
ISSUER IDENTIFICATION DETAILS

Year end-date:

[31/12/2021]

Tax ID (CIF):

[A-78267176]

Company name:

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

Registered office:

[AVDA. DE LOS REYES, NÚM. 1 P.G. INDUSTRIAL LA MINA (COLMENAR VIEJO) MADRID]

A. REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

A.1.1 Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.

Such specific determinations for the current year as the board may have made in accordance with the contracts signed with the executive directors and with the remuneration policy approved by the General Shareholders' Meeting must be described, as regards directors' remuneration both in their capacity as such and for executive functions carried out.

In any case, the following aspects must be reported, as a minimum:

- a) Description of the procedures and company bodies involved in determining, approving and applying the remuneration policy and its terms and conditions.
- b) Indicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's remuneration policy.
- c) Information on whether any external advisors took part in this process and, if so, their identity.
- d) Procedures set forth in the current remuneration policy for directors in order to apply temporary exceptions to the policy, conditions under which those exceptions can be used and components that may be subject to exceptions according to the policy.

Pharma Mar's Directors' Compensation Policy for 2020-2022 (hereinafter, the "Compensation Policy") was approved by the Company's General Shareholders Meeting held on 18 June 2020 under agenda item Eight, as amended by resolution of the General Shareholders Meeting held on 15 April 2021, in both cases following a justifying report from the Appointments and Compensation and Sustainability Committee. This Policy will remain in force until Pharma Mar's Directors' Compensation Policy for 2022-2025 is, as the case may be, approved by the Annual General Shareholders Meeting to be held in 2022. The new Compensation Policy shall be immediately applicable as of the date of approval by the 2022 General Shareholders Meeting and shall apply through 31 December 2025, replacing and rendering void those provisions of the Company's Directors' Compensation Policy for 2020-2022 relating to fiscal year 2022. In any case, approval of the new Pharma Mar's Directors' Compensation Policy for 2022-2025, as the case may be, shall not result in any changes to the compensation to be received by the directors in 2022, both in their condition as such and for their role as executive directors.

The Compensation Policy 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.

The Compensation Policy 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 dependent group companies.
- 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 the Company's long-term profitability and sustainability while simultaneously preventing excessive assumption of risk and compensation for unfavorable results.

The current Compensation Policy establishes that directors shall be compensated for their condition as such (i) by virtue of fixed annual compensation and (ii) through 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.

CONTINUED IN SECTION D.

A.1.2 Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to ensure an appropriate balance between the fixed and variable components of the remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the company, which will include, as the case may be, mention of the measures taken to ensure that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of personnel whose professional activities have a material impact on the risk profile of the company and measures in place to avoid conflicts of interest.

Furthermore, indicate whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or delivery of accrued and vested financial instruments, or whether any clause has been agreed reducing the deferred remuneration not yet vested or obliging the director to return remuneration received, when such remuneration has been based on figures that have since been clearly shown to be inaccurate.

In accordance with the 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. The Compensation Policy 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 Contract for the Provision of Executive Services and the Addendum thereto executed on 15 April 2021, the variable compensation applicable to the Executive Chairman in 2022 may reach a maximum of 100% of the fixed compensation established for said fiscal year (i.e. a potential maximum of 1,184 thousand euros). Said annual variable compensation includes two tranches. The first tranche is regulated and, in accordance with provisions of the Contract for the Provision of Executive Services, shall be comprised of quantitative targets related primarily to sales and revenue figures, and which, in 2022, could reach a maximum amount of 40% of the gross fixed annual compensation for said fiscal year. As of the date of the approval of this Report by the Board of Directors, the Appointments and Compensation and Sustainability Committee has not yet proposed to the Board of Directors the quantitative targets for 2022 for the regulated tranche of the Executive Chairman's variable compensation.

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 2022, this second discretionary tranche of the Executive Chairman's variable compensation could reach a maximum amount of 60% of the fixed gross annual compensation for said fiscal year.

The principles that regulate the Compensation Policy 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. The Company, through the Board of Directors and the Appointments and Compensation and Sustainability 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 of Directors.
- No Company Director receives shares or stock options as part of their compensation.
- Variable compensation is limited 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, 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 2022, those directors abstained from participating in the discussion and voting of the resolution adopted by the Board of Directors in its meeting of 31 January 2022, in which the fixed compensations of executive directors and the Executive Chairman's variable compensation for 2021 were established.

A.1.3 Amount and nature of fixed components that are due to be accrued during the year by directors in their capacity as such.

For 2022, the maximum amount of the compensation of all the directors in their position as such is set at 2,500,000 euros, 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 2022 (section 1, art. 529 septdecies LSC), agreed by the Board of Directors in its meeting of 31 January 2022, is as follows:

- Fixed compensation per Director for fiscal year 2022 for membership on the Board of Directors and its Committees.
 - Board of Directors: Chairman, Vice Chairman and members: €71,450 per Director.
 - Executive Committee: Chairman and members: €140,582 per Director.
 - Audit Committee and Appointments and Compensation and Sustainability Committee; Chairman: €24,257 per Director.
 - Audit Committee and Appointments and Compensation and Sustainability Committee; members: €18,624 per Director.
 - Coordinating Director: €18,624.
- Allowances per Director for fiscal year 2022 for attending Board and Committee meetings:
 - Board of Directors: €4,093 per meeting attended by the Director.
 - Executive Committee; Audit Committee and Appointments and Compensation and Sustainability Committee: €1,857 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 31 January 2022, at the proposal of the Appointments and Compensation Committee, to increase by 2% for 2022 the fixed compensation and allowances of 2021.

It is worth noting, on the other hand, that the Company has taken out a civil liability insurance policy for its directors and executives that covers all such individuals within the Corporate Group, and for which a total premium of 487 thousand euros was paid for the period between July 2021 and July 2022. As of the date of preparation of this Report, no significant changes are planned to the clauses of the policy taken out, however, it is still unknown whether market conditions will allow for the premium paid in 2021 to be maintained at a similar level for the current fiscal year.

A.1.4 Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of 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 2022, the Company's Board of Directors resolved at its meeting on 31 January 2022, at the proposal of the Appointments and Compensation and Sustainability Committee, to increase fixed compensation of the Executive Chairman for the performance of executive duties in 2022 by 10% as compared to fixed compensation in 2021 (1,076 thousand euros), resulting in fixed compensation in 2022 totaling 1,184 thousand euros. Section 4.1 of the Directors' Compensation Policy, as amended by the General Shareholders Meeting of 15 April 2021, provides as follows: "In any case, any change approved, as the case may be, by the Board of Directors to the fixed compensation of the Executive Director for fiscal year 2022 shall not exceed 15% of his annual gross fixed compensation from the previous year."

As regards the Executive Vice Chairman, in accordance with the Compensation Policy, the Board of Directors resolved at its meeting on 31 January 2022, to set fixed compensation for the performance of his executive duties in fiscal year 2022 at 284 thousand euros (266.9 thousand euros in 2021), reflecting a 6.5% increase.

A.1.5 Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favor 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 2022 will not differ significantly to those paid in 2021, 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 2022 will not differ significantly to those paid in 2021, i.e. Executive Chairman: 3.8 thousand euros; Executive Vice Chairman: 3.8 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 2021 was 327 thousand euros, and it is estimated that it will be a similar amount in 2022.

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 Compensation Policy 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.

A.1.6 Amount and nature of variable components, differentiating between those established in the short and long terms. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration for the current year, explaining the extent to which these parameters are related to performance, both of the director and of the company, and to its risk profile, and the methodology, necessary period and techniques envisaged to be able to determine the effective degree of compliance, at the end of the year, with the parameters used in the design of the variable remuneration, explaining the criteria and factors applied in regard to the time required and methods of verifying that the performance or any other conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.

Indicate the range, in monetary terms, of the different variable components according to the degree of fulfilment of the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.

A) Variable compensation components for Directors in their mere condition as such for 2022:

In accordance with the 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).

B) Variable compensation components for Executive Directors for performing executive duties in 2022:

In fiscal year 2022, only the Executive Chairman has a variable (short-term) compensation component, as provided for in the Contract for the Provision of Executive Services.

Thus, in accordance with the aforesaid contract, the variable compensation applicable to the Executive Director in 2022 may reach a maximum of 100% of the fixed compensation established for said fiscal year for the performance of executive duties (i.e. a potential maximum of 1,184 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 and Sustainability Committee has not yet proposed to the Board of Directors the quantitative targets for 2022 for the regulated tranche of the Executive Chairman's maximum variable compensation, which could reach a maximum amount of 40% 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, it 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 2022, this discretionary tranche of the Executive Chairman's variable compensation could reach a maximum amount of 60% 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 and Sustainability 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. Effective achievement of the targets under the regulated tranche, which are mainly financial (sales and other revenue), will be verified following the relevant external audit.

A.1.7 Main characteristics of long-term savings schemes. Among other information, indicate the contingencies covered by the scheme, whether it is a defined contribution or a defined benefit scheme, the annual contribution that has to be made to defined contribution schemes, the benefits to which directors are entitled in the case of defined benefit schemes, the vesting conditions of the economic rights of directors and their compatibility with any other type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director.

Indicate whether the accrual or vesting of any of the long-term savings plans is linked to the attainment of certain objectives or parameters relating to the director's short- or 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.

A.1.8 Any type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director, whether at the company's or the director's initiative, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, minimum contract term or loyalty, that entitles the director to any kind of remuneration.

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 provides that he will be entitled to 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 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.

A.1.9 Indicate the conditions that the contracts of executive directors performing senior management functions should contain. Among other things, information must be provided on the duration, limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as compensation or golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on non-competition, exclusivity, minimum contract terms and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.

As regards the Executive Chairman, the Contract for the Provision of Executive Services shall remain in force for as long as the Executive Chairman continues to hold such position on the Board of Directors and to serve as the top executive of the Company, bearing in mind that 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 and finally due to death, legal incapacity, total permanent or other significant incapacity of the Executive Chairman, or temporary inability to perform his duties for a period longer 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).

In the event of termination of the contract by the sole will of the Company, as expressed by a resolution of the Board of Directors or by the total or partial revocation of powers or duties delegated to the Executive Chairman, advance notice of three months shall be required and the Company may release the Executive Chairman from carrying out its duties during said period, although it shall continue to pay the pertinent compensation.

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In the event of termination of the contract by the voluntary unilateral resignation of the Executive Chairman, advance notice of three months shall be required, which if not complied with shall give way to an indemnity payable to the Company in the proportional amount of the Regulated Compensation -as defined herein above- applicable at the time of termination of the aforesaid contract applicable to the advance notice period that was breached.

As regards exclusivity agreements, in accordance with the aforementioned contract, 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 and Sustainability 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 and Sustainability 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.

A.1.10 The nature and estimated amount of any other supplementary remuneration that will be accrued by directors in the current year in consideration for services rendered 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 María 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 9 December 2020; 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 euros). As of the date of approval of this Report, distribution of the director compensation for fiscal year 2022 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.

A.1.11 Other items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration.

Not applicable

A.1.12 The nature and estimated amount of any other planned supplementary remuneration to be accrued by directors in the current year that is not included in the foregoing sections, whether paid by the company or by another group company.

See previous sections.

A.2. Explain any significant change in the remuneration policy applicable in the current year resulting from:

- a) A new policy or an amendment to the policy already approved by the General Meeting.
- b) Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.

- c) Proposals that the Board of Directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and for which it is proposed that they be applicable to the current year.

Notwithstanding the description provided in section A.1, *supra*, of the Company's compensation policy for the current fiscal year, and which is based on the Company's current Directors' Compensation Policy for 2020-2022, the Board of Directors, at its meeting on 28 February 2022, at the proposal of the Appointments and Compensation and Sustainability Committee ("ACSC"), resolved to submit a new Directors' Compensation Policy to a vote of the next General Shareholders Meeting, which would be effective as from the date of approval by the 2022 General Shareholders Meeting through 31 December 2025 (the "2022-2025 Compensation Policy"). If approved by the General Shareholders Meeting, it will be immediately applicable and will replace and render null and void for fiscal year 2022 the Company's Directors' Compensation Policy for 2020-2022, which was approved by the General Shareholders Meeting on 18 June 2020 under Agenda Item 8, and amended by the General Shareholders Meeting on 15 April 2021 under Agenda Item 8.

The proposed Directors' Compensation Policy for 2022-2025 follows the same framework and retains the main principals of the previous policy, and is justified based on the following reasons: (i) expiration of the term of the Company's 2020-2022 Directors' Compensation Policy; (ii) adaptation of the contents to the current Capital Corporations Law following the amendments introduced by Law 5/2021, in accordance with best market practices and the latest good corporate governance recommendations relating to director compensation; and (iii) updates to the compensation to be received both by the directors in their capacity as such and by the executive directors.

The key elements of the new proposed Directors' Compensation Policy which is a continuation of the 2020-2022 directors' compensation policy are described below:

a) Regarding the general principles of the Compensation Policy:

- Specifies and clarifies the principles and practices applied by Pharma Mar in relation to the compensation of directors in their capacity as such and for executive duties.
- Explains how the Compensation Policy contributes to business strategy and to the Company's long-term interests and sustainability.

b) Regarding the decision-making process followed for determining, reviewing and implementing the Compensation Policy and measures to manage conflicts of interest:

- A new section is added on the decision-making process followed to determine, review and implement the Compensation Policy, including the duties assumed by the General Shareholders Meeting, the Board and the ACSC within said process.
- Includes measures to avoid or manage conflicts of interest.

c) Regarding the compensation of Directors in their condition as such:

- A new section is added providing a breakdown of the compensation amounts received by the Directors in their condition as such, taking into account the duties and responsibilities attributed to each Director, potential membership on Board Committees, as well as any other objective circumstances deemed relevant.
- A new specific section is added to identify the maximum annual compensation to be paid to the Directors as a whole in their condition as such, as agreed by the General Shareholders Meeting.

d) Regarding the compensation of the directors for performing executive duties:

- A new section is added detailing the compensation mix applicable to the Executive Directors, specifying for the Executive Chairman the relative proportion represented by annual short-term variable compensation as compared to total annual compensation.
- Regarding the Fixed Compensation of the Executive Directors:
 - The amount of the Fixed Compensation of the Executive Chairman and Executive Vice Chairman is specified.
 - Details are provided on (i) the percentage change in Fixed Compensation that could be approved by the Board of Directors for the Executive Chairman during the term of the Compensation Policy, and (ii) the possibility of revisions to the Fixed Compensation for the Executive Vice Chairman.

CONTINUED IN SECTION D.

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://pharmamar.com/es/inversores/gobierno-corporativo/politica-de-remuneraciones-de-consejeros/>

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 2020, was approved, on a consultative basis, by the General Shareholders Meeting of 15 April 2021 with the favorable vote of 75.5996% 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.

B. OVERALL SUMMARY OF HOW REMUNERATION POLICY WAS APPLIED DURING THE YEAR LAST ENDED

B.1.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and the identity and role of any external advisors whose services may have been used in the process of applying the remuneration policy in the year last ended.

The compensation policy applied during fiscal year 2021 was the compensation policy approved for 2020-2022 by the General Shareholders Meeting on 18 June 2020, as modified in certain provisions by the General Shareholders Meeting held on 15 April 2021.

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

- In fiscal year 2021, the Appointments and Compensation and Sustainability 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 2021; (ii) the fixed individual compensation of the executive directors for 2021 for the performance of their executive duties and (iii) the targets for the regulated variable compensation tranche of the Executive Chairman in 2021.

As regards the compensation of directors in their mere condition as such: the Board of Directors, at the proposal of the Appointments and Compensation and Sustainability Committee, approved, at its meeting on 28 January 2021, the items and amounts assigned to each of the directors for fiscal year 2021 as compensation in their position as such, within the maximum amount established to that effect in the new Compensation Policy.

As regards the compensation of Executive Directors for their performance of executive duties: the Board of Directors, at the proposal of the Appointments and Compensation and Sustainability Committee and following a justifying report on the matter being assessed, resolved at its meeting of 28 February 2021 to propose to the General Shareholders Meeting the amendment of the Directors' Compensation Policy as relates to the fixed and variable compensation of the Executive Chairman. Furthermore, the Board of Directors, at the proposal of the Appointments and Compensation and Sustainability Committee, approved at its meeting of 29 April 2021 the targets for the regulated variable compensation tranche of the Executive Chairman in 2021.

- It also verified the information on the compensation of Directors set forth in the Annual Report on Compensation of Directors for fiscal year 2020, a report which in accordance with Article 541 LSC was prepared by the Board of Directors and submitted to the consultative vote of the General Shareholders Meeting of 15 April 2021.

- Additionally, it was responsible for checking compliance with the Compensation Policy applied to executive directors. With regard to the above, the Appointments and Compensation and Sustainability 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 2020 (with regard to the final determination of their variable compensation) and 2021 (with regard to setting the targets for the regulated variable compensation tranche).

- Likewise, the Appointments and Compensation and Sustainability Committee submitted to the Board of Directors on 28 February 2021 a reasoned proposal for the amendment of the Company's Directors Compensation Policy for 2020-2022, for submission to the General Shareholders Meeting, together with the relevant justifying report. The General Shareholders Meeting of 15 April 2021 approved this Policy.

The Appointments and Compensation and Sustainability Committee held six meetings in fiscal year 2021.

It should be pointed out that now in 2022, in its meeting of 31 January, the Board of Directors, at the proposal of the Appointments and Compensation and Sustainability 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 2021.

B.1.2 Explain any deviation from the procedure established for the application of the remuneration policy that has occurred during the year.

In fiscal year 2021, the compensation policy was applied following all established procedures.

B.1.3 Indicate whether any temporary exception has been applied to the remuneration policy and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the entity believes that these exceptions have been necessary to serve the long-term interests and sustainability of the society as a whole or ensure its viability. Similarly, quantify the impact that the application of these exceptions has had on the remuneration of each director over the year.

No temporary exceptions to the compensation policy were applied in fiscal year 2021.

B.2. Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks and aligning it with the long-term objectives, values and interests of the company, including a reference to the measures adopted to ensure that the long-term results of the company have been taken into consideration in the remuneration accrued and that an appropriate balance has been attained between the fixed and variable components of the remuneration, the measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile and the measures in place to avoid any possible conflicts of interest.

In accordance with the 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. The Company's Compensation Policy 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 2021 may reach a maximum of 100% of the fixed compensation established for said fiscal year for the performance of executive duties (50% in 2020). 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 40% of the fixed gross annual compensation for fiscal year 2021 for the performance of executive duties (20% in 2020). 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 2021, this second discretionary tranche of the Executive Chairman's variable compensation could reach a maximum amount of 60% of the fixed gross annual compensation for said fiscal year for the performance of executive duties, as set forth in the aforementioned contract (30% in 2020).

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

As a result, compensation systems for Company'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.

CONTINUED IN SECTION D.

B.3. Explain how the remuneration accrued and consolidated over the financial the year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the company's long-term and sustainable performance.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, if applicable, how variations in the company's performance have influenced changes in directors' remuneration, including any accrued remuneration payment of which has been deferred, and how such remuneration contributes to the short- and long-term results of the company.

Total compensation earned during 2021 does not exceed the maximum figure established in the applicable Compensation Policy.

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 2021 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 for the Executive Chairman for 2021, the Board of Directors established measurable criteria such as adequate turnover, in light of the products' term of validity, obtaining income from strategic license or marketing agreements on Pharma Mar molecules, and coordinating best efforts of our teams for initiating three phases III of clinical trials or equivalent developments. The Appointments and Compensation and Sustainability 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 2021, as well as the amount earned based on that assessment. Based on this assessment, the Appointments and Compensation and Sustainability Committee proposed the finding that 100% of the targets of the regulated or non-discretionary tranche were met (up to a maximum of 40% of annual gross compensation), and therefore proposed the granting of an amount equal to 40% of fixed compensation in 2021, i.e. 430 thousand euros. The Board of Directors, at its meeting on 31 January 2022, 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 and Sustainability Committee proposed to the Board of Directors that when determining the discretionary tranche it should consider a series of milestones achieved in 2021 that reinforce and drive the Group's strategy, including the positive evolution and internationalization of the pipeline through strategic alliances, the presence of the Company in the world's most important scientific conventions on oncology, sector conferences and multiple roadshows with investors, etc. Based on the milestones achieved, the Appointments and Compensation and Sustainability 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 be granted in its entirety, i.e., an amount equivalent to 60% of the fixed compensation of the top executive in 2021, for the performance of their executive duties, that is to say, 646 thousand euros. The aforementioned proposal of the Appointments and Compensation and Sustainability Committee was approved by the Board of Directors in its meeting of 31 January 2022.

B.4. Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes in favour, votes against, abstentions and blank ballots:

	Number	% of total
Votes cast	6,830,623	37.21
	Number	% of votes cast
Votes against	1,664,929	24.37
Votes in favor	5,163,925	75.60
Blank ballots		0.00
Abstentions	1,769	0.03

B.5. Explain how the fixed components accrued and vested during the year by the directors in their capacity as such were determined, their relative proportion with regard to each director and how they changed with respect to the previous year.

The Board of Directors in its meeting of 28 January 2021, at the proposal of the Appointments and Compensation Committee, agreed to increase for fiscal year 2021 (effective 1 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 2% with regard to those for 2020, also including the Coordinating Director's annual fixed compensation. In this way, in 2021:

- Each Director of Pharma Mar earned fixed compensation for membership on the Board of Directors of Pharma Mar in the amount of €70,049.
- Each Director of Pharma Mar received an attendance allowance of €4,013 for each meeting of the Board of Directors of Pharma Mar that they attended during 2021.
- The Directors of Pharma Mar that were members of the Company's Audit Committee or Appointments and Compensation and Sustainability Committee received individual compensation of €18,259.
- The Directors of Pharma Mar that served as Chairmen of the Company's Audit Committee or of its Appointments and Compensation and Sustainability Committee received individual compensation of €23,781.
- The Directors of Pharma Mar that were members of the Company's Executive Committee (including the Chairman and its Members) received individual compensation of €137,826.
- Each Director of Pharma Mar that was a member of the Executive Committee, the Audit Committee or the Appointments and Compensation and Sustainability Committee received an attendance allowance of €1,820 for each meeting of these Committees that they attended.
- The Coordinating Director of Pharma Mar received fixed compensation for holding such position in the amount of €18,259.

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 from July 2021 through July 2022 amounted to €487 thousand.

In accordance with the Compensation Policy, maximum annual compensation for the directors of Pharma Mar as a whole in their condition as such was set at €2,500,000, until such time as an amendment thereto may be approved.

In 2021, 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. Explain how the salaries accrued and vested by each of the executive directors over the past financial year for the performance of management duties were determined, and how they changed with respect to the previous year.

In relation to the fixed compensation of Executive Directors for the performance of their executive duties in 2021, it should be pointed out that the Executive Chairman received a fixed compensation of 1,076 thousand euros (896.8 thousand euros in 2020), and the Executive Vice-Chairman received a fixed compensation of 266.9 thousand euros (266,9 thousand euros in 2020).

In the case of the Executive Chairman, the Board of Directors in its meeting held on 28 February 2021, at the proposal of the Appointments and Compensation and Sustainability Committee, resolved to propose to the General Shareholders Meeting the amendment of the Compensation Policy as relates to determining the fixed compensation of the Executive Chairman, whose year-on-year increase until then was linked to changes in the CPI for the preceding year. In this regard and through a justifying report, a proposal was submitted to the General Meeting on 15 April 2021 to, effective 1 January 2021, increase the fixed compensation of the Executive Chairman by 20% compared to the amount set for 2020. The proposal was approved, resulting in the fixed compensation of the Executive Chairman increasing from 896.7 thousand euros to 1,076 thousand euros in 2021.

Fixed compensation of the Executive Vice Chairman did not increase in 2021.

B.7. Explain the nature and the main characteristics of the variable components of the remuneration systems accrued and vested in the year last ended.

In particular:

- a) Identify each of the remuneration plans that determined the different types of variable remuneration accrued by each of the directors in the year last ended, including information on their scope, date of approval, date of implementation, any vesting conditions that apply, periods of accrual and validity, criteria used to evaluate performance and how this affected the establishment of the variable amount accrued, as well as the measurement criteria used and the time needed to be able to adequately measure all the conditions and criteria stipulated, explaining the criteria and factors applied in regard to the time required and the methods of verifying that the performance or any other kind of conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.
- b) In the case of share options and other financial instruments, the general characteristics of each plan must include information on the conditions both for acquiring unconditional ownership (vesting) of these options or financial instruments and for exercising them, including the exercise price and period.
- c) Each director that is a beneficiary of remunerations systems or plans that include variable remuneration, and his or her category (executive director, external proprietary director, external independent director or other external director).
- d) Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.

Explain the short-term variable components of the remuneration 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, as amended on 15 April 2021, could reach a maximum of 100% of the fixed annual gross compensation for performing executive duties, consisting of two tranches, one regulated (which could be up to 40% of the fixed compensation) and the other discretionary (which could be up to 60% of the fixed compensation).

With regard to setting the targets for the regulated variable compensation tranche for the performance of the Executive Chairman for 2021, the Board of Directors, at the proposal of the Appointments and Compensation and Sustainability Committee, established measurable criteria such as obtaining adequate turnover, obtaining income from strategic license or marketing agreements on Pharma Mar molecules, and coordinating best efforts of our teams for initiating three phases III of clinical trials or equivalent developments. The Appointments and Compensation and Sustainability 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 2021, as well as the amount earned based on that assessment.

Based on this assessment, the Appointments and Compensation and Sustainability Committee proposed the finding that 100% of the targets of the regulated or non-discretionary tranche were met (up to a maximum of 40% of annual gross compensation), and therefore proposed the granting of an amount equal to 40% of fixed compensation in 2021, i.e. 430 thousand euros. The Board of Directors, at its meeting on 31 January 2022, approved the aforementioned proposal. This variable compensation is based on conditions that have already been effectively met and which will not revert.

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 and Sustainability Committee proposed to the Board of Directors that when determining the discretionary tranche it should consider a series of milestones achieved in 2021 that reinforce and drive the Group's strategy (e.g. the positive evolution of the pipeline, the internationalization of the Company through strategic alliances, 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 and Sustainability 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 be granted in its entirety, i.e., an amount equivalent to 60% of the fixed compensation of the top executive in 2021, that is to say, 646 thousand euros. The aforementioned proposal of the Appointments and Compensation and Sustainability Committee was approved by the Board of Directors in its meeting of 31 January 2022.

It should be pointed out finally that in 2021 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.

Explain the long-term variable components of the remuneration 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 2021 did not include long-term variable components.

B.8. Indicate whether certain variable components have been reduced or clawed back when, in the former case, payment of non-vested amounts has been deferred or, in the latter case, they have vested and been paid, on the basis of data that have subsequently been clearly shown to be inaccurate. Describe the amounts reduced or clawed back through the application of the "malus" (reduction) or clawback clauses, why they were implemented and the years to which they refer.

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

B.9. Explain the main characteristics of the long-term savings schemes where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit, whether financed in whole or in part by the company or through internal or external contributions, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the contingencies covered, the conditions on which the economic rights vest in favour of the directors and their compatibility with any type of indemnification for early termination or cessation 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. Explain, where applicable, the indemnification or any other type of payment deriving from the early cessation, whether at the company's or the director's initiative, or from the termination of the contract in the terms provided therein, accrued and/or received by directors during the year last ended.

In fiscal year 2021 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.

B.11. Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, if so, explain them. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

The Contract for the Provision of Executive Services signed between Pharma Mar and the Executive Chairman on 26 February 2015 was amended by an Addendum thereto dated 15 April 2021, in relation to both fixed compensation and variable compensation.

As relates to fixed compensation, the increase in such compensation, prior to the aforementioned Addendum, was linked to the change in the CPI for the preceding year. The Addendum dated 15 April 2021 provides for a 20% increase in fixed compensation for 2021. Additionally, and in accordance with the provisions of the Directors' Compensation Policy, any change approved, as the case may be, by the Board of Directors to the fixed compensation of the Executive Chairman for fiscal year 2022 shall not exceed 15% of his annual gross fixed compensation from the previous year.

As relates to variable compensation of the Executive Chairman, the change increased the cap on this variable compensation from 50% to 100% of the annual gross fixed compensation established for each year. This total variable compensation percentage is divided into a regulated tranche, which would represent 40% (as compared to 20% previously) and a discretionary tranche, representing 60% (as compared to 30% previously), as explained in Section A.1.

B.12. Explain any supplementary remuneration accrued by directors in consideration of the provision of services other than those inherent in their position.

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

B.13. Explain any remuneration deriving from advances, loans or guarantees granted, indicating the interest rate, their key characteristics and any amounts returned, as well as the obligations assumed on their behalf by way of guarantee.

Not applicable

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 2021, 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 2021, 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 2021 an annual cumulative contribution of €5.0 thousand for the Executive Chairman and €4.2 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 2021 can be estimated or quantified at 327 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, the premiums of which that were paid from July 2021 through July 2022 amounted to €487 thousand.

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. Explain and detail the amounts accrued in the year in relation to any other remuneration concept other than that set forth above, whatever its nature or the group entity that pays it, including all benefits in any form, such as when it is considered a related-party transaction or, especially, when it significantly affects the true image of the total remuneration accrued by the director. Explain the amount granted or pending payment, the nature of the consideration received and the reasons for those that would have been considered, if applicable, that do not constitute remuneration to the director or in consideration for the performance of their executive functions and whether or not has been considered appropriate to be included among the amounts accrued under the "Other concepts" heading in Section C.

During 2021, some members of the Board of Directors of Pharma Mar, S.A. were also members of the Boards of Directors of subsidiary companies thereof, and those positions may be compensated. This is the case with José María 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 in 2021 for attending the Board were approved by the General Shareholders Meeting of that company of 9 December 2020; in accordance with the aforementioned resolution, the fixed compensation for belonging to the governing body in 2021 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 2021 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 1,538 euros each.

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 2021, totaling 4 thousand euros.

C. ITEMIZED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Period of accrual in year 2021
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	Executive Chairman	From 1/1/2021 to 31/12/2021
PEDRO FRANCISCO FERNÁNDEZ PUENTES	Vice Executive Chairman	From 1/1/2021 to 31/12/2021
MONTSERRAT ANDRADE DETRELL	Shareholder-Appointed Director	From 1/1/2021 to 31/12/2021
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	Other External Director	From 1/1/2021 to 31/12/2021
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	Shareholder-Appointed Director	From 1/1/2021 to 31/12/2021
EDUARDO SERRA REXACH	Other External Director	From 15/4/2021 to 31/12/2021
CARLOS SOLCHAGA CATALÁN	Independent Director	From 1/1/2021 to 31/12/2021
ANA PALACIO VALLELERSUNDI	Other External Director	From 1/1/2021 to 31/12/2021
VALENTÍN DE TORRES-SOLANOT DEL PINO	Independent Director	From 1/1/2021 to 31/12/2021
BLANCA HERNÁNDEZ RODRÍGUEZ	Independent Director	From 1/1/2021 to 31/12/2021
CARLOS PAZOS CAMPOS	Independent Director	From 1/1/2021 to 31/12/2021
EDUARDO SERRA Y ASOCIADOS, S.L.	Other External Director	From 1/1/2021 to 15/04/2021

C.1. Complete the following tables regarding the individual remuneration of each director (including remuneration received for performing executive duties) accrued during the year.

a) Remuneration from the reporting company:

i) Remuneration accruing in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total year 2021	Total year 2020
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	70	28	138	1,076	1,076				2,388	3,361
PEDRO FRANCISCO FERNÁNDEZ PUENTES	70	28	138	267					503	504
MONTSERRAT ANDRADE DETRELL	70	39	18						127	133
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	70	59	156						285	286
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	70	28							98	127
EDUARDO SERRA REXACH	70	37	18						125	133
CARLOS SOLCHAGA CATALÁN	70	37	18						125	133
ANA PALACIO VALLELERSUNDI	70	48	40						158	166
VALENTÍN DE TORRES-SOLANOT DEL PINO	70	37	24						131	139
BLANCA HERNÁNDEZ RODRÍGUEZ	70	37	26						133	133
CARLOS PAZOS CAMPOS	70	39	21					18	148	144

Observations

As regards the tables in section C.1 of this Report, it is hereby stated that as regards the different compensation items and amounts earned during fiscal year 2021 by Mr. Eduardo Serra Rexach, the compensation earned by EDUARDO SERRA Y ASOCIADOS, S.L. as a director of Pharma Mar, S.A. through the date of his resignation, effective on 15 April 2021, were considered on a joint and aggregate basis.

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Plan name	Financial instruments at start of year 2021		Financial instruments granted during year 2021		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2021	
		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 from vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
No data												

Observations

iii) Long-term savings schemes

Name	Remuneration from vesting of rights to savings schemes
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	12
PEDRO FRANCISCO FERNÁNDEZ PUENTES	12

Name	Contribution for the year by the company (thousands of euros)				Amount of accrued funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with non-vested economic rights		Savings schemes with vested economic rights		Savings schemes with non-vested economic rights	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	12	12			342	330		

Name	Contribution for the year by the company (thousands of euros)				Amount of accrued funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with non-vested economic rights		Savings schemes with vested economic rights		Savings schemes with non-vested economic rights	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
PEDRO FRANCISCO FERNÁNDEZ PUENTES	12	12			366	354		

Observations

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iv) Details of other items

Name	Concept	Amount of remuneration
CARLOS PAZOS CAMPOS	Coordinating Director Compensation	18

Observations

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b) Remuneration of directors of the listed company for seats on the boards of other subsidiary companies:

i) Remuneration accruing in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total year 2021	Total year 2020
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	14	2							16	15
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	14	2							16	15

Observations

The above compensation includes the fixed compensation provided for in the Bylaws for membership on the Board of Directors of Genomica, S.A.U. (14,000 euros per director) and the allowances for attending the meetings of said Board (307.69 euros for attendance at each meeting) for fiscal year 2021.

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of plan	Financial instruments at start of year 2021		Financial instruments granted during year 2021		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2021	
		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 from vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
No data												

Observations

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iii) Long-term savings schemes

Name	Remuneration from vesting of rights to savings schemes
No data	

Name	Contribution for the year by the company (thousands of euros)				Amount of accrued funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with non-vested economic rights		Savings schemes with vested economic rights		Savings schemes with non-vested economic rights	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
No data								

Observations

[]

iv) Details of other items

Name	Concept	Amount of remuneration
No data		

Observations

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c) Summary of remuneration (thousands of euros):

This summary must include the amounts corresponding to all the remuneration items included in this report that have accrued to each director, in thousands of euros.

Name	Remuneration accruing in the Company					Remuneration accruing in group companies					Total in year 2021, company + group
	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total in year 2021, company	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total in year 2021, group	
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	2,388		12	333	2,733	16				16	2,749
PEDRO FRANCISCO FERNÁNDEZ PUENTES	503		12	4	519						519
MONTSERRAT ANDRADE DETRELL	127				27						127
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	285				285	16				16	301
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	98				98						98
EDUARDO SERRA REXACH	25				25						125
CARLOS SOLCHAGA CATALÁN	125				125						125
ANA PALACIO VALLELERSUNDI	158				158						158

ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES

Name	Remuneration accruing in the Company					Remuneration accruing in group companies					Total in year 2021, company + group
	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total in year 2021, company	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total in year 2021, group	
VALENTÍN DE TORRES-SOLANOT DEL PINO	131				131						131
BLANCA HERNÁNDEZ RODRÍGUEZ	133				133						133
CARLOS PAZOS CAMPOS	148				148						148
TOTAL	4,221		24	337	4,582	32				32	4,614

Observations

C.2. Indicate the evolution in the last five years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company who have held this position during the year, the consolidated results of the company and the average remuneration on an equivalent basis with regard to full-time employees of the company and its subsidiaries that are not directors of the listed company.

	Total amounts accrued and % annual variation								
	Year 2021	% variation 2021/2020	Year 2020	% variation 2020/2019	Year 2019	% variation 2019/2018	2018	% variation 2018/2017	Year 2017
Executive Directors									

ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES

	Total amounts accrued and % annual variation								
	Year 2021	% variation 2021/2020	Year 2020	% variation 2020/2019	Year 2019	% variation 2019/2018	2018	% variation 2018/2017	Year 2017
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	2,749	-26.10	3,720	113.67	1,741	8.61	1,603	0.56	1,594
PEDRO FRANCISCO FERNÁNDEZ PUENTES	519	-0.38	521	1.36	514	-1.72	523	0.19	522
External Directors									
MONTSERRAT ANDRADE DETRELL	127	-4.51	133	1.53	131	7.38	122	2.52	119
BLANCA HERNÁNDEZ RODRÍGUEZ	133	0.00	133	129.31	58	-	0	-	0
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	301	0.00	301	1.35	297	-6.01	316	-1.25	320
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	98	-22.83	127	-3.05	131	-5.07	138	-3.50	143
EDUARDO SERRA REXACH	125	-6.02	133	0.00	133	4.72	127	12.39	113
CARLOS SOLCHAGA CATALÁN	125	-6.02	133	-1.48	135	0.75	134	3.08	130
VALENTÍN DE TORRES- SOLANOT DEL PINO	131	-5.76	139	17.80	118	151.06	47	-	0
ANA PALACIO VALLELERSUNDI	158	-4.82	166	2.47	162	8.00	150	3.45	145
CARLOS PAZOS CAMPOS	148	2.78	144	144.07	59	-	0	-	0
Consolidated results of the company									

	Total amounts accrued and % annual variation								
	Year 2021	% variation 2021/2020	Year 2020	% variation 2020/2019	Year 2019	% variation 2019/2018	2018	% variation 2018/2017	Year 2017
	92,915	-36.19	145,606	-	-23,871	-182.97	-8,436	63.73	-23,256
Average employee remuneration									
	75	1.35	74	-2.63	76	18.75	64	3.23	62

Observations

As relates to the table above in section C.2, the compensation accrued by the following individuals during fiscal years 2017-2021 are provided on a joint and aggregate basis:

(i) by José Félix Pérez-Orive Carceller, as an individual director and as a natural representative of JEFPO, S.L., until resignation of the latter as a director of the Company on 26 June 2019.

(i) by Eduardo Serra Rexach, as an individual director and as a natural representative of EDUARDO SERRA Y ASOCIADOS, S.L., until resignation of the latter as a director of the Company on 15 April 2021.

D. OTHER INFORMATION OF INTEREST

If there are any significant issues relating to directors' remuneration that it has not been possible to include in the foregoing sections of this report, but which it is necessary to include in order to provide more comprehensive and reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

CONTINUATION FROM SECTION A.1.1.

The Compensation Policy provides that those Directors who also serve as members of the various Committees (Executive Committee, Audit Committee and Appointments and Compensation and Sustainability 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 and Sustainability 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.

It should also be emphasized that the Compensation Policy does not set specific compensation amounts for the Directors in their position 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 and Sustainability 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 2022 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 31 January 2022, approving the proposal submitted in such regard by the Appointments and Compensation and Sustainability Committee.

As previously mentioned, the Compensation Policy also addresses the compensation system for Executive Directors for the performance of their executive duties, and includes both the fixed compensation of the Company's two Executive Directors for said period and the maximum annual amount of the Executive Chairman's variable compensation (the only director who receives variable compensation) which, in accordance with the contract for the provision of executive services dated 26 February 2015 (in which Pharma Mar succeeded Zeltia by operation of law as a result of the takeover merger between the aforementioned companies), amended by an Addendum thereto dated 15 April 2021, executed with the Executive Chairman (hereinafter, the "Contract for the Provision of Executive Services"), is equivalent to 100% of his gross fixed annual compensation. Said variable compensation is divided into two tranches, one regulated (which could be up to 40% of the fixed annual compensation) and the other discretionary (which could be up to 60% of the fixed annual compensation). It should be pointed out that the Compensation Policy 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 sets out the principles and foundations described. In accordance with the Policy, the maximum amount of the compensation of all the directors in their position as such is set at 2,500,000 euros, 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 the Compensation Policy 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 Compensation Policy are the Board of Directors and the Appointments and Compensation and Sustainability 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 and Sustainability Committee.

The Appointments and Compensation and Sustainability Committee is the body in charge of assisting the Board of Directors in compensation related matters. In accordance with Article 14.2 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 annually the compliance of the director selection policy and report it in the Annual Corporate Governance Report; (iii) to verify compliance with the compensation policy established by the Company; (iv) regularly review 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; and (v) 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. The Appointments and Compensation Committee of Pharma Mar 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). On 11 December 2020, the Board of Directors approved the amendment of the Board of Directors Regulations, attributing to this Committee certain duties relating to sustainability, and as from which date said Committee was renamed the "Appointments and Compensation and Sustainability Committee."

As of 31 December 2021, the Appointments and Compensation and Sustainability Committee was made up by the following directors:

- Carlos Pazos Campos, independent director.
- Eduardo Serra Rexach, other external director.
- Montserrat Andrade Detrell, shareholder-appointed director.
- Blanca Hernández Rodríguez, independent director.
- Ana Palacio Vallelersundi, other external director.

The Board of Directors of 29 July 2021 noted the expiration on 28 July 2021 of the term of office of Ms. Ana Palacio Vallelersundi as Chairman of the Appointments and Compensation and Sustainability Committee, Ms. Palacio having completed twelve years as a Director of the Company as of said date and thus losing her independent status in accordance with section 4 of Article 529 duodecies LSC. Subsequently, and at the same meeting, the Board unanimously resolved to appoint Mr. Carlos Pazos Campos, independent Director of the Company, as the new Chairman of the Committee, for the same term as his position as a Director of the Company. Ms. Ana Palacio accepted her replacement as Chairman of the Committee, remaining as a member thereof for the same term as her position as a Director of the Company.

The current Committee composition therefore complies with the requirement established in Article 529 quindecies 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 A.2.

- As relates to short-term Variable Compensation (applicable only to the Executive Chairman):

- The maximum percentage of Annual Variable Compensation that the Executive Chairman can receive with respect to Fixed Compensation is specified.
- Greater detail is provided on the indicators and their weighting in the overall calculation of the Annual Variable Compensation of the Executive Chairman.
- Reference is added to the minimum threshold of achievement of targets below which no Annual Variable Compensation is accrued.
- The procedure to be followed by the Company's bodies for determining and reviewing compliance with the Annual Variable Compensation targets is specified.
- Regarding Multi-Annual Variable Compensation, a specific section is added that covers the potential for Executive Directors to participate in multi-annual variable compensation systems as approved by the Board of Directors and, where appropriate, by the General Shareholders Meeting.
- Regarding In-Kind Compensation, the expenses for which the Company will reimburse the Executive Chairman in view of his performance of this position and in the exercise of his duties are specified.
- Regarding civil liability insurance, a new section is added detailing the civil liability insurance policy contracted by the Company for the directors and executives of Group companies.
- Regarding the main terms and conditions of the contracts of the Executive Directors, it is added that the contract of the Executive Chairman includes a confidentiality clause.

e) Regarding the maximum annual compensation for the Directors as a whole: the compensation items not taken into account for the calculation of the maximum annual compensation for the directors in their condition as such are updated.

f) Regarding the addition of new Directors: a new section is included to provide information on the compensation terms and conditions that will be applicable in the event of the addition of new directors, both in their condition as such and for the performance of executive duties.

g) Regarding the relationship of the Compensation Policy with the terms and conditions applicable to the Company's employees: a new section is included to provide information on how the compensation terms and conditions applicable to the Company's employees will be taken into account when establishing the Compensation Policy of the Executive Directors.

h) Regarding the alignment of the Compensation Policy with the Company's long-term strategy, interests and sustainability: a new section is added to explain how the Compensation Policy contributes to the business strategy and to the long-term interests and sustainability of the Company.

i) Regarding temporary exceptions to the Compensation Policy: a new section is added to address (i) the possibility of approving the application of temporary exceptions to the Compensation Policy, (ii) the components of the Compensation Policy that may be subject to exception, and (iii) the procedure to be followed in the event of any circumstance that justifies the application of such temporary exceptions.

CONTINUATION FROM SECTION B.2

The Compensation Policy allows the Company to grant other special bonuses. 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 2021 (in this case with the Executive Chairman and Vice Chairman and the Directors related thereto abstaining), the 2022 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 2021 (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:

28/02/2022

Indicate whether any director voted against or abstained from approving this report.

Yes

No