



**ANNUAL REPORT ON COMPENSATION OF  
DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES**

---

---

**ISSUER'S IDENTIFICATION**

---

Fiscal Year Closing Date:

[ 31/12/2019 ]

Tax ID (CIF):

[ A-78267176 ]

Company Name:

[ **PHARMA MAR, S.A.** ]

Registered Office:

[ AVDA. DE LOS REYES, NO. 1 P.G. INDUSTRIAL LA MINA (COLMENAR VIEJO) MADRID ]

**A. COMPANY'S COMPENSATION POLICY FOR THE CURRENT FISCAL YEAR**

---

**A.1.** Please explain the Company's directors compensation policy for the current fiscal year. As far as relevant, certain information can be included with reference to the compensation policy approved by the General Shareholders Meeting, provided that inclusion thereof is clear, specific and precise.

Please describe specific decisions for the current fiscal year, both on the compensation of directors in their position as such and for the performance of executive duties, taken by the Board in accordance with the provisions of the agreements signed with executive directors and the compensation policy approved by the General Meeting.

The following aspects must at least be reported:

- Description of the procedures and the bodies of the company involved in determining and approving the compensation policy and its conditions.
- Please specify and, where appropriate, explain if comparable companies have been considered to establish the company's compensation policy.
- Information on whether any external consultant has been involved, indicating, if applicable, their identity.

Pharma Mar's Directors Compensation Policy for 2019-2021 was approved by the Company's General Shareholders Meeting held on 28 June 2018 under agenda item Seven, following a justifying report from the Appointments and Compensation Committee.

Said Compensation Policy 2019-2021 seeks to bring the policy into line with the interests of its shareholders, prudent risk management, and moderation and balance, taking into account at all times that the quality and commitment of its Board members is essential in order to successfully implement the Company's strategy. Compensation should incentivize dedication without compromising independence.

Compensation Policy 2019-2021 makes a distinction between the compensation system for directors in their condition as such and the compensation system for executive directors performing executive duties. Compensation of directors for their condition as such is compatible with all other professional or labor compensation items to which the Directors may be entitled by virtue of other executive or advising duties that, as the case may be, they perform for the Company and which are separate from the supervisory and collective decision-making duties inherent in their position as Directors.

The general principles of the compensation policy for directors in their position as such are as follows:

- External competitiveness: motivating compensation that helps attract and retain directors while simultaneously ensuring their independence.
- Internal fairness: compensation that rewards directors for their level of responsibility and effective dedication.
- Absence of variable compensation components, thus encouraging unbiased decision-making.
- Moderation: by analyzing market benchmarks.
- Transparency.

The principles applied in the compensation policy for executive directors, for performance of their executive duties, are as follows:

- Alignment of the compensation policy for the Executive Chairman with the Company's strategy.
- The different compensation components have been developed such that fixed compensation represents a significant part of total compensation and variable compensation rewards the achievement of the strategic targets of the Company and its Group.
- Alignment with the compensation established in comparable companies (as regards both size and sector of activity).

The aforementioned compensation principles comply with the provisions established generally for capital corporations in Article 217.4 of the Spanish Capital Corporations Law (*Ley de Sociedades de Capital* - LSC) on the reasonableness of the compensation of board members and the adequacy of compensation in light of the Company's size, relevance and financial position. These principles are also aimed at promoting profitability and sustainability while simultaneously preventing excessive assumption of risk and compensation for unfavorable results.

The Company's compensation policy for the 2019-2021 period, approved by the General Shareholders Meeting on 28 June 2018, establishes that directors shall be compensated for their condition as such by virtue of (i) fixed annual compensation plus, (ii) allowances for attendance at the meetings of the Board of Directors and its Committees. In this regard, Article 37 of the Company's Bylaws establishes the following:

"The compensation system for Directors in their condition as such shall include fixed annual compensation and attendance allowances for attending the meetings of the Board of Directors or its Committees. The Board of Directors shall set annual fixed compensation for each Director, taking into account for such purpose the Director's respective duties and responsibilities, including as the chairman or as a member of any Committees, or as the Coordinating Director, as well as all other objective circumstances deemed relevant. The Board shall also set the amount of attendance allowances for attending the meetings of the Board and its Committees." As compensation for their condition as Company Directors, each Board member shall receive fixed annual compensation aimed at sufficiently compensating them for the responsibility and dedication required in their position.

Compensation Policy 2019-2021 provides that those Directors who also serve as members of the various Committees (Executive Committee, Audit Committee and Appointments and Compensation Committee) shall receive additional fixed compensation for their dedication to said Committees, with higher weightings for the Chairman of the Audit Committee and of the Appointments and Compensation Committee. Compensation received by members of the Executive Committee shall take into account the additional activities and duties undertaken by its members. The position of Coordinating Director shall also receive fixed annual compensation.

Directors shall receive an attendance allowance to compensate for their personal and effective attendance at the meetings of the Board of Directors and its Committees. The annual amount received by any Director as an allowance for attending the meetings of the Board or of its Committees may under no circumstances exceed the amount of annual fixed compensation provided for membership on the Board of Directors.

- Relative importance of variable compensation items in relation to fixed compensation items (compensation mix) and criteria and objectives considered for determination thereof and to establish a fair balance between the fixed and variable compensation components. In particular, please explain the actions adopted by the company in relation to the compensation system to reduce exposure to excessive risks and adapt it to the long-term targets, values and interests of the company, which will include, where appropriate, a reference to measures envisaged to ensure that the compensation policy takes into account the long-term results of the company, the measures adopted in relation to those categories of personnel whose professional activities have a material impact on the company's risk profile and measures planned to avoid conflicts of interest, where appropriate.

Please also indicate if the company has established any accrual or vesting period for certain variable compensation items, in cash, shares or other financial instruments, a deferral period in the payment of amounts or delivery of financial instruments already accrued and vested, or if a clause has been agreed on the reduction of deferred compensation or that requires the director to return the compensation received, when such compensation was based on information that was later found to be clearly inaccurate.

In accordance with the directors compensation policy for 2019-2021, compensation for directors in their position as such does not include any variable compensation (for these purposes, the payment of attendance allowances to the meetings of the Board and its committees is not considered variable compensation).

Furthermore, the compensation system applicable to Pharma Mar's executive directors for the performance of their executive duties was developed in compliance with the commercial law in force and with the Bylaws. Only the Executive Chairman's compensation has a variable component in accordance with the contract for the provision of executive services, formalized with him on 26 February 2015. The Directors Compensation Policy for 2019-2021 includes a variable component as part of the compensation of the top executive for carrying out their executive duties, thus linking a part of their compensation to the Company's performance and strengthening control over the risk associated with compensation. This policy allows the Company to base compensation of the top executive on the performance of the Company, as some of the objectives on which variable compensation is based are economic/financial.

Thus, in accordance with the aforesaid contract, the variable compensation applicable to the Executive Director in 2020 may reach a maximum of 30% of the fixed compensation established for said fiscal year for the performance of executive duties (i.e. a potential maximum of 269.0 thousand euros). Said annual variable compensation includes two tranches. The first tranche is regulated and in accordance with the provisions of the contract for the provision of executive services executed between the Company and the Executive Chairman, shall be comprised of quantitative targets related to sales and revenue figures. As of the date of the approval of this Report by the Board of Directors, the Appointments and Compensation Committee has not yet proposed to the Board of Directors the quantitative targets for 2020 for the regulated tranche of the Executive Chairman's maximum variable compensation. In addition, as set forth in the aforementioned contract, in 2020 this first regulated tranche of the variable compensation could reach a maximum amount of 12% of the fixed gross annual compensation for said fiscal year for the performance of executive duties. The second tranche of the Executive Chairman's variable compensation is discretionary and, in accordance with the aforementioned contract, shall be determined by the Board of Directors in view of criteria related to strategic momentum, focus of R&D investments, attendance at international conferences, presentations and roadshows, creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. In 2020, this second discretionary tranche of the Executive Chairman's variable compensation could reach a maximum amount of 18% of the fixed gross annual compensation for said fiscal year for the performance of executive duties, as set forth in the aforementioned contract.

The principles that regulate Compensation Policy 2019-2021 take into consideration the interests of the shareholders, with the compensation system being aimed at promoting the profitability and long-term sustainability of the Company, incorporating the necessary precautions to avoid the excessive assumption of risk and the rewarding of unfavorable results. Pharma Mar, S.A., through the Board of Directors and the Appointments and Compensation Committee, continuously monitors and reviews its directors compensation policy.

As a result, compensation systems for Pharma Mar, S.A.'s directors implicitly include in their design the following risk control measures:

- Directors' compensation in their position as such is limited to a fixed compensation, and the receiving of cash allowances, within the limits established by the General Meeting and the Board.
- No Pharma Mar, S.A. Director receives shares or stock options as part of their compensation.
- Variable compensation is limited to the case of executive directors, and within them exclusively to the Executive Chairman, who receives it for their non-director executive duties and irrespective of their compensation as a member of the Board of Directors.
- Variable compensation is related to meeting corporate business targets and specific quantitative and qualitative targets, and is only intended for the Executive Chairman. The Company understands that the fixed compensation of directors who perform executive duties makes up a sufficiently high proportion, allowing the withholding of variable compensation if the established criteria are not met. Although clawback clauses in relation to their variable compensation have not been expressly included in the contract for the provision of executive services between the Company and the Executive Chairman, the Company considers it unnecessary to amend that agreement solely to include a reimbursement claim clause for variable components, bearing in mind that said claim is considered to be permitted at all times even if not expressly stated in a clause for such purpose in the contract, as is generally the case for any improper payment or payment without cause. In the future, in the event that agreements are executed with new executive directors, the convenience of including this type of clawback clauses will be analyzed when negotiating such agreements.
- The Executive Directors and directors related to them abstain from participating in the discussion and voting of resolutions on their compensation for the performance of their executive duties. In relation to their compensation for 2020, those directors abstained from participating in the discussion and voting of the resolution adopted by the Board of Directors in its meeting of 21 January 2020, in which the fixed compensations of Executive Directors for 2020 for the performance of their executive duties were established.

- Amount and nature of the fixed components that are expected to be earned by the directors in their position as such in the fiscal year.

For 2020, the maximum amount of the compensation of all the directors in their position as such is set at 1,800,000 euros, the maximum figure approved by the General Shareholders Meeting of 28 June 2018, and which will remain in force until the General Shareholders Meeting approves, as the case may be, a new amount.

Of that amount, the breakdown of the fixed compensation for the positions and responsibilities of the Board members in their capacity as such for 2020 (section 1, art. 529 septdecies LSC), agreed by the Board of Directors in its meeting of 21 January 2020, is as follows:

- + Fixed compensation per Director for fiscal year 2020 for membership on the Board of Directors and its Committees.
  - Board of Directors; Chairman; Vice Chairman and Members: €65,122 per Director.
  - Executive Committee: Chairman and Members: €128,132 per Director.
  - Audit Committee and Appointments and Compensation Committee; Chairman: €22,108 per Director.
  - Audit Committee and Appointments and Compensation Committee; Members: €16,975 per Director.
  - Coordinating Director: 16,975 euros.
- + Allowances per Director for fiscal year 2020 for attending Board and Committee meetings:
  - Board of Directors: €3,731 per meeting attended by the Director.
  - Executive Committee; Audit Committee and Appointments and Compensation Committee: €1,692 per meeting attended by the Director.

It should be pointed out that the aforementioned amounts result from the resolution adopted by the Board of Directors on 21 January 2020, at the proposal of the Appointments and Compensation Committee, to increase by 0.8% for 2020 the fixed compensation and allowances of 2019, a percentage equal to the increase in the Consumer Price Index for 2019.

Compensation Policy 2019-2021 provides that the total amount of attendance allowances received by any Director for attending meetings of the Board of Directors and its Committees during the fiscal year may under no circumstances exceed fixed annual compensation established for said fiscal year for membership on the Board of Directors

It is worth noting, on the other hand, that the Company has executed a civil liability policy for its directors and executives that covers all such individuals within the Corporate Group. Total amount paid for this policy in 2019 was 182 thousand euros. For 2020, as of the date of preparation of this Report, no changes are planned to the clauses of the policy taken out, so it is estimated that the premium payable this year will be similar to that paid in 2019.

- Amount and nature of the fixed components that will be earned in the year for the performance of the senior management duties of the executive directors.

The Company has two executive directors (Chairman and Vice Chairman) that receive specific compensation for carrying out their executive duties (compensation is independent from any compensation applicable thereto by virtue of their general monitoring and group decision making duties arising from their status as directors—including compensation for serving as the Chairman of the Board of Directors, or as a member or any other officer on any of its committees— of the Company or any Group company).

As regards the Executive Chairman, for fiscal year 2020, the Company's Board of Directors resolved at its meeting on 21 January 2020, at the proposal of the Appointments and Compensation Committee, to increase their fixed compensation by the same percentage as the increase in the Consumer Price Index for 2019 (i.e. 0.8%), resulting in fixed compensation in 2020 of the Executive Chairman for the performance of executive duties totaling 896.8 thousand euros (889.7 thousand euros in 2019).

As regards the Executive Vice Chairman, for fiscal year 2020, in accordance with Compensation Policy 2019-2021, the Company's Board of Directors resolved at its meeting on 21 January 2020, at the proposal of the Appointments and Compensation Committee, to increase their fixed compensation by the same percentage as the increase in the Consumer Price Index for 2019 (i.e. 0.8%), resulting in fixed compensation in 2020 of the Executive Vice Chairman for the performance of executive duties totaling 266.9 thousand euros (264.8 thousand euros in 2019).

- Amount and nature of any in-kind component that will be earned during the year including, but not limited to, insurance premiums paid to the benefit of the director.

The Executive Chairman and Executive Vice Chairman are the beneficiaries of a defined contribution life insurance-savings insurance scheme. The Company makes an annual contribution of €12 thousand to said savings scheme for each one of the Executive Directors. The contingencies covered include retirement and death.

Furthermore, the Executive Chairman and Executive Vice Chairman received the following benefits as welfare compensation:

- Accident insurance, under a collective policy for the Company's employees (it is estimated that the amounts that will be paid for this item in 2020 will not differ significantly to those paid in 2019, i.e. Executive Chairman: 1.2 thousand euros; Executive Vice Chairman: 0.4 thousand euros)
- Health insurance, under a collective policy for the Company's employees (it is estimated that the amounts that will be paid for this item in 2020 will not differ significantly to those paid in 2019, i.e. Executive Chairman: 3.4 thousand euros; Executive Vice Chairman: 3.4 thousand euros)
- Full annual medical check-up (only for the Executive Chairman)

On the other hand, the Company provides the Executive Chairman with a representative office at the operating headquarters, communications equipment, payment instruments, support staff, security systems and staff and a company vehicle sufficient for the duties performed thereby. The annual total for these items in 2019 was 323 thousand euros; it is estimated that it will be a similar amount in 2020.

On the other hand, the Company's Bylaws expressly state that compensation of directors, including executive directors, may include the delivery of shares in the Company or of share option rights, or may be linked to share value, if so determined by the General Meeting, which shall set the maximum number of shares that may be allocated to this scheme in each fiscal year; the exercise price or method for calculating the exercise price of the share options; the share value that, as the case may be, is used as a benchmark; and the term of the plan.

It is worth noting that the Company's Directors Compensation Policy in force does not provide for the application to any executive director of a compensation system linked to share value or that involves the delivery of shares or share option rights for the 2019-2021 period.

- Amount and nature of the variable components, differentiating between those established in the short and long term. Financial and non-financial criteria, including social, environmental and climate change indicators, selected to determine variable compensation in the current year, an explanation of the extent to which such criteria are related to the performance of both the director and the company and its risk profile, and the methodology, time needed and techniques provided to be able to determine, at the end of the year, compliance with the criteria used in the design of the variable compensation.

Please specify the range in monetary terms of the different variable components depending on the degree of fulfillment of the established targets and criteria, and if there is a maximum monetary amount in absolute terms.

A) Variable compensation components for Directors in their mere condition as such for 2020

In accordance with the directors compensation policy for 2019-2021, compensation for directors in their position as such does not include any variable compensation (for these purposes, the payment of attendance allowances to the meetings of the Board and its committees is not considered variable compensation).

B) Variable compensation components for Executive Directors for performing executive duties in 2020

In fiscal year 2020, only the Executive Chairman has a variable (short-term) compensation component for performing executive duties, as provided for in the contract for the provision of executive services executed between the Company and the Executive Chairman, in which Pharma Mar succeeded Zeltia by operation of law as a result of the takeover merger between the aforementioned Companies.

Thus, in accordance with the aforesaid contract, the variable compensation applicable to the Executive Director in 2020 may reach a maximum of 30% of the fixed compensation established for said fiscal year for the performance of executive duties (i.e. a potential maximum of 269.0 thousand euros). Said annual variable compensation includes two tranches. The first tranche is regulated and in accordance with the provisions of the contract for the provision of executive services executed between the Company and the Executive Chairman, shall be comprised of quantitative targets related to sales and revenue figures. As of the date of the approval of this Report by the Board of Directors, the Appointments and Compensation Committee has not yet proposed to the Board of Directors the quantitative targets for 2020 for the regulated tranche of the Executive Chairman's maximum variable compensation, which could reach a maximum amount of 12% of the fixed gross annual compensation for said fiscal year for the performance of executive duties. The second tranche of the Executive Chairman's variable compensation is discretionary and, in accordance with the contract for the provision of executive services executed by the Company and the Executive Chairman, is determined by the Board of Directors in view of criteria related to strategic momentum, focus of R&D investments, attendance at international conferences, presentations and roadshows, creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. In 2020, this discretionary tranche of the Executive Chairman's variable compensation could reach a maximum amount of 18% of the fixed gross annual compensation for said fiscal year for the performance of executive duties, as set forth in the aforementioned contract.

The Appointments and Compensation Committee drafts a report at the end of each fiscal year assessing achievement of the variable compensation targets for the Executive Chairman, to be submitted to the approval of the Board of Directors. In this report, the Committee analyzes the degree to which the established targets were met and makes a proposal to the Board of Directors on the variable compensation to be paid out for meeting the targets. The report is drafted by the Committee after it has received the necessary information from the different departments in order to complete its assessment, including in particular, financial information.

- Main characteristics of the long-term savings systems. Among other information, please indicate the contingencies covered by the system, whether it is a defined-benefit or defined-contribution scheme, the annual contribution that has to be made to the defined contribution systems, the benefit to which the beneficiaries in the case of defined benefit systems are entitled, the conditions for the vesting of economic rights of the directors and their compatibility with any type of payment or compensation for early termination, or resulting from the termination of the contractual relationship, under the terms provided, between the company and the director.

Please specify if the accrual or vesting of any of the long-term savings plans is linked to the achievement of certain targets or parameters related to the director's short and long-term performance.

The Executive Chairman and Executive Vice Chairman are the beneficiaries of a life insurance-savings insurance policy. This involves a defined contribution. The Company makes an annual contribution of €12 thousand to said savings scheme for each one of the two Executive Directors. The contingencies covered include retirement and death.

As regards the Executive Chairman, the Company undertakes, during the validity of its contract for the provision of executive services, to make an annual contribution of €12 thousand. Upon termination of the aforementioned contract, the Company will stop making such contributions, although accumulated capital will be held in favor of the Executive Chairman until such time as an insured event occurs (death or retirement), unless the termination thereof was a result of (a) the unilateral voluntary withdrawal of the Executive Chairman, not followed by the immediate retirement thereof, or (b) a serious breach of the Executive Chairman's obligations that has been legally declared as such, in which cases the accumulated capital shall pertain to the Company rather than the insured. Receipt of accumulated capital is compatible with the severance pay referred to herein below.

As regards the Executive Vice Chairman, the Company shall continue to make annual contributions as long as said Executive Vice Chairman continues to provide the services to the Company (excluding those services provided in their position as a director) or to its subsidiaries and up until their retirement, regardless of the director's age at the time of retirement. The accumulated capital pertaining to the insured shall be held to its benefit until such time as an insured event occurs (retirement or death), regardless of whether the Company has stopped making contributions to the benefit of the insured at any given time, with the exception of legally mandated removals or voluntary resignation, not including retirement, in which case, the accumulated capital shall pertain to the Company rather than the insured.

- Any type of payment or compensation for early termination resulting from the termination of the contractual relationship under the terms provided between the company and the director, whether termination was brought about by the company or the director, as well as any type of covenants, such as exclusivity, post-contractual non-competition and tenure or loyalty that entitle the director to receive any type of benefit.

As of the date of this Report, there are no "golden parachute" or other severance payments agreed by the Company in the case of termination of the duties of the Company's Directors in their position as such.

In relation to the Executive Chairman and their compensation for the performance of their executive duties, his contract for the provision of executive services to the Company - which was approved by the Board of Directors of Zeltia in its meeting on 26 February 2015 and at which Pharma Mar succeeded Zeltia by operation of law as a result of the takeover manager between the aforementioned Companies- provides that the Executive Chairman will have the right to receive an indemnity equal to 1.5 times the gross annual Regulatory Compensation (defined as the arithmetic mean of the total amount accrued during the two full fiscal years immediately preceding the contract termination date for annual fixed compensation, annual variable compensation and attendance allowances) if the contract of this top executive is terminated for any cause attributable to the Company (whether by unilateral voluntary termination by the Company –e.g. removal or non-reappointment of the director, or removal of authority or powers, without subsequent and immediate appointment, delegation or granting of analogous authorities or powers in the Company or, in the case of an intra-group merger, in the absorbing company–, or significant amendment to the duties or conditions for the service provision, including the succession of the company or significant change in ownership thereof that has the effect of updating its governing bodies or the content and positioning of its primary activity, unless the contract is assigned by the Company to any other Group company), as detailed more extensively in the following section.

As regards the Executive Vice Chairman and with respect to their compensation for the performance of their executive duties, it should be pointed out that their relationship with the Company as of the date of approval by the Board of Directors of this Report is an employment relationship entered into for an indefinite term, such that the indemnities applicable in the event of termination of said employment relationship shall be as provided in applicable employment regulations.

- Please indicate the conditions that must be respected in contracts for individuals carrying out senior management duties as executive directors. This should include information on duration, limits on compensation amounts, tenure clauses, notice periods, and payment in lieu of the aforementioned notice period, and any other clauses on hiring bonuses, as well as on severance payments or golden parachutes for the early termination of the contractual relationship between the company and the executive director. Include, among others, non-competition, exclusivity, tenure or loyalty and post-contractual non-competition covenants or agreements, save as disclosed in the preceding section.

As regards the Executive Chairman, the contract for the provision thereby of executive services to the Company shall remain in force for as long as the Executive Chairman continues to hold the position of Chairman of the Board of Directors and to serve as the top executive of the Company, bearing in mind the following. The contract may be terminated by mutual agreement of the parties, by unilateral voluntary resignation of the Executive Chairman, for causes attributable to the Company, or as a result of the death, legal disability, total permanent disability or severe disability, or temporary inability to perform their senior management duties for a period greater than one year.

The Executive Chairman will have the right to receive an indemnity equal to 1.5 times the gross Regulatory Compensation (defined as the arithmetic mean of the total amount accrued during the two full fiscal years immediately preceding the contract termination date for fixed annual compensation, annual variable compensation and attendance allowances) if the contract as top executive is terminated for any cause attributable to the Company (whether by unilateral voluntary termination by the Company –e.g. removal or non-reappointment of the director, or removal of authority or powers, without subsequent and immediate appointment, delegation or granting of analogous authorities or powers in the Company or, in the case of an intragroup merger, in the absorbing company–, significant amendment to the powers or conditions of providing the services, including the succession of the company or significant change in ownership thereof that has the effect of updating its governing bodies or the content and positioning of its primary activity, unless the contract is assigned by the Company to any other Group company).

As regards exclusivity agreements, in accordance with said contract for the provision of executive services, the Executive Chairman shall devote their full professional activity to the Company and its Group companies and, therefore –unless granted prior, express consent by the Board of Directors, following a report from the Appointments and Compensation Committee–, the Executive Chairman shall refrain from carrying out any professional activity beyond the Pharma Mar Group, whether directly or indirectly, for third parties or on their own behalf, even if the relevant activity is not in competition with the business of any Group company. Notwithstanding the above, the Executive Chairman may, whether remunerated or not, perform teaching and research activities at Universities and public or private schools, carry out positions in foundations or business associations or associations related to the area where the Company operates, or carry out positions as an independent director in other companies, provided the provision of this activity has been previously notified to the Appointments and Compensation Committee and does not have a material effect on the full dedication of the Executive Director nor interferes with the performance of their duties to the Company or, in any other case, that has been authorized by the Board of Directors.

As regards the Executive Vice Chairman, their relationship with the Company as of the date of this Report is an employment relationship entered into for an indefinite term, such that the indemnities and advance notice requirements applicable in the event of termination of said employment relationship shall be as provided in applicable employment regulations.

On the other hand, it should be noted that the non-competition obligations of the directors are regulated in general by Art. 229 et. seq. of the Capital Corporations Law.

- The nature and estimated amount of any supplementary compensation paid to directors in the current fiscal year as compensation for services provided other than those inherent in their position.

Some members of the Board of Directors of Pharma Mar, S.A. are also members of the Boards of Directors of subsidiary companies thereof, and those positions may be compensated. This is the case with José M<sup>a</sup> Fernández Sousa-Faro (Director in Genómica S.A.U.) and José Félix Pérez Orive Carceller (Director in Genómica S.A.U.).

The fixed compensation for belonging to the Board of Directors of Genómica, S.A.U. as well as the current allowances for attending the Board on the date of approval of this Report were approved by the General Shareholders Meeting of that company held on 15 November 2019; in accordance with said resolution, the fixed compensation for belonging to the governing body is 14,000 euros per Director, together with an allowance of 307.69 euros for attending each meeting of the governing body of Genómica, S.A.U. (in no case can the total sum of the attendance allowances and the fixed compensation provided for in the Bylaws exceed 15,538.45 euros). As of the date of approval of this Report, distribution of the director compensation for fiscal year 2020 has not yet been approved and it is not known if the aforementioned amounts will or will not be changed.

Furthermore, in relation to services to be provided by Pharma Mar, S.A. Directors other than those inherent in their position as a Director in Pharma Mar, S.A. or in any of its subsidiaries, it should be pointed out that on the date of approval of this Report by the Board of Directors no related transaction had been approved with Pharma Mar, S.A. Directors for this fiscal year, although the approval of any such transaction and compensating a Director (or person related to them) for such services other than those inherent in their position as a director cannot obviously be ruled out subsequently during the year.

- Other compensation items such as those resulting, where appropriate, from the company granting the director advances, loans, guarantees and other types of compensation.

The Executive Chairman has accumulated from prior years an advance for the amount of 45 thousand euros, which does not accrue interest.

- The nature and estimated amount of any other expected supplementary compensation not included in the previous sections, whether paid by the company or other group company, which will be earned by the directors in the current year.

See previous sections



**A.2.** Please explain any relevant change in the compensation policy applicable to the current fiscal year resulting from:

- A new policy or amendment of the policy already approved by the General Shareholders Meeting.
- Relevant changes in the specific decisions established by the Board for the current fiscal year regarding the compensation policy in effect with respect to those applied the previous year.
- Proposals that the Board of Directors has resolved to present to the General Shareholders Meeting to which this annual report is submitted and that are proposed to be applied to the current fiscal year.

Without prejudice to the description of the Company's compensation policy for the current year in section A.1 above, which corresponds to the current Compensation Policy of Company Directors for the period 2019-2021, the Board of Directors, at a meeting held on 14 May 2020 and at the proposal of the Appointments and Compensation Committee agreed to submit to a vote at the next General Shareholders' Meeting a new Compensation Policy of the Company's Directors for the period 2020-2022 which, if approved by the General Shareholders' Meeting, would be immediately applicable and would replace and render ineffective, as far as the years 2020 and 2021 are concerned, the Compensation Policy of the Company's Directors for the period 2019-2021.

The new Compensation Policy of the Company's Directors for the period 2020-2022 contains modifications with respect to the current Compensation Policy, in order to adapt it to the changes that have taken place in the operating regime and the work dynamics of the Company's Board of Directors during the last financial year, and specifically due to (i) the greater dedication required from the directors (ii) the modification of the structure of the Board of Directors, which has increased the number of directors to 11 and which may be increased over the next three financial years, depending on the progressive internationalization of the Company; (iii) the recent increase in the number of members of the Audit Committee and the Appointments and Compensation Committee, which has led to an increase in both fixed remuneration and allowances over the year as a whole; and (iv) a greater alignment of the variable remuneration of the Company's Executive Chairman with that received for positions of a similar nature in comparable companies, both in terms of size and sector of activity. The modifications are described below:

1) In relation to the remuneration of the directors in their capacity as such, the new Compensation Policy

- a) sets the maximum amount of the annual remuneration of all directors in their capacity as such at 2,500,000 euros; and
- b) eliminates the maximum limit applicable to the amount that a director may receive annually for attendance fees for the Board of Directors and its Committees.

2) In relation to the remuneration of the Executive Chairman for the performance of his executive duties, the new Compensation Policy increases the limit on the variable remuneration of the Executive Chairman to a maximum of 50% of the gross fixed remuneration established for each year, increasing the regulated tranche to 20% and the discretionary tranche to 30%, with variable remuneration reaching a potential maximum of 448.4 thousand euros in 2020. If the new Compensation Policy is approved, the Company and the Chief Executive Officer will sign an addendum to the contract for the provision of executive services described in this report, which will include the aforementioned amendments.

Likewise, it should be noted that the Board of Directors of 14 May 2020 has agreed, subject to the approval of the new Compensation Policy by the General Shareholders' Meeting, to increase for the financial year 2020 - effective from the date of approval, if applicable, by the General Meeting - the remuneration for positions and responsibilities of the members of the Board for their mere condition as such by an additional 5.5% to the 0.8% that had already been increased by agreement of the Board of Directors on 21 January 2020 (i.e. a total increase of 6.3% for the year 2020 with respect to the remuneration for the year 2019).

Consequently, applying this total increase of 6.3%:

(i) The fixed remuneration per Director for the financial year 2020 for membership of the Board of Directors and its Committees would be as follows:

- (a) Board of Directors; Chairman, Deputy Chairman and Members: 68,675 euros per Director;
- (b) Executive Committee: Chairman and Members: 135,123 euros per Director;
- (c) Audit Committee and Appointments and Compensation Committee; Chairman: 23,315 euros per Director;
- (d) Audit Committee and Nomination and Remuneration Committee; Members: 17,901 euros per Director;
- (e) Coordinating Director: 17,901 euros; and

(ii) Allowances per Director for the year 2020 for attendance to the Board of Directors and its Committees:

- (a) Board of Directors: 3,934 euros per meeting attended by the Director;
- (b) Executive Committee, Audit Committee and Appointments and Compensation Committee: 1,785 euros per meeting attended by the Director.

**A.3.** Please provide the direct link to the document in which the company's current compensation policy is featured, and which must be available on the company's website.

<https://www.pharmamar.com/wp-content/uploads/2018/05/11.-Politica-Remuneraciones-2019-2021.pdf>

**A.4.** Please explain, bearing in mind the information provided in section B.4, how the vote of the shareholders was taken into account at

the General Meeting to which the previous year's annual compensation report was submitted to a consultative vote.

The Annual Report on Compensation of Directors for fiscal year 2018, was approved, on a consultative basis, by the General Shareholders Meeting of 26 June 2019 with the favorable vote of 88.8902% the votes cast, under the terms set forth in section B.4. The Board of Directors considers that the compensation practices contained in that report are supported by a significant majority of the shareholders and are in accordance with the practices of companies in the sector in which the company operates, so it has decided to adopt a line of continuity with them. In that respect, the Board of Directors submitted to the General Shareholders Meeting the Directors Compensation Policy for 2019-2021. It should be pointed out that the General Shareholders Meeting of 28 June 2018 approved the Compensation Policy 2019-2021, with the favorable vote of 88.5755% of the votes cast.

**B. GENERAL SUMMARY OF HOW THE COMPENSATION POLICY WAS APPLIED FOR THE CLOSED FISCAL YEAR**

---

**B.1.** Please explain the process followed to apply the compensation policy and determine the individual compensation amounts shown in section C of this Report. This information shall include the role performed by the compensation committee, the decisions taken by the Board of Directors and, where appropriate, the identity and role of external consultants whose services have been used in the process of applying the compensation policy in the closed fiscal year.

The compensation policy applied during fiscal year 2019 was the compensation policy approved for 2019-2021 by the General Shareholders Meeting of 28 June 2018.

With regard to the main actions followed by the Appointments and Compensation Committee and the Board of Directors, in their tasks of monitoring the application in 2019 of the 2019-2021 Compensation Policy, the main decisions adopted by both the Appointments and Compensation Committee and the Board in the performance of their duties are set out below:

- In fiscal year 2019, the Appointments and Compensation Committee proposed to the Board of Directors for their final approval: (i) the system and amount of the annual compensation of the directors in their position as such for 2019; (ii) the fixed individual compensation of the executive directors for 2019 for the performance of their executive duties and the targets for the regulated variable compensation tranche of the Executive Chairman in 2019, in accordance with the current contractual relationship with those directors.

- It is also verified the information on the compensation of Directors set forth in the Annual Report on Compensation of Directors for fiscal year 2018, a report which in accordance with article 541 of the LSC was prepared by the Board of Directors and submitted to the consultative vote of the General Shareholders Meeting of 26 June 2019.
- Additionally, it was responsible for checking compliance with the compensation policy applied to executive directors. With regard to the above, the Appointments and Compensation Committee reviewed and submitted to the Board of Directors, for their final approval, all matters concerning the variable compensation of the Executive Chairman for fiscal year 2018 (with regard to the final determination of their variable compensation) and 2019 (with regard to setting the targets for the regulated variable compensation tranche).

The Appointments and Compensation Committee held seven meetings in fiscal year 2019.

It should be pointed out that now in 2020 and in relation to the variable compensation of the Executive Chairman for fiscal year 2019, the Appointments and Compensation Committee proposed to the Board of Directors, for its final approval, the amount of both the regulated (non-discretionary) and discretionary tranches of variable compensation earned in 2019.

For its part, the Board of Directors, at the proposal of the Appointments and Compensation Committee, approved at its meeting of 29 January 2019, the items and amounts assigned to each of the directors for fiscal year 2019 as compensation in their position as such, within the maximum amount established to that effect in the Company's Directors Compensation Policy approved by its General Meeting of 28 June 2018. Furthermore, the Board of Directors, at the proposal of Appointments and Compensation Committee, approved in its meeting of 29 January 2019 the fixed compensation of the Company's two executive directors for fiscal year 2019, in accordance with the current contractual relationship with those executive directors. Furthermore, the Board of Directors, at the proposal of the Appointments and Compensation Committee, approved at its meeting of 23 May 2019 the targets for the regulated variable compensation tranche of the Executive Chairman in 2019.

It should be pointed out that now in 2020, in its meeting of 26 February, the Board of Directors, at the proposal of the Appointments and Compensation Committee, has determined the amount of both the regulated (non-discretionary) and discretionary tranches of variable compensation of the Executive Chairman to be considered earned in 2019.

**B.2.** Please explain the different actions taken by the company in relation to the compensation system and how they have helped to reduce exposure to excessive risks and adapt it to the company's long-term targets, values and interests, including a reference to the measures that have been adopted to ensure that in the compensation earned the long-term results of the company have been considered and a suitable balance achieved between the fixed and variable compensation components, what measures have been adopted in relation to those categories of personnel whose professional activities have a material impact on the company's risk profile, and what measures have been taken to avoid conflicts of interest, where appropriate.

In accordance with the directors compensation policy, compensation for directors in their position as such does not include any variable compensation (for these purposes, the payment of attendance allowances to the Board and its committees is not considered variable compensation).

Furthermore, the compensation system applicable to Pharma Mar's executive directors for the performance of their executive duties was developed in compliance with the commercial law in force and with the Bylaws. Only the Executive Chairman's compensation has a variable component in accordance with the contract for the provision of executive services, formalized with him on 26 February 2015. The Company Compensation Policy for 2019-2021 includes a variable component as part of the compensation of the top executive for carrying out their executive duties, thus linking a part of their compensation to the Company's performance and strengthening control over the risk associated with compensation. This policy allows the Company to base compensation of the top executive on the performance of the Company, as some of the objectives on which variable compensation is based are economic/financial.

Thus, in accordance with the aforesaid contract, the variable compensation applicable to the Executive Director in 2019 may reach a maximum of 30% of the fixed compensation established for said fiscal year for the performance of executive duties. Said annual variable compensation includes two tranches. The first tranche is regulated and in accordance with the provisions of the contract for the provision of executive services executed between the Company and the Executive Chairman, shall be comprised of quantitative targets related to sales and revenue figures. This first regulated variable compensation tranche could reach a maximum amount of 12% of the fixed gross annual compensation for fiscal year 2019 for the performance of executive duties. The second tranche of the Executive Chairman's variable compensation is discretionary and, in accordance with the contract for the provision of executive services executed by the Company and the Executive Chairman, shall be determined by the Board of Directors in view of criteria related to strategic momentum, focus of R&D investments, attendance at international conferences, presentations and roadshows, creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. In 2019, this second discretionary tranche of the Executive Chairman's variable compensation could reach a maximum amount of 18% of the fixed gross annual compensation for said fiscal year for the performance of executive duties, as set forth in the aforementioned contract.

The principles that inspired the Directors Compensation System incorporate the necessary precautions to avoid the excessive assumption of risk and compensation for unfavorable results. Pharma Mar, S.A., through the Board of Directors and the Appointments and Compensation Committee, continuously monitored and reviewed its directors compensation policy.

As a result, compensation systems for Pharma Mar, S.A.'s directors implicitly include in their design the following risk control measures:

- Directors' compensation in their position as such is limited to a fixed compensation, and the receiving of cash allowances, within the limits established by the General Meeting and the Board.
- No Pharma Mar, S.A. Director receives shares or stock options as part of their compensation.
- Variable compensation is limited to the case of executive directors, and within them exclusively to the Executive Chairman, who receives it for their non-director executive duties and irrespective of their compensation as a member of the Board of Directors.
- Variable compensation is related to meeting corporate business targets and specific quantitative and qualitative targets, and is only intended for the Executive Chairman. The Company understands that the fixed compensation of directors who perform executive duties makes up a sufficiently high proportion, allowing the withholding of variable compensation if the established criteria are not met. Although clawback clauses in relation to their variable compensation have not been expressly included in the contract for the provision of executive services between the Company and the Executive Chairman, the Company considers it unnecessary to amend that agreement solely to include a reimbursement claim clause for variable components, bearing in mind that said claim is considered to be permitted at all times even if not expressly stated in a clause for such purpose in the contract, as is generally the case for any improper payment or payment without cause. In the future, in the event that agreements are executed with new executive directors, the convenience of including this type of clawback clauses will be analyzed when negotiating such agreements.

**B.3. Please explain how the compensation earned in the fiscal year complies with the provisions of the current compensation policy.**

Report also on the relationship between the compensation obtained by the directors and the company's results or other short and long-term performance-related measurements, explaining, where appropriate, how variations in the performance of the company may have affected variations in the compensation of directors, including any compensation accrued whose payment has been deferred, and how this compensation contributes to the company's short and long-term results.

As indicated, the General Shareholders Meeting approved on 28 June 2019 the Directors Compensation Policy for 2019-2021. Total compensation earned during 2019 does not exceed the maximum figure established in the applicable Compensation Policy.

It should also be pointed out that the Directors Compensation Policy provides for the existence of fixed compensation components and, in the sole case of the Executive Chairman, variable components, whose characteristics are established therein. All the compensation items for which compensation has been earned by both the directors in their position as such and by the executive directors during fiscal year 2019 are expressly provided in the policy, without any compensation having been earned or paid in the year for items not provided in the policy.

As previously indicated in this Report, only the Executive Chairman can receive variable compensation, which consists of two tranches, one regulated and the other discretionary.

With regard to setting the targets for the regulated variable compensation tranche of the Executive Chairman for 2019, the Board of Directors established measurable criteria such as achieving adequate levels of sales, obtaining income derived from the sale of non-strategic assets, the transfer of assets or product licenses under development and obtaining resources from the performance of transaction in capital markets. The Appointments and Compensation Committee proposed to the Board of Directors, for its final approval, the assessment of compliance with the targets for the regulated variable compensation tranche of the Executive Chairman in 2019, as well as the amount earned based on that assessment. Based on this assessment, the Appointments and Compensation Committee proposed the finding that 100% of the targets of the regulated or non-discretionary tranche were met (up to a maximum of 12% of annual gross compensation), and therefore proposed the granting of an amount equal to 12% of fixed compensation in 2019, i.e. 107 thousand euros. The Board of Directors, at its meeting on 26 February 2020, approved the aforementioned proposal.

Furthermore, the discretionary tranche of the Executive Chairman's variable compensation must be determined in accordance with the provisions of the aforementioned agreement executed between the Company and its top executive, in view of criteria such as the strategic momentum of the Group, the Group's product pipeline, the attendance of the top executive at conferences and roadshows, R&D investments, creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. In such regard, the Appointments and Compensation Committee proposed to the Board of Directors that when determining the discretionary tranche it should consider a series of milestones achieved in 2019 that reinforce and drive the Group's strategy, namely the positive evolution of the pipeline, the attendance of the Executive Chairman at the world's most important scientific congresses on oncology, sector conferences and multiple roadshows with investors, etc. Based on the milestones achieved, the Appointments and Compensation Committee also proposed to the Board that it be estimated that compliance with the discretionary tranche was 100% and, therefore, proposed that the discretionary tranche of the variable compensation for 2019 be granted in its entirety, i.e., an amount equivalent to 18% of the fixed compensation of the top executive in 2019 for the performance of their executive duties, that is to say, 160.1 thousand euros. The aforementioned proposal of the Appointments and Compensation Committee was approved by the Board of Directors in its meeting of 26 February 2020.

**B.4.** Report on the result of the general meeting's consultative vote on the annual report on the previous year's compensation, indicating where appropriate the number of votes against

	Number	% of Total
Votes Cast	72,153,174	32.41

	Number	% on Votes Cast
Against	7,964,914	11.04
In Favor	64,137,075	88.89
Abstentions	51,185	0.07

Comments

**B.5.** Please explain how the fixed components earned during the fiscal year by the directors in their position as such have been determined, and how they have varied with respect to the previous year.

The Board of Directors in its meeting of 29 January 2019, at the proposal of the Appointments and Compensation Committee, agreed to increase for 2019 (from the first of January) the compensation to directors for their position as such, both their fixed compensation for belonging to the Board and its committees and attendance allowances, by 1.2% with regard to those for 2018, also including the Coordinating Director's annual fixed compensation. This percentage is equivalent to the variation experienced by the CPI during fiscal year 2018. In this way, in 2019:

- Each Director of Pharma Mar earned fixed compensation for membership on the Board of Directors of Pharma Mar in the amount of €64,605.
- Each Director of Pharma Mar received an attendance allowance of €3,701 for each meeting of the Board of Directors of Pharma Mar they attended.
- The Directors of Pharma Mar that were members of the Company's Audit Committee or Appointments and Compensation Committee received individual compensation of €16,840.
- The Directors of Pharma Mar that served as Chairmen of the Company's Audit Committee or of its Appointments and Compensation Committee received individual compensation of €21,933.
- The Directors of Pharma Mar that were members of the Company's Executive Committee (including the Chairman and its Members) received individual compensation of €127,115.
- Each Director of Pharma Mar that was a member of the Executive Committee, the Audit Committee or the Appointments and Compensation Committee received an attendance allowance of €1,679 for each meeting of the aforesaid Committees that they attended.
- The Coordinating Director of Pharma Mar received fixed compensation for holding such position in the amount of €16,840.

In addition, it is worth noting that the Pharma Mar Group has taken out a civil liability insurance policy for the directors and executives of the companies that form part of its Group, the premiums of which that were paid in 2019 amounted to €182 thousand.

In accordance with the Directors Compensation Policy approved by the General Shareholders Meeting on 28 June 2018, maximum annual compensation for the directors of Pharma Mar as a whole in their condition as such during the period from 2019 to 2021 was set at €1,800,000, until such time as an amendment thereto would be approved.

In 2019, no compensation system linked to share value or that involves the delivery of shares or share option rights was applied to any of the directors.

**B.6.** Please explain how the compensation earned, during the closed fiscal year, by each of the executive directors for the performance of their management duties has been determined, and how it has varied with respect to the previous year.

In relation to the fixed compensation of Executive Directors for the performance of their executive duties in 2019, it should be pointed out that the Executive Chairman received a fixed compensation of 889.7 thousand euros (879.2 thousand euros in 2018), while the Executive Vice-Chairman received a fixed compensation of 264.8 thousand euros (261,6 thousand euros in 2018).

In the two previous cases, the increase in fixed compensation between 2018 and 2019 was 1.2%, equivalent to the increase in the CPI in 2018. Such increase was agreed by the Board of Directors in its meeting of 29 January 2019, at the proposal of the Appointments and Compensation Committee, and in line with the provisions of the current Compensation Policy for 2019-2021.

**B.7.** Please explain the nature and primary features of the variable components of the compensation systems accrued during the year ended.

In particular:

- Please specify each of the compensation plans that have determined the different variable compensation amounts earned by each of the directors during the closed fiscal year, including information on their scope, approval date, implementation date, accrual and validity periods, criteria that have been used to assess performance and how this has impacted the determination of the variable amount earned, as well as the measurement criteria that have been used and the time required to be able to adequately measure all the stipulated conditions and criteria.

For plans involving share options or other financial instruments, the general features of the plan should include information on the conditions to both acquire their unconditional ownership (vesting) and to be able to exercise said options or financial instruments, including the price and period for exercising the aforesaid.

- Every director and their category (executive directors, external shareholder-appointed directors, external independent directors or other external directors) who is a beneficiary of compensation systems or plans that include variable compensation.
- Where appropriate, please provide information on any payment accrual and deferral periods established or applied and/or retention/non-disposal periods for shares or other financial instruments, as the case may be.

Explain the short-term variable components of the compensation systems:

Only the Executive Chairman receives a variable compensation which, in accordance with the contract for the provision of executive services executed with the Company, could reach a maximum of 30% of the fixed annual gross compensation for performing executive duties, consisting of two tranches, one regulated (which could be up to 12% of the fixed compensation) and the other discretionary (which could be up to 18% of the fixed compensation).

With regard to setting the targets for the regulated variable compensation tranche for the performance of the Executive Chairman for 2019, the Board of Directors, at the proposal of the Appointments and Compensation Committee, established measurable criteria such as achieving adequate levels of sales, obtaining income derived from the sale of non-strategic assets, the transfer of assets or product licenses under development and obtaining resources from the performance of transaction in capital markets. The Appointments and Compensation Committee proposed to the Board of Directors, for its final approval, the assessment of compliance with the targets for the regulated variable compensation tranche of the Executive Chairman in 2019, as well as the amount earned based on that assessment. Based on this assessment, the Appointments and Compensation Committee proposed the finding that 100% of the targets of the regulated or non-discretionary tranche were met (up to a maximum of 12% of annual gross compensation), and therefore proposed the granting of an amount equal to 12% of fixed compensation in 2019, i.e. 107 thousand euros. The Board of Directors, at its meeting on 26 February 2020, approved the aforementioned proposal.

Furthermore, the discretionary tranche of the Executive Chairman's variable compensation must be determined in accordance with the provisions of the aforementioned agreement executed between the Company and its top executive, in view of criteria such as the strategic momentum of the Group, the Group's product pipeline, the attendance of the top executive at conferences and roadshows, R&D investments, creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. In such regard, the Appointments and Compensation Committee proposed to the Board of Directors that when determining the discretionary tranche it should consider a series of milestones achieved in 2019 that reinforce and drive the Group's strategy, namely the positive evolution of the pipeline, the attendance of the Executive Chairman at the world's most important scientific congresses on oncology, sector conferences and multiple roadshows with investors, etc. Based on the milestones achieved, the Appointments and Compensation Committee also proposed to the Board that it be estimated that compliance with the discretionary tranche was 100% and, therefore, proposed that the discretionary tranche of the variable compensation for 2018 be granted in its entirety, i.e., an amount equivalent to 18% of the fixed compensation of the top executive in 2019 for the performance of their executive duties, that is to say, 160.1 thousand euros. The aforementioned proposal of the Appointments and Compensation Committee was approved by the Board of Directors in its meeting of 26 February 2020.

It should be pointed out finally that in 2019 no compensation system linked to share value or that involves the delivery of shares or share option rights was applied, nor is this established in the Compensation Policy for 2019-2021 approved by the General Meeting of 28 June 2018.

#### Explain the long-term variable components of the compensation systems:

As already indicated in this Report, the only director that receives a variable compensation is the Executive Chairman. The Executive Chairman's variable compensation for fiscal year 2019 did not include long-term variable components.

**B.8.** Please indicate whether the refund of certain variable components has been reduced or requested if, in the first case, the payment was vested and deferred or, in the second case, vested and paid, based on information that was later found to be clearly inaccurate. Describe the amounts reduced or refunded by the application of the clawback clauses, why they have been executed and the fiscal years to which they refer.

No variable component previously paid by the Company to any of its directors has been reduced or a request made for its refund. It should be highlighted that the only director that receives a variable compensation is the Executive Chairman of the Company.

**B.9.** Please explain the main features of the long-term savings systems, whose amount or equivalent annual cost is shown in the tables in Section C, including retirement and any other survivor benefits, partially or wholly funded by the company, whether provided internally or externally, indicating the type of plan, whether defined benefit or contribution, the contingencies that it covers, the conditions of the vested economic rights of the directors and their compatibility with any type of compensation for early termination or termination of the contractual relationship between the company and the director.

The Executive Chairman and Executive Vice Chairman are the beneficiaries of a life insurance-savings insurance policy. This involves a defined contribution. The Company makes an annual contribution of €12 thousand to said savings scheme for each one of the Executive Directors. The contingencies covered include retirement and death.

As regards the Executive Chairman, the Company undertakes, during the validity of its contract for the provision of executive services, to make an annual contribution of €12 thousand. Upon termination of the aforementioned contract, the Company will stop making such contributions, although accumulated capital will be held in favor of the Executive Chairman until such time as an insured event occurs (death or retirement), unless the termination thereof was a result of (a) the unilateral voluntary withdrawal of the Executive Chairman, not followed by the immediate retirement thereof, or (b) a serious breach of the Executive Chairman's obligations that has been legally declared as such, in which cases the accumulated capital shall pertain to the Company rather than the insured. Receipt of accumulated capital is compatible with the severance pay referred to in section A.1.

As regards the Executive Vice Chairman, the Company shall continue to make annual contributions as long as said Executive Vice Chairman continues to provide the services to the Company (excluding those services provided in their position as a director) or to its subsidiaries and up until their retirement, regardless of the director's age at the time of retirement. The accumulated capital pertaining to the insured shall be held to its benefit until such time as an insured event occurs (retirement or death), regardless of whether the Company has stopped making contributions to the benefit of the insured at any given time, with the exception of legally mandated removals or voluntary resignation, not including retirement, in which case, the accumulated capital shall pertain to the Company rather than the insured. Receipt of accumulated capital is compatible with receiving any severance pay to which the Director, due to their dismissal, would be entitled under employment regulations that govern their relationship with the Company.

**B.10.** Please explain, where appropriate, severance payments or any other type of payment resulting from early termination, whether termination was brought about by the company or the director, under the terms provided therein, earned and/or received by the directors during the closed fiscal year.

In fiscal year 2019 no severance payments or any other type of payment resulting from the early termination or termination of the contract with the directors were made thereto. On 26 June 2019, Jaime Zurita Sáenz de Navarrete ceased to serve as a Director of the Company as his elected term had expired, receiving no indemnification or other compensation as a result of his removal. The two executive directors that the Company had at 31 December 2018 continued to perform their executive duties in the Company at 31 December 2019.

**B.11.** Please indicate whether there have been any significant amendments in the contracts of those who perform senior management duties as executive directors and, where applicable, explain them. Also explain the main conditions of the new contracts signed with executive directors during the fiscal year, unless they have already been explained in section A.1.

There have been no amendments in the contractual relationship of the Company with its two executive directors.

**B.12.** Please explain any supplementary compensation paid to directors as compensation for services provided other than those inherent in their position.

See the reply to section B.16 of this Report.

**B.13.** Please explain any compensation resulting from the granting of advances, loans and guarantees, indicating the interest rate, key features and any amounts repaid, as well as the obligations assumed on their behalf as a security.

The Executive Chairman has accumulated from prior years an advance for the amount of 45 thousand euros, which does not accrue interest.

**B.14.** Please describe any in-kind compensation earned by the directors during the fiscal year, briefly explaining the nature of the different salary components.

In 2019, the Executive Directors received welfare compensation (whether by virtue of a contract for the provision of executive services or of an employment relationship), including the following benefits:

- Life and retirement insurance (life insurance-savings insurance). In 2019, the Company made an annual contribution of €12 thousand for each of the Executive Directors.
- Accident insurance, under a collective policy for the Company's employees or under equivalent conditions, health insurance, under a collective policy for the Company's employees or under equivalent conditions, and a full annual medical check-up (only for the Executive Chairman), totaling in 2019 an annual cumulative contribution of €5 thousand for the Executive Chairman and €4 thousand for the Vice Chairman.

On the other hand, the Company provides the Executive Chairman with a representative office at the operating headquarters, communications equipment, payment instruments, support staff, security systems and staff and a company vehicle sufficient for the duties performed thereby. The total value of these elements provided to the executive chairman in 2019 can be estimated or quantified at 323 thousand euros.

In addition, it is worth noting that the Pharma Mar Group has taken out a civil liability insurance policy for the directors and executives of the companies that form part of its Group, in relation to which €182 thousand were paid in 2019.

**B.15.** Please explain the compensation earned by the director by virtue of the payments made by the listed company to a third party in which the director provides services, when said payments are made to remunerate the director's services in the company.

Not applicable.



**B.16.** Please explain any compensation item different from those above, regardless of its nature or which group company made said payment, especially if it is considered a related transaction or its issue distorts the fair view of the total compensation earned by the director.

Some members of the Board of Directors of Pharma Mar, S.A. were in 2019 also members of the Board of Directors of one of its subsidiaries in which that position is remunerated. This is the case with José M<sup>º</sup> Fernández Sousa-Faro (Director in Genómica S.A.U., and natural representative of Pharma Mar, S.A., Director in Zelnova Zeltia, S.A. until 28 June 2019, on which date Zelnova Zeltia, S.A. was sold, so Mr. Fernández Sousa-Faro did not receive in 2019 any compensation in that company), Pedro Fernández Puentes (Director in Zelnova Zeltia, S.A. until 28 June 2019, on which date Zelnova Zeltia, S.A. was sold), José Félix Pérez Orive Carceller (Director in Genómica, S.A.U. and Zelnova Zeltia, S.A. until 28 June 2019, on which date Zelnova Zeltia, S.A. was sold) and Rosp Corunna Participaciones Empresariales S.L. (Director in Zelnova Zeltia, S.A. until 28 June 2019, on which date Zelnova Zeltia, S.A. was sold).

The fixed compensation for belonging to the Board of Directors of Genómica, S.A.U. as well as the current allowances in 2019 for attending the Board were approved by the General Shareholders Meeting of that company of 15 November 2019; in accordance with the aforementioned resolution, the fixed compensation for belonging to the governing body in 2019 was 14,000 euros per Director, together with an allowance of 307.69 euros for attending each meeting of the governing body of Genómica, S.A.U. (in no case can the total sum of the attendance allowances and the fixed compensation provided for in the Bylaws exceed 15,538.45 euros). In line with the above, in 2019 José María Fernández Sousa-Faro and José Félix Pérez-Orive Carceller each accrued from Genómica S.A.U. a fixed compensation provided for in the Bylaws of 14,000 euros and received allowances for attending the meetings of the governing body of 1,230.76 euros.

In 2019, fixed compensation for membership on the Board of Directors of Zelnova Zeltia, S.A. was set, according to its Bylaws, at 12,132 euros, together with an allowance of 2,022 euros for attending each meeting of the governing body of Zelnova Zeltia, S.A. In accordance with the foregoing and considering that Zelnova Zeltia, S.A. was sold on 28 June 2019, in fiscal year 2019, Pedro Fernández Puentes and José Félix Pérez-Orive Carceller each received from Zelnova Zeltia, S.A. a fixed compensation provided for in the Bylaws plus allowances for attendance at the meetings of the board in the amount of 8.088 euros, and Rosp Corunna Participaciones Empresariales S.L. received from Zelnova Zeltia, S.A. for the aforementioned items a total of 6,066 euros.

It is also worth noting that the company Talleres Trébore, S.L., the sole shareholder of which is María Sandra Ortega Mera, who is the controlling shareholder of Rosp Corunna Participaciones Empresariales, S.L., provided graphic design, layout, printing and merchandising services to Pharma Mar, S.A. in 2019, totaling 13 thousand euros.

**C. BREAKDOWN OF INDIVIDUAL COMPENSATION APPLICABLE TO EACH OF THE DIRECTORS**

Name	Category	Accrual Period FY 2019
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	Executive Chairman	From 1/1/2019 to 31/12/2019.
PEDRO FERNÁNDEZ PUENTES	Vice Executive Chairman	From 1/1/2019 to 31/12/2019.
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	Other External Director	From 26/6/2019 to 31/12/2019.
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	Shareholder-Appointed Director	From 1/1/2019 to 31/12/2019.
EDUARDO SERRA Y ASOCIADOS, S.L.	Other External Director	From 1/1/2019 to 31/12/2019.
CARLOS SOLCHAGA CATALÁN	Independent Director	From 1/1/2019 to 31/12/2019.
MONTSERRAT ANDRADE DETRELL	Shareholder-Appointed Director	From 1/1/2019 to 31/12/2019.
ANA PALACIO VALLELERSUNDI	Independent Director	From 1/1/2019 to 31/12/2019.
VALENTÍN DE TORRES-SOLANOT DEL PINO	Independent Director	From 1/1/2019 to 31/12/2019.
BLANCA HERNÁNDEZ RODRÍGUEZ	Independent Director	From 6/26/2019 to 31/12/2019.
CARLOS PAZOS CAMPOS	Coordinating Director	From 26/6/2019 to 31/12/2019.
JAIME ZURITA SÁENZ DE NAVARRETE	Independent Director	From 1/1/2019 to 26/06/2019.
JEFPO, S.L.	Other External Director	From 1/1/2019 to 26/06/2019.

## ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

C.1. Please complete the following tables on the individual compensation of each of the directors (including compensation for carrying out executive duties) earned during the year.

a) Compensation in the Company covered in this Report:

i) Accrued Cash Compensation (in thousands of €)

Name	Fixed Compensation	Allowances	Compensation for Membership on Board Committees	Salary	Short-Term Variable Compensation	Long-Term Variable Compensation	Indemnities	Other Items	Total 2019	Total 2018
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	65	37	127	890	267				1,386	1,330
PEDRO FERNÁNDEZ PUENTES	65	33	127	265					490	488
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	65	65	144						274	270
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	65	43	17						125	118
EDUARDO SERRA Y ASOCIADOS, S.L.	65	49	19						133	127
CARLOS SOLCHAGA CATALÁN	65	49	21						135	134
MONTSERRAT ANDRADE DETRELL	65	49	17						131	122
ANA PALACIO VALLELERSUNDI	65	61	36						162	150
VALENTÍN DE TORRES-SOLANOT DEL PINO	65	44	9						118	47
BLANCA HERNÁNDEZ RODRÍGUEZ	32	18	8						58	
CARLOS PAZOS CAMPOS	32	19						8	59	
JAIME ZURITA SÁENZ DE NAVARRETE	32	32	17					8	89	167
JEFPO, S.L.										

### Comments

As regards the tables in section C of this Report, it is hereby stated that as regards the different compensation items and amounts earned during fiscal year 2019 by José Félix Pérez Orive, the compensation earned by JEFPO, S.L. as a director of Pharma Mar, S.A. through the date of his resignation, effective on 26 June 2019, were considered on a joint and aggregate basis.

ii) Table of changes in the share-based compensation systems and gross profit on vested shares or financial instruments.

Name	Plan Name	Financial Instruments at Start of Fiscal Year 2019		Financial Instruments Granted during Fiscal Year 2019		Financial Instruments Vested during the Fiscal Year				Unexercised and Matured Instruments	Financial Instruments at Closing of Fiscal Year 2019	
		No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent/Vested Shares	Price of Vested Shares	Gross Profit on Vested Shares or Financial Instruments (in thousands of €)	No. of Instruments	No. of Instruments	No. of Equivalent Shares
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	Plan							0.0				
PEDRO FERNÁNDEZ PUENTES	Plan							0.0				
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	Plan							0.0				
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	Plan							0.0				
EDUARDO SERRA Y ASOCIADOS, S.L.	Plan							0.0				
CARLOS SOLCHAGA CATALÁN	Plan							0.0				
MONTSERRAT ANDRADE DETRELL	Plan							0.0				
ANA PALACIO VALLELERSUNDI	Plan							0.0				
VALENTÍN DE TORRES-SOLANOT DEL PINO	Plan							0.0				
BLANCA HERNÁNDEZ RODRÍGUEZ	Plan							0.0				

## ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Plan Name	Financial Instruments at Start of Fiscal Year 2019		Financial Instruments Granted during Fiscal Year 2019		Financial Instruments Vested during the Fiscal Year				Unexercised and Matured Instruments	Financial Instruments at Closing of Fiscal Year 2019	
		No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent/Vested Shares	Price of Vested Shares	Gross Profit on Vested Shares or Financial Instruments (in thousands of €)	No. of Instruments	No. of Instruments	No. of Equivalent Shares
CARLOS PAZOS CAMPOS	Plan							0.00				
JAIME ZURITA SÁENZ DE NAVARRETE	Plan							0.00				
JEFPO, S.L.	Plan							0.00				

### Comments

#### iii) Long-Term Savings Systems.

Name	Compensation for vested rights to saving systems
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	12
PEDRO FERNÁNDEZ PUENTES	12
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	
EDUARDO SERRA Y ASOCIADOS, S.L.	
CARLOS SOLCHAGA CATALÁN	

## ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Compensation for vested rights to saving systems
MONTERRAT ANDRADE DETRELL	
ANA PALACIO VALLELERSUNDI	
VALENTÍN DE TORRES-SOLANOT DEL PINO	
BLANCA HERNÁNDEZ RODRÍGUEZ	
CARLOS PAZOS CAMPOS	
JAIME ZURITA SÁENZ DE NAVARRETE	
JEFPO, S.L.	

Name	Contribution Made by the Company during the Year (in thousands of €)				Amount of Accumulated Funds (in thousands of €)			
	Saving systems with vested economic rights		Saving systems with non-vested economic rights		Saving systems with vested economic rights		Saving systems with non-vested economic rights	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	12	12			318	306		
PEDRO FERNÁNDEZ PUENTES	12	12			342	329		
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER								
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.								
EDUARDO SERRA Y ASOCIADOS, S.L.								

Name	Contribution Made by the Company during the Year (in thousands of €)				Amount of Accumulated Funds (in thousands of €)			
	Saving systems with vested economic rights		Saving systems with non-vested economic rights		Saving systems with vested economic rights		Saving systems with non-vested economic rights	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
CARLOS SOLCHAGA CATALÁN								
MONTSERRAT ANDRADE DETRELL								
ANA PALACIO VALLELERSUNDI								
VALENTÍN DE TORRES- SOLANOT DEL PINO								
BLANCA HERNÁNDEZ RODRÍGUEZ								
CARLOS PAZOS CAMPOS								
JAIME ZURITA SÁENZ DE NAVARRETE								
JEFPO, S.L.								

Comments

iv) Breakdown of other Items

Name	Item	Compensation Amount
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	In-kind, non-cash compensation, specifically: group accident and health insurance policy for employees, company car, security personnel and systems, communication equipment.	328
PEDRO FERNÁNDEZ PUENTES	In-kind, non-cash compensation, specifically: group accident and health insurance policy for employees	4
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	Item	
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	Item	
EDUARDO SERRA Y ASOCIADOS, S.L.	Item	
CARLOS SOLCHAGA CATALÁN	Item	
MONTSERRAT ANDRADE DETRELL	Item	
ANA PALACIO VALLELERSUNDI	Item	
VALENTÍN DE TORRES-SOLANOT DEL PINO	Item	
BLANCA HERNÁNDEZ RODRÍGUEZ	Item	
CARLOS PAZOS CAMPOS	Cash compensation as coordinating director (six months in 2019)	8
JAIME ZURITA SÁENZ DE NAVARRETE	Cash compensation as coordinating director (six months in 2019)	8
JEFFO, S.L.	Item	

Comments

[ ]



b) Compensation to the company's directors for their membership on the boards of other group companies:

i) Accrued Cash Compensation (in thousands of €)

Name	Fixed Compensation	Allowances	Compensation for Membership on Board Committees	Salary	Short-Term Variable Compensation	Long-Term Variable Compensation	Indemnities	Other Items	Total 2019	Total 2018
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	14	1							15	15
PEDRO FERNÁNDEZ PUENTES	4	4							8	20
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	18	5							23	46
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	4	2							6	20
EDUARDO SERRA Y ASOCIADOS, S.L.										
CARLOS SOLCHAGA CATALÁN										
MONTSERRAT ANDRADE DETRELL										
ANA PALACIO VALLELERSUNDI										
VALENTÍN DE TORRES-SOLANOT DEL PINO										
BLANCA HERNÁNDEZ RODRÍGUEZ										
CARLOS PAZOS CAMPOS										
JAIME ZURITA SÁENZ DE NAVARRETE										
JEFPO, S.L.										

Comments

ii) Table of changes in the share-based compensation systems and gross profit on vested shares or financial instruments.

Name	Plan Name	Financial Instruments at Start of Fiscal Year 2019		Financial Instruments Granted during Fiscal Year 2019		Financial Instruments Vested during the Fiscal Year				Unexercised and Matured Instruments	Financial Instruments at Closing of Fiscal Year 2019	
		No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent/Vested Shares	Price of Vested Shares	Gross Profit on Vested Shares or Financial Instruments (in thousands of €)	No. of Instruments	No. of Instruments	No. of Equivalent Shares
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	Plan							0.00				
PEDRO FERNÁNDEZ PUENTES	Plan							0.00				
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	Plan							0.00				
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	Plan							0.00				
EDUARDO SERRA Y ASOCIADOS, S.L.	Plan							0.00				
CARLOS SOLCHAGA CATALÁN	Plan							0.00				

**ANNUAL REPORT ON COMPENSATION OF  
DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES**

Name	Plan Name	Financial Instruments at Start of Fiscal Year 2019		Financial Instruments Granted during Fiscal Year 2019		Financial Instruments Vested during the Fiscal Year				Unexercised and Matured Instruments	Financial Instruments at Closing of Fiscal Year 2019	
		No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent/Vested Shares	Price of Vested Shares	Gross Profit on Vested Shares or Financial Instruments (in thousands of €)	No. of Instruments	No. of Instruments	No. of Equivalent Shares
MONTERRAT ANDRADE DETRELL	Plan							0.00				
ANA PALACIO VALLELERSUNDI	Plan							0.00				
VALENTÍN DE TORRES-SOLANOT DEL PINO	Plan							0.00				
BLANCA HERNÁNDEZ RODRÍGUEZ	Plan							0.00				
CARLOS PAZOS CAMPOS	Plan							0.00				
JAIME ZURITA SÁENZ DE NAVARRETE	Plan							0.00				
JEFFO, S.L.	Plan							0.00				

[

iii) Long-Term Savings Systems.

Name	Compensation for vested rights to saving systems
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	
PEDRO FERNÁNDEZ PUENTES	
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	
EDUARDO SERRA Y ASOCIADOS, S.L.	
CARLOS SOLCHAGA CATALÁN	
MONTSERRAT ANDRADE DETRELL	
ANA PALACIO VALLELERSUNDI	
VALENTÍN DE TORRES-SOLANOT DEL PINO	
BLANCA HERNÁNDEZ RODRÍGUEZ	
CARLOS PAZOS CAMPOS	
JAIME ZURITA SÁENZ DE NAVARRETE	
JEFPO, S.L.	

**ANNUAL REPORT ON COMPENSATION OF  
DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES**

Name	Contribution Made by the Company during the Year (in thousands of €)				Amount of Accumulated Funds (in thousands of €)			
	Saving systems with vested economic rights		Saving systems with non-vested economic rights		Saving systems with vested economic rights		Saving systems with non-vested economic rights	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO								
PEDRO FERNÁNDEZ PUENTES								
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER								
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.								
EDUARDO SERRA Y ASOCIADOS, S.L.								
CARLOS SOLCHAGA CATALÁN								
MONTSERRAT ANDRADE DETRELL								
ANA PALACIO VALLELERSUNDI								
VALENTÍN DE TORRES-SOLANOT DEL PINO								
BLANCA HERNÁNDEZ RODRÍGUEZ								
CARLOS PAZOS CAMPOS								

## ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Contribution Made by the Company during the Year (in thousands of €)				Amount of Accumulated Funds (in thousands of €)			
	Saving systems with vested economic rights		Saving systems with non-vested economic rights		Saving systems with vested economic rights		Saving systems with non-vested economic rights	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
JAIME ZURITA SÁENZ DE NAVARRETE								
JEFPO, S.L.								

Comments

[

]

### iv) Breakdown of other Items

Name	Item	Compensation Amount
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	Item	
PEDRO FERNÁNDEZ PUENTES	Item	
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	Item	
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	Item	
EDUARDO SERRA Y ASOCIADOS, S.L.	Item	
CARLOS SOLCHAGA CATALÁN	Item	
MONTSERRAT ANDRADE DETRELL	Item	
ANA PALACIO VALLELERSUNDI	Item	
VALENTÍN DE TORRES-SOLANOT DEL PINO	Item	
BLANCA HERNÁNDEZ RODRÍGUEZ	Item	

## ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Item	Compensation Amount
CARLOS PAZOS CAMPOS	Item	
JAIME ZURITA SÁENZ DE NAVARRETE	Item	
JEFPO, S.L.	Item	

Comments
----------

c) Summary of compensation (in thousands of €):

The summary must include the amounts of all compensation items included in this Report that have been earned by the director, in thousands of euros.

Name	Compensation earned in the Company					Compensation earned in group companies				
	Total Cash Payment	Gross Profit on Vested Shares or Financial Instruments	Compensation for saving systems	Compensation for other items	Total 2019 (Company)	Total Cash Payment	Gross Profit on Vested Shares or Financial Instruments	Compensation for saving systems	Compensation for other items	Total 2019 (Group)
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	1,386		12	328	1,726	15				15
PEDRO FERNÁNDEZ PUENTES	490		12	4	506	8				8
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	274				274	23				23
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	125				125	6				6
EDUARDO SERRA Y ASOCIADOS, S.L.	133				133					
CARLOS SOLCHAGA CATALÁN	135				135					

**ANNUAL REPORT ON COMPENSATION OF  
DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES**

Name	Compensation earned in the Company					Compensation earned in group companies				
	Total Cash Payment	Gross Profit on Vested Shares or Financial Instruments	Compensation for saving systems	Compensation for other items	Total 2019 (Company)	Total Cash Payment	Gross Profit on Vested Shares or Financial Instruments	Compensation for saving systems	Compensation for other items	Total 2019 (Group)
MONTERRAT ANDRADE DETRELL	131				131					
ANA PALACIO VALLELERSUNDI	162				162					
VALENTÍN DE TORRES-SOLANOT DEL PINO	118				118					
BLANCA HERNÁNDEZ RODRÍGUEZ	58				58					
CARLOS PAZOS CAMPOS	59				59					
JAIME ZURITA SÁENZ DE NAVARRETE	89				89					
JEFPO, S.L.										
<b>TOTAL</b>	<b>3,160</b>		<b>24</b>	<b>332</b>	<b>3,516</b>	<b>52</b>				<b>52</b>

Comments

[ ]



**D. OTHER INFORMATION OF INTEREST**

If there is any other relevant information on director compensation that has not been included in the rest of the sections of this Report, but which should be included in order to gather more complete and reasoned information on the structure and compensation practices of the company with regard to its directors, please briefly describe such information below.

CONTINUATION FROM SECTION A.1: COMPANY'S COMPENSATION POLICY FOR THE CURRENT FISCAL YEAR

It should also be emphasized that the current Compensation Policy does not set specific compensation amounts for the Directors in their condition as such (fixed compensation and attendance allowances), such that the Board of Directors shall be responsible, in accordance with Article 37 of the Bylaws and following a proposal of the Appointments and Compensation Committee, for setting such amounts, taking into consideration the duties and responsibilities entrusted to each Director, their membership on any Board Committees as well as any other objective circumstances deemed relevant, at all times complying with the compensation system provided for in the Bylaws and the maximum annual compensation limit for the Directors as a whole in their condition as such, as established in the Compensation Policy. It should be noted that the specific amounts of fixed compensation to be applied in 2020 for membership on the Board and its Committees, attendance allowances and compensation of the Coordinating Director were approved by the Board of Directors at its meeting on 21 January 2020, approving the proposal submitted in such regard by the Appointments and Compensation Committee.

As previously mentioned, Compensation Policy 2019-2021 also considers the compensation system for Executive Directors for the performance of their executive duties, and which also includes both the fixed compensation that the two Company's Executive Directors will receive in that period and the maximum annual amount of the Executive Chairman's variable compensation -the only director who receives a variable compensation- and which, in accordance with the relevant contract for the provision of executive services executed with the Executive Chairman, is equivalent to 30% of their fixed annual compensation. Said variable compensation is divided into two tranches, one regulated (which could be up to 12% of the fixed annual compensation) and the other discretionary (which could be up to 18% of the fixed annual compensation). It should be pointed out that Compensation Policy 2019-2021 also includes other compensation items for the Executive Directors such as a life insurance-savings insurance policy, accident insurance, health insurance and also, in the case of the Executive Chairman only, an annual medical check-up, a representative office in the operating headquarters, communications equipment, payment instruments, support and security staff and a company vehicle. This compensation for the performance of executive duties is independent from compensation applicable to the Executive Directors by virtue of their general monitoring and group decision-making duties arising from their status as a director -including compensation received for serving as the Chairman of the Board of Directors, or as a member or other officer on any of its committees- of the Company or any Group company.

The Compensation Policy to apply for fiscal year 2020 will therefore be Compensation Policy 2019-2021 approved by the General Shareholders Meeting of 28 June 2018, which sets out the principles and foundations described. For 2020, the maximum amount of the compensation of all the directors in their position as such is set at 1,800,000 euros, the maximum figure approved by the General Shareholders Meeting of 28 June 2018, and which will remain in force until the General Shareholders Meeting approves, as the case may be, a new amount.

Furthermore, it is worth noting that Compensation Policy 2019-2021 does not establish for any director a compensation system linked to share value or that involves the delivery of shares or share option rights.

The bodies involved in designing the Company's compensation policy are the Board of Directors and the Appointments and Compensation Committee, while, in accordance with Article 14 of Pharma Mar's Bylaws, the General Shareholders Meeting is responsible for approving the Directors Compensation Policy, under the terms established by applicable law.

As set out in Article 31 of the Bylaws and Article 5 of the Board of Directors Regulations, in accordance with Articles 249, 249bis and 529 octodecies of the LSC, the Board of Directors is responsible for adopting decisions on director compensation, within the framework of the Bylaws and, as the case may be, on the compensation policy approved by the General Shareholders Meeting. In accordance with the provisions of Art. 21 of the Board of Directors Regulations of Pharma Mar, S.A., Directors shall have the right to the compensation established by the Board of Directors in accordance with the provisions of law and the bylaws and with the compensation policy approved by the General Meeting, following the proposal of the Appointments and Compensation Committee.

The Appointments and Compensation Committee is the body in charge of assisting the Board of Directors in compensation related matters. In accordance with Article 14 of the Board of Directors Regulations, the duties of this Committee as relates to the compensation policy are as follows: (i) to propose to the Board the compensation system and policy for Directors, general managers, managers that perform senior management duties and report directly to the board, executive committees or Managing Directors, as well as individual compensation and other contract conditions for executive directors; (ii) to verify compliance with and regularly revise the compensation policy applied to the Directors and senior executives, including compensation systems using shares and the application thereof, as well as to ensure that individual compensation is proportionate to the amount paid to the other Directors and senior executives of the Company; (iii) to verify information on the compensation of Directors and senior executives as provided in the various corporate documents, including the annual report on director compensation; and (iv) to report in advance to the Board of Directors on proposed resolutions for related-party transactions.

The Appointments and Compensation Committee was established by resolution of the Board of Directors on 22 September 2015, although said establishment resolution did not enter into effect until the date on which the shares of Pharma Mar were admitted to trade on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (i.e. 2 November 2015). As of 31 December 2019, the Appointments and Compensation Committee was made up by the following directors:

- Ana Palacio Vallelersundi, independent director.
- Eduardo Serra y Asociados, S.L. (represented by Eduardo Serra Rexach), external director.
- Montserrat Andrade Detrell, shareholder-appointed director.
- Blanca Hernández Rodríguez, independent director.

The Board Meeting held on 26 June 2019 made the following appointments and reappointments of members to the Appointments and Compensation Committee: (i) appointment of Ana Palacio Vallelersundi, Chairman of the Appointments and Compensation Committee, for the same term as her position as director of the Company, although her appointment will expire on 28 July 2021, on which date Mrs. Palacio will have completed twelve years as a director of the company and will lose her status as independent pursuant to paragraph 4 of Art. 529 *duodecies* LSC; (ii) reappointment of EDUARDO SERRA Y ASOCIADOS, S.L. (represented by Eduardo Serra Rexach), as a member of the Appointments and Compensation Committee, for the same term as his position as director of the Company, and appointment as Secretary of said Committee; (iii) appointment of Blanca Hernández Rodríguez, as a member of the Appointments and Compensation Committee, for the same term as her position as director of the Company, replacing Jaime Zurita Sáenz de Navarrete, who, on that same day ceased to serve as a Director of the Company following expiration of the term for which he was appointed; and (iv) reappointment of Montserrat Andrade Detrell as a member of the Appointments and Compensation Committee for the same term as her position as Director of the Company.

The current composition therefore complies with the requirement established in Article 529 *quidecies* of the Capital Corporations Law, which establishes that the appointments and compensation committee shall be comprised exclusively of non-executive directors appointed by the board of directors, at least two of which shall be independent directors, including its Chairman.

Pharma Mar's Compensation Policy must meet market criteria and be consistent with the trends and benchmarks on compensation followed in its sector or in companies with a comparable size, activity or structure, so that they are aligned with best market practices.

The services of external consultants were not sought for determining the compensation of directors in their position as such.

CONTINUATION FROM SECTION B.2

In accordance with the provisions of Art. 228 LSC, the Directors of the Company shall abstain from deliberating and voting on resolutions or decisions regarding which they and/or a related person has a direct or indirect conflict of interest. Furthermore, Art. 229 LSC regulates the duty of the directors to avoid situations of conflict of interest and Art. 230 LSC further establishes the regime for enforceability and exceptions in relation to said duty. It is worth noting that the Executive Directors of the Company and the Directors related thereto abstained from participating in the discussion and voting on the resolutions adopted by the Board of Directors at its meetings referred to under section B.1 above, in which the fixed compensation of the two executive directors of the Company for fiscal year 2019 (in this case with the Executive Chairman and Vice Chairman and the Directors related thereto abstaining), the 2019 targets for the regulated variable compensation tranche of the Executive Chairman (in this case with the Executive Chairman and Directors related thereto abstaining) and the amount of the discretionary tranche of the Executive Chairman's variable compensation to be considered as accrued in 2019 (in this case with the Executive Chairman and Directors related thereto abstaining) were approved.

This annual compensation report was approved by the Board of Directors of the company at its meeting on:

[ 14/05/2020 ]

Please indicate whether any directors have voted against or abstained from the approval of this Report.

[ ] Yes

[ v ] No