replace the existing policy (as currently drafted and approved by the General Shareholders’ Meeting of CaixaBank on 5 April 2019), without prejudice to the effects and vested rights to have accrued under the existing policy.

## II. REASON FOR APPROVING A NEW REMUNERATION POLICY

As discussed in due course, it was deemed necessary to make a number of amendments to the Remuneration Policy hitherto in effect. However, since the principles and main features of the existing policy continue to hold true and since that policy is soon to expire, the decision was made to retain the existing policy and therefore approve it as the Bank’s new Remuneration Policy for the 2020-2022 period (both inclusive).

## III. MAIN RULES AND REGULATIONS GOVERNING DIRECTOR REMUNERATION

The main rules and regulations governing the remuneration of CaixaBank directors are as follows:

### 1. CORPORATE ENTERPRISES ACT

The LSC dictates that the position of director at a listed company must be remunerated, unless the bylaws state otherwise. CaixaBank’s By-laws confirm the remunerated nature of the position, while establishing the remuneration system for directors acting in their capacity as such and regulating the additional retribution payable to directors who discharge executive functions, which is established by the Board of Directors itself. The remuneration of directors, whether acting in their capacity as such or for performing executive functions, must be compliant with the system laid out in the Remuneration Policy.

For those directors acting in their capacity as such (**Non-executive Directors**) the Remuneration Policy must determine their remuneration within the system envisaged in the By-laws, and must necessarily include the maximum amount of annual remuneration payable to all of them in their capacity as directors.

In relation to directors who discharge executive functions (**Executive Directors**), the Remuneration Policy must also contemplate the amount of fixed annual remuneration and how it may change over the period to which the policy relates, as well as the different parameters for establishing the variable components and the main terms and conditions of their contracts, particularly duration, indemnity payments for early termination or termination of the contractual relationship and any exclusivity, post-contractual non-compete and minimum contract commitment or loyalty arrangements.

Any remuneration received by the directors for holding or terminating their posts and for performing executive functions must be in accordance with the prevailing Remuneration Policy, except in the case of remuneration expressly approved at the General Meeting.

The LSC also states that director remuneration must be reasonably commensurate with the size and scale of the Company, the state of the economy from time to time, and standard market practices at peer companies. Furthermore, the remuneration system in place must be geared towards promoting long-term profitability and sustainability at the Company and incorporate the necessary safeguards to avoid any excessive assumption of risks or to reward unfavourable results.

## **2. LAW ON THE REGULATION, SUPERVISION AND SOLVENCY OF CREDIT INSTITUTIONS (AND IMPLEMENTING REGULATIONS) AND EBA GUIDELINES**

Due to its status as a credit institution, CaixaBank is subject not only to general rules and regulations governing listed companies, but also the rules on remuneration set out in Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions ("**LOSS**"), which extends to all persons whose activities have a significant impact on the risk profile of the company and its group ("**Identified Group**"), and in the regulations implementing that Act, particularly Royal Decree 84/2015, of 13 February, implementing Act 10/2014 of 26 June, on the regulation, supervision and solvency of credit institutions (**RD 84/2015**) and Circular 2/2016, as well as the EBA Guidelines of 27 July 2016, which both the European Central Bank and the Bank of Spain have integrated into their supervisory activities.

The members of the Board of Directors, whether exercising executive and/or non-executive functions, belong to the Identified Group of CaixaBank within the meaning of Commission Delegated Regulation (EU) No. 604/2014 of 4 March 2014, supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of employees whose professional activities have a material impact on an institution's risk profile (**Delegated Regulation No. 604/2014**).

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

- (i) The remuneration policy must be consistent with and promote sound and effective risk management, without providing incentives for excessive risk-taking that exceeds the level tolerated by the Company.
- (ii) The remuneration policy must be consistent with the company's long-term strategy, objectives, values and interests and include measures to avoid conflicts of interest.
- (iii) Employees in control functions within the credit institution should be independent from the business units they supervise, have the necessary authority to perform their tasks and be remunerated accordingly for achieving the objectives related to their functions, regardless of the results of the business areas they control.

- (iv) The remuneration of senior managers responsible for risk management and with compliance functions should be directly supervised by the remuneration committee.
- (v) The remuneration policy must clearly distinguish between the criteria used to establish:
  - a) fixed remuneration, which should largely reflect the pertinent professional experience and the level of responsibility within the organisation, as per the description of duties included in the subject's terms of employment; and
  - b) variable remuneration, which should reward sustainable performance adapted to risk, as well as performance that goes beyond the level strictly required in order to discharge the duties described in the subject's terms of employment.

The LOSS also contains specific provisions regulating the different components of remuneration, whether fixed or variable, as well as payments for early termination of the directors functions.

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

The rules on the remuneration of CaixaBank directors are contained in article 34 of the By-laws, as further specified in the Regulations of the Board of Directors. These documents also govern the composition, operation and remit of the Remuneration Committee; all the foregoing in accordance with the LSC, the LOSS and their implementing regulations.

Meanwhile, CaixaBank's Board of Directors has approved the general remuneration principles applicable at group level, as described in section II of the Remuneration Policy, including the principles applicable to employees who belong to the Identified Group.

## **IV. MAIN CHANGES IN THE REMUNERATION POLICY COMPARED WITH THE PREVIOUS POLICY**

The principles and features of the Remuneration Policy are the same that those that applied under the Remuneration Policy previously in effect.

The new Remuneration Policy contains the following changes only, in addition to some drafting improvements:

- (i) To ensure that the Remuneration Policy explicitly includes the remuneration payable to directors who sit on the new Innovation, Technology and Digital Transformation Committee created by virtue of Board resolution adopted on 23 May 2019.

At present, the new committee comprises the Chairman of the Board of Directors, the Chief Executive Officer and three board members.

It is likewise confirmed that the maximum amount of annual remuneration payable to directors acting in their capacity as such shall remain unchanged in respect of the amount previously approved by shareholders at the 2017 Annual General Meeting, despite the fact that this new committee has since been set up.

- (ii) To set a new weighting for the Core Efficiency Ratio and Change in Non-performing Assets parameters for the corporate challenges used to calculate the variable bonus remuneration of the Executive Director for 2020 and following years.

The corporate challenges component (50%) consists of the following parameters (section IV.12.b) of the Remuneration Policy):

- CaixaBank ROTE: given a weighting of 10% (same weighting as in 2019), subject to a minimum degree of attainment of 80% and a maximum of 120%.
- Core efficiency ratio: given a weighting of 15% (10% in 2019), subject to a minimum degree of attainment of 80% and a maximum of 120%.
- Change in Non-performing Assets: given a weighting of 5% (10% in 2019), subject to a minimum degree of attainment of 80% and a maximum of 120%.
- Risk appetite framework (risk scorecard): given a weighting of 10% (same weighting as in 2019), subject to a minimum degree of attainment of 80% and a maximum of 120%.
- CaixaBank quality: given a weighting of 5% (same weighting as in 2019), subject to a minimum degree of attainment of 80% and a maximum of 120%.
- Conduct and compliance: target linked to the Regulatory Compliance Culture, with a weighting of 5% (same as in 2019) and subject to a minimum degree of attainment of 80% and a maximum of 120%.

The part consisting of individual targets (50%; same weighting as in 2019) will be subject to a minimum degree of attainment of 60% and a maximum of 120% and will be globally distributed among the targets linked to CaixaBank's strategy. Failure to reach the minimum degree of attainment will invariably mean a zero bonus has been earned for each of the individual indicators or targets (see section IV.12.d) of the Remuneration Policy).

When setting the remuneration of the Executive Director for 2020 and the following years, the policy maintains the same levels of remuneration as in 2019, the only differences being an increase in the life insurance premium, which climbs from €52,560 to €58,366 and confirmation that once the current long-term incentive scheme has ended, a new long-term incentive may be laid before the General Meeting for approval among shareholders.

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

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

In accordance with general principles of corporate governance and the By-laws, the remuneration of Non-executive Directors consists only of a fixed annual component, thus excluding variable components. The maximum global amount of remuneration payable to Non-executive Directors must, pursuant to the LSC, be set by the General Meeting and shall remain in force until modified by the General Meeting. The figure set by the General Shareholders Meeting is aimed at remunerating the Board of Directors and its delegated committees and shall be distributed as the Board of Directors sees fit upon the recommendation of the Remuneration Committee; this distribution may generate different remuneration for each director.

The Remuneration Policy also contains justification for the additional remuneration payable to the Chairman of the Board of Directors (see section III.2), as well as provisions governing the remuneration of Non-executive Directors for 2020 and following years.

The Non-executive Directors are named as insured parties under the civil liability insurance policy arranged for directors and managers of the CaixaBank Group to cover any liability they may incur when discharging their functions.

The Remuneration Policy also governs the remuneration of Non-executive Directors for 2020 and following years, particularly with regard to the additional remuneration payable to the Chairman of the Board of Directors.

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

When it comes to Executive Directors, the Remuneration Policy, in line with the provisions of the LSC, the LOSS and their implementing regulations, the EBA Guidelines and the By-laws and all of CaixaBank's other internal regulations, contains a detailed description of each of the remuneration components outlined below:

- (i) General description and relative importance of fixed and variable components.
- (ii) Fixed components of remuneration.
- (iii) Variable remuneration in the form of a bonus, with a description of the general aspects, performance measurement criteria, special malus and clawback situations, percentage and period for deferral, payment method, retention policy, payment of remuneration in cash and deferred instruments, the extinction or suspension of the employment relationship, special situations, the permanence requirement and the non-compatibility with personal hedging strategies or circumvention mechanisms.
- (iv) Long-term incentives based on instruments.
- (v) Reduction (malus) and recovery (clawback) events for variable remuneration.
- (vi) Guaranteed variable remuneration.
- (vii) Employee benefits and long-term saving systems, including the general aspects, non-discretionary nature, elimination of duplication, system governing the vesting of rights and obligatory contributions to variable schemes.
- (viii) Payments for cancellation of previous contracts.
- (ix) Retention premiums.
- (x) Other benefits, including civil liability cover.
- (xi) Payments for early termination, including the amount and associated limits, payments under post-contractual non-compete undertakings, deferral and payment, malus and clawback events, the absolute limit on payments of termination benefits and the general principles of contract or employment law.

The Remuneration Policy also contains specific provisions governing the remuneration of Executive Directors (currently the Chief Executive Officer) for 2020 and following years.

## **3. CONTRACT TERMS FOR EXECUTIVE DIRECTORS**

In accordance with the LSC, the LOSS and their implementing regulations, the EBA Guidelines, the By-laws and all the other internal regulations of CaixaBank, the Remuneration Policy provides a description of the terms of contract of the Executive Directors, as set out in the contract signed with Gonzalo Gortázar Rotaeché, in his capacity as Chief Executive Officer.

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



- (i) Nature of the contracts.
- (ii) Term.
- (iii) Description of duties, dedication, exclusivity and incompatibilities.
- (iv) Compliance with duties and confidentiality.
- (v) Civil liability coverage and compensation.
- (vi) Post-contractual non-compete undertakings.
- (vii) Termination clauses.
- (viii) Other terms of contract.
- (ix) Establishing or amending the terms of contract.

Specifically, it is established that the Executive Director shall receive one year's payment of the fixed components of his remuneration as compensation for the non-compete undertaking, the duration of which is one year. Where applicable, Gonzalo Gortázar Rotaeché will receive one year's payment of the fixed components of his annual remuneration (gross).

#### **4. MAXIMUM AMOUNT OF DIRECTOR REMUNERATION**

The Remuneration Policy sets the maximum amount of remuneration that CaixaBank may pay to all its directors each year.

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

In accordance with the LSC, the LOSS and their implementing regulations, the EBA Guidelines, the By-laws and other applicable internal regulations, CaixaBank's Remuneration Policy provides a full description of its governance, explaining the powers and remit of each of the governing bodies involved in preparing and approving the policy, including the Board of Directors, the Remuneration Committee, the control units and the Management Committee.

Proposals made by the Remuneration Committee are laid before the Board of Directors for scrutiny and, as the case may be, approval. If the decisions fall within the exclusive remit of the General Shareholders' Meeting, the Board of Directors shall approve their inclusion on the agenda and draw up the motions to be laid before shareholders, accompanied by the pertinent reports.

## **VI. CONCLUSION**

As explained in this report, CaixaBank's Remuneration Committee believes that the Remuneration Policy contains the information required by applicable law and regulations. It also believes that the content of the report is as required by law, particularly in relation to the rules on remuneration at listed credit institutions, is suitably prudent when it comes to risk-taking, good governance and transparency, and reflects the interests of shareholders.