

## Other relevant information

Regarding CaixaBank S.A.'s Ordinary Shareholders' Meeting, to be held in Valencia on 2 April 2020, at 11:00 a.m., on first call, and if it cannot be held on first call, to be held on 3 April 2020 on second call, the Board of Directors' reports relative to certain items on the agenda of the meeting and the reasoned proposal of the Directors' Remuneration Policy are appended hereto.

**The General Meeting is expected to be held on second call, i.e. on 3 April 2020, at the aforementioned time and venue.**

The reports and reasoned proposal together with the remaining documentation relative to the 2020 General Ordinary Meeting, including the individual and consolidated financial statements for 2019, will also be available for shareholders and investors on the corporate webpage [www.CaixaBank.com](http://www.CaixaBank.com).

25 February 2020



**REPORT BY THE BOARD OF DIRECTORS OF CAIXABANK, S.A.  
ON THE PROPOSED RE-ELECTION OF MARÍA VERÓNICA FISAS  
VERGÉS AS AN INDEPENDENT DIRECTOR**

**Board of Directors – 20 February 2020**

## I. PURPOSE OF THE REPORT

This report has been prepared by the Board of Directors of CaixaBank, S.A. (hereinafter, “CaixaBank” or the “Company”), in compliance with the provisions of Article 529.i of the Capital Companies Law, which requires the preparation of a report by the Board assessing the competence, experience and merits of the persons whose re-election or appointment is subject to approval at the Annual General Meeting of the Company, scheduled for day 2 April 2020, at the first call, and for the following day, 3 April at the second call, under point 6 of the agenda.

In accordance with point 6.1 on the agenda, setting the number of directors on the CaixaBank Board at 15 has been proposed.

Pursuant to the aforementioned Article 529.i of the Capital Companies Law, the re-election of Ms. María Verónica Fisas Vergés as a member of the Board of Directors, as an independent director, for a four-year period is subject to approval by the Annual General Meeting at the proposal of the Appointments Committee.

The proposal of the Appointments Committee is included as an appendix to this report.

In addition, for the purpose of the provisions of Article 518.e of the Capital Companies Law, this report contains information on the identity, experience and category of Ms. Fisas and it shall be published, together with the attached report by the Appointments Committee, on the Company's website as part of the documentation regarding the Annual General Meeting.

Lastly, pursuant to Article 540.4.c of the Capital Companies Law, it is hereby stated that as part of the proposed re-election subject to approval by the General Annual Meeting, the diversity objectives established in the *Policy of Selection, Diversity and Assessment of the Suitability of Directors and Members of Senior Management and Other Key Function Holders at CaixaBank and its Group* have been taken into account, placing a particular emphasis on promoting the diversity of gender, knowledge, training and professional experience, age and geographic origin in the collective composition of the Board, avoiding all forms of discrimination.

In particular, as part of the proposed re-election, the objective that by 2020 female directors should account for at least 30% of all members of the Board of Directors has been taken into account. Specifically, the proposed re-election subject to approval by the General Annual Meeting together with the proposed setting of the number of Board members at fifteen sets of the proportion of female directors on the Board of Directors in 40%.

## II. RE-ELECTION OF VERÓNICA FISAS VERGÉS (POINT 6. 2 ON THE AGENDA)

### Professional and biographic profile

María Verónica Fisas Vergés, born in Barcelona in 1964, has been a member of the CaixaBank Board of Directors since February 2016.

She has been the CEO of the Board of Directors of Natura Bissé and the General Director of the Natura Bissé Group since 2007. Since 2008, she has also been a trustee at Fundación Ricardo Fisas Natura Bissé.

Law Graduate and with a Masters Degree in Business Administration, she joined the company at an early age, acquiring a vast knowledge of the business and all its departments.

In 2001, as the CEO of the United States subsidiary of Natura Bissé, she was responsible for the expansion and consolidation of the business, and obtained outstanding results in product distribution and brand positioning.

In 2009, Verónica Fisas received the Award to Company-Family Conciliation in the II Edition of National Awards to Executive Women.

The same year, she became a member of the Board of Directors of Stanpa, the National Association of Perfumery and Cosmetics, ultimately being appointed Chairwoman of the association in 2019 as well as the Chairwoman of Fundación Stanpa.

In 2014, she received the IWEC award (International Women's Entrepreneurial Challenge) for her professional career. In November 2017, Verónica Fisas won the Emprendedores magazine award for “Executive of the Year”.

#### **Director category**

In terms of her position on the Board of Directors at CaixaBank, María Verónica Fisas Vergés is an independent director, pursuant to the requirements established in Article 529.k.4 of the Capital Companies Law.

#### **Valuation of experience, competence and merits**

The Appointments Committee has verified that María Verónica Fisas Vergés fulfils the suitability requirements referred to in Article 24 of Law 10/2014 and Articles 30, 31 and 32 of Royal Decree 84/2015, of 13 February, implementing Law 10/2014: commercial and professional reputation, suitable knowledge and experience and willingness to participate in the good governance of the Company, nor has any cause of incompatibility, prohibition or conflict of interest been found.

The Board of Directors approves the proposal of the Appointments Committee and considers that María Verónica Fisas Vergés possesses the experience, responsibility and merits required to serve as a director. Her experience at a business group with an international presence, assuming responsibility for a large number of people is worth particular mention, as well as her independence, objectivity capacity for innovation and multidisciplinary vision that she contributes to the Board of Directors. Furthermore, the positive performance of her duties as a member of the Board of Directors at CaixaBank since her appointment on February 25, 2016 has been taken into account, especially her participation and performance as a member of the Executive Committee since July 27, 2017 and of the Remuneration Committee from April 5, 2019.

#### **Proposal**

Re-elect María Verónica Fisas Vergés as a member of the Board of Directors, as an independent director, for the period of 4 years, at the proposal of the Appointments Committee.

Valencia, 20 February 2020

## **Appendix 1**

### **Proposed re-election of María Verónica Fisas Vergés as an independent director of CaixaBank, S.A., as recommended by the Appointments Committee of CaixaBank, S.A., pursuant to Article 529. i of the Capital Companies Law.**

Article 529. i.4 of the Capital Companies Law establishes that the Appointments Committee is responsible for the proposed re-election of independent directors.

In line with this requirement, the Appointments Committee has prepared the proposed re-election of María Verónica Fisas Vergés as a member of the Board of Directors at CaixaBank, S.A. (hereinafter, “CaixaBank” or the “Company”), in the capacity of an independent director.

For this purpose, the Appointments Committee has analysed the current composition of the Board of Directors to assess whether the Board, as a whole, has the sufficient knowledge, competences and experience in the governance of credit entities to adequately understand the activities of CaixaBank, including its main risks, and to ensure the capacity to make decisions autonomously and independently in order to benefit the Company.

Specifically, the Committee is particularly appreciative of Ms. Fisas' very positive performance of her functions as a director since her appointment on 25 February 2016, in particular her participation as a member of the Executive Committee since 27 July of 2017 and of the Remuneration Committee since 5 April 2019.

As part of this assessment, and pursuant to the provisions of Law 10/2014, of 26 June, on the organisation, monitoring and solvency of credit institutions (hereinafter, “Law 10/2014”), Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the organisation, monitoring and solvency of credit institutions and in the *Protocol of procedures for assessing the suitability and appointments of directors and members of senior management and other holders of key functions at CaixaBank*, the Appointments Committee has also performed an assessment of the suitability of María Verónica Fisas Vergés to serve as a director.

#### **Training and professional experience**

María Verónica Fisas Vergés, born in Barcelona in 1964, has been a member of the CaixaBank Board of Directors since February 2016.

She has been the CEO of the Board of Directors of Natura Bissé and the General Director of the Natura Bissé Group since 2007. Since 2008, she has also been a trustee at Fundación Ricardo Fisas Natura Bissé.

Law Graduate and with a Masters Degree in Business Administration, she joined the company at an early age, acquiring a vast knowledge of the business and all its departments.

In 2001, as the CEO of the United States subsidiary of Natura Bissé, she was responsible for the expansion and consolidation of the business, and obtained outstanding results in product distribution and brand positioning.

In 2009, Verónica Fisas received the Award to Company-Family Conciliation in the II Edition of National Awards to Executive Women.

The same year, she became a member of the Board of Directors of Stanpa, the National Association of Perfumery and Cosmetics, ultimately being appointed Chairwoman of the association in 2019 as well as the Chairwoman of Fundación Stanpa.

In 2014, she received the IWEC award (International Women's Entrepreneurial Challenge) for her professional career. In November 2017, Verónica Fisas won the *Emprendedores* magazine award for “Executive of the Year”.

### **Suitability assessment**

The Appointments Committee has considered the content and the validity of the CaixaBank Good Repute and Governance Questionnaire filled out by Ms. Fisas on 8 September 2015 and 12 December 2017.

The questionnaire is used to gather information in relation to three areas which are taken into account when evaluating Board members' suitability: commercial and professional reputation, knowledge and experience and aptitude for good governance of the Company.

The Appointments Committee has considered Suitability Assessment Report issued by the Board of Directors at its meeting held on 15 September 2015, prior to her appointment by co-option as a director as well as the Assessment Report confirming the suitability of Ms. Fisas to continue occupying the position as a director, issued by the Board of Directors at its meeting held on 10 March 2016, as part of the ratification of the appointment by co-option of Ms. Fisas by the General Annual Meeting of that year and her appointment as a member of the Board by the General Annual Meeting. Furthermore, consideration has been given to the Continuous Assessment Reports issued by the Appointments Committee at the meetings held on 14 December 2016, on 19 December 2017, on 19 December 2018 and on 18 December 2019, at which it was concluded that Ms. Fisas satisfied the conditions of suitability required to continue serving as member of the Board of Directors at CaixaBank.

The conclusion is that María Verónica Fisas Vergés satisfied and continues to satisfy the conditions of suitability required to continue in her position as a member of the Board of Directors at CaixaBank, as she fulfils the legal requirements considered in the applicable national law and the criteria stipulated by the *European Banking Authority Guide on the assessment of the suitability of members of management bodies and holders of key functions (EBA/GL/2017/12)* of 26 September 2017.

In addition, the re-election of Ms. Fisas complies with the objectives of gender diversity established, in particular, that in 2020 the number of female directors accounts for at least 30% of the total of members of the Board of Directors. Specifically, after the General Annual Meeting, the number of female directors will account for 40% of the Board of Directors.

On the other hand, Ms. Fisas complies with the maximum limit on the number of directorships established in article 26 of Law 10/2014, the Committee has not detected any potential conflicts of interest which could give rise to undue influence from third parties, and affirms that he has sufficient time available to carry out the duties inherent to the post on the Board of Directors of CaixaBank.

### **Director category**

In terms of her category on the Board of Directors of CaixaBank, this Committee believes that the personal and professional considerations of María Verónica Fisas Vergés allow her to perform her duties without being affected by a relationship with the Company or its Group, its significant shareholders or its managers, and pursuant to the provisions of Article 529.k.4 of the Capital Companies Law, meaning the category assigned to Ms. Fisas is that of an independent director.

### **Proposal**

As a result of the foregoing, and attending to the current needs of the Board of Directors of CaixaBank, the Appointments Committee presents the following proposal for its submission before the General Shareholders' Meeting:

Re-elect María Verónica Fisas Vergés as a member of the Board of Directors, as an independent director, for the period of 4 years.

Barcelona, 29 January 2020



**REPORT ON THE AUTHORISATION FOR THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL, THROUGH MONETARY CONTRIBUTIONS, REVOKING THE AUTHORISATION CURRENTLY IN FORCE. DELEGATION OF POWERS TO EXCLUDE PREFERENTIAL SUBSCRIPTION RIGHTS**

**Board of Directors – 20 February 2020**



## **I. PURPOSE OF THE REPORT**

This report has been prepared by the Board of Directors of CaixaBank, S.A. (hereinafter "**CaixaBank**" or the "**Company**"), pursuant to the provisions of Articles 286, 296.1, 297.1 and 506 of the Spanish Corporate Law, in order to justify the proposal on the authorisation to the Board of Directors to increase the share capital according to Article 297.1.b) of the Spanish Corporate Law, including the delegation of powers to exclude preferential subscription rights in accordance with Article 506 of the Act, subject to approval of the proposal made to the Annual General Meeting of Shareholders in item 7 of its Agenda.

Pursuant to Article 297.1.b) of the Spanish Corporate Law, the Annual General Meeting, following the requirements to amend the by-laws, is entitled to authorise the Board of Directors to approve, once or several times, to increase the share capital up to a given amount, at the time and for the amount to be determined by the Board, without needing prior approval of the General Meeting. In any event those capital increases shall not exceed half of the amount of the share capital of the Company at the time of the authorisation and shall be made within the five years following the resolution by the General Meeting. In turn, as provided for in Article 286 of the Spanish Corporate Law in relation to Articles 296 and 297.1, the Directors shall prepare a written report justifying the proposal.

## **II. JUSTIFICATION FOR THE PROPOSAL**

### **Delegation of powers to increase the share capital**

The Board of Directors understands that the proposal submitted to the General Shareholders Meeting responds to the need to provide the Board with an instrument permitted under current corporate law and which, at any time, without having to call and hold a General Shareholders Meeting, allows capital to be increased as deemed appropriate according to the corporate interest of the Company, within the limits and timeframe and under the terms and conditions authorised by the General Shareholders Meeting. The dynamics of any commercial company, and especially a large corporation, require that the Company has access at all times to the best instruments to ensure they are able to meet the company's needs, based on the market conditions, which includes having new funds available to the Company, such funds to be normally provided through new capital contributions.

It is usually not possible to anticipate the Company's needs in terms of capital and, moreover, the normal way to increase the share capital holding a General Shareholders Meeting's, with the resulting delay and increased costs involved, may in certain circumstances make it difficult for the Company to respond rapidly and efficiently to market needs. In view of that, the ability to grant an authorisation for that purpose, in accordance with Article 297.1.b) of the Spanish Corporate Law, largely enables avoiding such difficulty, while giving the Board of Directors a sufficient amount of flexibility to deal with the Company's needs, according to the Company's circumstances.

For such purposes, it is resolved to submit to the General Shareholders Meeting the approval of an authorisation to the Board to increase the share capital of the Company by up to a maximum amount of €2,990,719,015 (that is, half of the share capital as of the date of this report), which includes revoking the resolution passed by the General Shareholders Meeting

on 23 April 2015 referred to the capital increase authorisation, with respect to the unused portion.

The proposed resolution that is submitted to the General Shareholders Meeting includes an authorisation allowing the Board, in turn, to delegate any powers that may be delegated and received by the General Shareholders Meeting to the Executive Committee and, where applicable, to the Board member or members it deems appropriate, and in order to ensure coordination with the authorisations in force to issue convertible bonds; the proposal specifically states that the amounts of any capital increases that may take place to meet bond conversions in accordance with the resolution passed by the Ordinary General Shareholders Meeting on 28 April 2016 under item 12 of the Agenda, or any other resolution that may be passed by the General Meeting on this matter will be deemed included within the maximum limit available from time to time amounting to €2,990,719,015.

### **Delegation of the power to exclude preferential subscription rights in the case of new share issues**

In addition, and pursuant to Article 506 of the Spanish Corporate Law regarding listed companies, in those cases where the General Shareholders Meeting delegates to the Directors the power to increase the share capital in accordance with the provisions of Article 297.1.b) referred to above, it may also authorise them to exclude the preferential subscription rights relating to the authorised share issues if the Company's interest requires so, in such cases being necessary that the exclusion of preferential rights is included in the call notice of the General Shareholders Meeting and that the report issued by the Board of Directors justifying the proposal is made available to the shareholders.

In this regard, it is hereby informed that, according to Article 506 of the Spanish Corporate Law, the authorisation given to the Board of Directors to increase the share capital contained in the proposal referred to in this report, also includes the authorisation that allows the Board of Directors to exclude the preferential subscription rights of the shareholders, totally or partially, where the Company's interest so requires, all according to the terms of said Article 506.

The Board of Directors considers that this additional possibility, which considerably increases the scope and capacity of response provided by the mere delegation of the power to increase the share capital under the terms of Article 297.1.b) of the Spanish Corporation Law, is justified by the flexibility and speed of action called for, at times, in today's financial markets to take advantage, for the best interest of the Company, of a moment in time when market conditions are most favourable. In turn, raising capital on international markets may require the exclusion of preferential subscription rights to enable the use of book building methods commonly required in the market. In this regard, such book building methods also reduce the distorting effect on the trading of Company shares during the issuance period, which tends to be shorter than in an issuance with preferential subscription rights, and normally also enables to reduce the costs associated with the operation (including, especially, commissions charged by financial entities involved in the issuance) compared with an issuance with pre-emption rights.

In any event, in general terms, the proposal submitted to the General Shareholders Meeting expressly foresees that any increases in share capital that the Board may approve under this authorisation excluding preferential subscription rights, shall be limited to a total amount of €1,196,287,606 (that is, an amount equivalent to 20% of the share capital on the date of this report).

It is hereby stated that the amount of any capital increases that may take place in order to cover the conversion of bonds, *warrants* or other securities and carried out under the authorisation granted by the General Shareholders Meeting in favour of the Board of Directors on 28 April 2016 under item 12 of the agenda or any other resolution on that matter that may be passed by the General Shareholders Meeting, shall be deemed included within the maximum limit available from time to time to increase the share capital under the authorisation referred to in this report. Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, EU Regulation 575/2013 on prudential requirements for credit institutions and investment firms and Law 11/2015 dated 18 June on recovery and resolution of credit institutions and investment service companies, provide for the need for credit institutions to equip themselves, in certain proportions, with various instruments in the composition of their regulatory capital so that they may be considered adequately capitalised. Therefore, different capital categories are contemplated that must be covered by specific instruments. Despite the Company's current adequate capital situation, in certain circumstances the Board of Directors may deem it appropriate to issue convertible instruments under the authorisation granted by the General Shareholders Meeting. To the extent that the issuance of these instruments implies the need to have an authorised capital to cover a potential conversion and in order to provide the company with greater flexibility, bearing also in mind that according to Article 304.2 of the Spanish Corporation Law no preferential subscription rights exist in case of share capital increases to cover the conversion of bonds, it shall be understood that all capital increases that may be approved by the Board under the authorisation referred to in this report to meet the conversion of securities issued with exclusion of preferential subscription rights, shall not be subject to the maximum limit of 20% of the share capital, being exceptionally subject to the limit of 50%.

It must be clearly understood that the total or partial exclusion of preferential subscription rights is simply an authorisation given to the Board of Directors by the General Shareholders Meeting and the exercise of that authorisation will depend on the decision of the Board, taking into consideration the circumstances applicable in each individual case and in compliance with all legal requirements. If, when using this authorisation, the Board would decide to exclude the preferential subscription rights in relation to a specific capital increase that it may potentially decide under the authorisation granted by the General Shareholders Meeting, by the time of the resolution to increase the share capital, the Board would issue a detailed report giving the specific reasons why, in the interest of the Company, that measure is justified, such report being subject of the corresponding report issued by an independent expert other than the Company's auditor in accordance with Article 506 of the Spanish Corporation Law as referred to by Articles 505 and 308 of the same legal text. Both reports would be made available to the shareholders and submitted at the first General Shareholders Meeting that would be held following the share capital increase resolution, in accordance with the provisions contained in the referred Article.

Valencia, 20 February 2020

**CaixaBank, S.A.**

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

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

Valencia, 20 February 2020

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

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

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

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

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

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

As a consequence of the above, the Board of Directors of CaixaBank, S.A., in a meeting held on 20 February 2020, resolved to approve the new draft of the Remuneration Policy for 2020 to 2022 (both inclusive) and to submit it to the General Shareholders' Meeting for its approval as a separate item on the agenda.

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

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

# CaixaBank, S.A.

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

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

Valencia, 20 February 2020

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## I. INTRODUCTION

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

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

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

## II. PRINCIPLES OF THE REMUNERATION POLICY

The general principles of remuneration at CaixaBank are as follows:

- I. The total compensation policy is geared to encouraging conduct that will ensure long-term value generation and sustainability of results over time. The variable remuneration thus takes into consideration not only target achievement, but also the way in which these targets are met.
- II. The professionals’ individual targets are defined on the basis of the commitment the professionals assume and establish with their managers.
- III. The remuneration policy’s strategy for attracting and retaining talent is based on the employees and professionals becoming involved in a distinctive social and business endeavour and developing professionally with competitive overall remuneration conditions.
- IV. As part of these overall compensation conditions, the remuneration policy aims for the amount of the fixed remuneration plus social benefits to be highly competitive, with these two remuneration components being the main basis for its capacity to attract and retain talent.
- V. The main component of the benefits provided is the corporate pension scheme offered to employees and professionals, which stands out in comparison to other Spanish financial institutions and is a key feature of their remuneration.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- I. €90,000 annually for each member of the Board of Directors.
- II. €30,000 of additional annual remuneration for each member of the Appointments Committee or Remuneration Committee.
- III. €30,000 of additional annual remuneration for each member of the Innovation, Technology and Digital Transformation Committee. While the Chairman of the Board of Directors and the Chief Executive Officer sit on this committee, they do not receive remuneration for their seats.
- IV. €50,000 of additional annual remuneration for each member of the Executive Committee, the Audit and Control Committee or the Risks Committee, due to the responsibility and dedication required.
- V. €1,000,000 of additional annual remuneration for the Chairman of the Board of Directors.
- VI. The remuneration of the chairmen of the various committees attached to the Board of Directors will always be 20% higher than that of the other members.
- VII. The Coordinating Director receives remuneration of €38,000 per year. The remuneration of the Coordinating Director was approved by the Board of Directors on 23 November 2017, within the overall limit approved by the Annual General Meeting.

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

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

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

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

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

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

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

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

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

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

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

In accordance with the objective of reasonable and prudential balance between fixed and variable components of the remuneration, the amounts of the fixed remuneration of Executive Directors must be sufficient, and the percentage representing the variable remuneration in the form of fixed annual incentives is, generally speaking, relatively low, not generally exceeding 40%, without taking into account other possible variable components like the LTI.

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

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

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

### **a) Fixed remuneration**

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

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

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

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

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

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

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

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

### **a) General aspects**

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

**b) Performance measurement**

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

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

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

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

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

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

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

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



**c) Special cases of restrictions**

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

**d) Deferral percentage**

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

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

**e) Deferral period**

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

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

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

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

**f) Payment in cash and shares**

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

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

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

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

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

**g) Lock-up policy**

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

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

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

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

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

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

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

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

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

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

**j) Special situations**

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

**k) Permanence requirement**

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

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

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

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

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

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

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

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

## 5. MALUS AND CLAWBACK OF VARIABLE REMUNERATION

### a) Deductions

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

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

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

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

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

**b) Recovery**

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

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

**c) Common rules**

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

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

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

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

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

## **6. GUARANTEED VARIABLE REMUNERATION**

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

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

### **a) General description**

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

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

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

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

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

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

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

**d) Vesting of rights**

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

**e) Mandatory variable-base contributions**

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

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

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

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

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

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

## **9. RETENTION PREMIUMS**

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

## **10. OTHER BENEFITS**

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

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

## **11. EARLY TERMINATION BENEFITS**

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

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

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

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

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

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

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



**d) Reduction and recovery**

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

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

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

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

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

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

**a) Fixed remuneration in cash**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**f) Long-term savings system**

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

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

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

**g) Other benefits**

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

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

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

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

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

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

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

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

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

#### **b) Term**

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

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

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

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

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

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

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

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

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

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

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

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

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

**g) Termination clauses**

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

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

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

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

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

**h) Other terms of contract**

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

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

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

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

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

### **a) General aspects**

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

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

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

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

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

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

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

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

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

The contract shall contain the following termination events:

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

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

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

**d) Severance for early termination**

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

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

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

**VI. MAXIMUM AMOUNT OF DIRECTOR REMUNERATION**

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

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

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

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



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

### **1. GENERAL POINTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CaixaBank, S.A.**

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

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

Barcelona, 18 February 2020

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## I. INTRODUCTION

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

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

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

## II. REASON FOR APPROVING A NEW REMUNERATION POLICY

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

## III. MAIN RULES AND REGULATIONS GOVERNING DIRECTOR REMUNERATION

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

### 1. CORPORATE ENTERPRISES ACT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **VI. CONCLUSION**

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



**DETAILED RECOMMENDATION FOR THE PROPOSAL TO APPROVE THE MAXIMUM LEVEL OF VARIABLE REMUNERATION PAYABLE TO CERTAIN EMPLOYEES WHOSE PROFESSIONAL ACTIVITIES HAVE A SIGNIFICANT IMPACT ON THE COMPANY'S RISK PROFILE.**

**Board of Directors – 20 February 2020**

## I. Purpose of the recommendation

Section g) of articles 34 of Law 10/2014 of 26 June on regulation, supervision and solvency of credit institutions (hereinafter, **LOSS**) establishes that when credit institutions set the variable components of the remuneration for senior managers, employees assuming risks or performing control duties and any worker whose overall remuneration places them in the same wage bracket as the senior managers and employees assuming risks, whose work has a major impact on the company's risk profile (hereinafter, the **Identified Group**), they must determine suitable ratios between the fixed and variable components of the total remuneration, applying the following guidelines:

1. The variable component shall not exceed 100% of the fixed component of total remuneration for each person.
2. The entity's shareholders may however approve a higher level than that indicated in the previous paragraph, providing it does not exceed 200% of the fixed component of the total remuneration.

For approval of this higher level of variable remuneration, the aforementioned Article establishes that the entity's shareholders must base their decision on a detailed recommendation by the Board of Directors or equivalent body, which must state the grounds and the scope of the decision, and include the number of persons in question and their posts, alongside the expected effect on the entity's capacity to maintain a sound capital base (hereinafter, the **Detailed Recommendation**).

The Board of Directors of CaixaBank, S.A. (hereinafter, **CaixaBank**, the **Company** or the **Entity**), in accordance with what is set out in aforementioned section g) of Article 34 of the LOSS, issues this Detailed Recommendation for approval of the motion for resolution to approve the maximum level of variable remuneration (200% of the fixed components) for a total of 160 posts in the Identified Group, which is included in item 11 of the Agenda of the Company's Annual General Meeting of Shareholders called for 2 April 2020, in the first call, and for the following day, 3 April 2020, in the second call.

## II. Applicable regulations

The variable components of the Identified Group's remuneration are mainly governed by Article 34 of the LOSS, in the aforementioned section g) which governs the ratios to be established in relation to the fixed components and the mechanisms for determining them.

The variable remuneration components include not only the annual bonuses or variable incentive payments but also payments earned via multi-year incentives, together with other items such as early termination payments (indemnity payments, non-compete clause compensation) or payments for terminating contracts with other companies.

To implement the above, the Guidelines of the European Banking Authority<sup>1</sup> (hereinafter, the **EBA Guidelines**) establishes in section 117 the criteria for a remuneration component to be considered fixed remuneration, and section 116 states that when it is not possible to clearly assign a component to fixed remuneration on the basis of these criteria, said component will be considered variable remuneration.

Thus, on calculating variable remuneration for purposes of determining the maximum ratio, it must include all components granted in a determined financial year that cannot be considered fixed remuneration, by their very nature or residually, including, as previously mentioned, not only the bonuses or annual and multi-year incentives but also other items such as indemnity payments for contract termination and compensation for post-contractual non-compete commitments.

With regard to early termination payments, section 154 of the EBA Guidelines, despite reiterating that severance payments are considered variable remuneration, establishes that such payments must not be contemplated on calculating the ratio or be subject to application of deferral and payment in instruments if they are included in any of the following categories:

1. Mandatory severance payments as per Spanish labour legislation<sup>2</sup>;
2. Indemnity payments obliged by a Court ruling;
3. Indemnity payments calculated using a generic formula previously defined in the remuneration policy in the cases mentioned in section 149 of the EBA Guidelines<sup>3</sup>;
4. Severance settlements made when they are subject to a non-compete clause ("paid leave") in the contract and paid in future financial years up to the maximum amount of fixed remuneration that has been paid in the non-compete period if the member of staff was still employed; or
5. Severance payments envisaged in section 149 of the EBA Guidelines that cannot be included in items 1, 2 and 3 above, when the entity has demonstrated the reasons and the suitability of the amount of severance payment to the competent authority.

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<sup>1</sup> Guidelines on adequate remuneration policies by virtue of Articles 74, section 3, and 75, section 2, of Directive 2013/36/EU and reporting by virtue of Article 450 of Regulation (EU) no. 575/2013 (EBA/GL/2015/22). Although the European Banking Authority Guidelines do not actually form part of EU Law, the EU Regulation governing their creation and functioning establishes that the competent authorities and entities must make every effort to "comply with them".

<sup>2</sup> Taken to mean those legally established as being mandatory or minimum by the Workers' Statute or by Royal Decree 1382/1985, of 1 August, governing special labour relationships for senior management staff.

<sup>3</sup> This section refers to cases of non-viability of the credit institution, significant reduction of activities, acquisition of business areas by other entities or agreements in the event of labour conflict to prevent the case from being brought before the courts.



### III. Variable components in CaixaBank's remuneration policies

#### 1. General remuneration policy for variable remuneration

The remuneration guidelines approved by the Board of Directors and generally applicable to the Entity and its group include the principle that the fixed and welfare benefit components should constitute the predominant part of the overall remuneration terms, and that the variable remuneration item should tend to be conservative, given its potential as a risk generation factor.

This conservative principle for variable remuneration is reflected in both the General Remuneration Policy for CaixaBank and its group and the specific Remuneration Policies for the Board of Directors and CaixaBank's Identified Group.

There follows a description of the approach to the variable remuneration components in these policies.

#### 2. Board of Directors' remuneration policy

##### a) General considerations

The current CaixaBank Board of Directors' Remuneration Policy (hereinafter, the **BDRP**) only envisages variable remuneration components for the executive directors.

With the aim of achieving a fair, prudent balance between fixed and variable remuneration components for the executive directors, the BDRP establishes that the fixed remuneration amounts must be sufficient; the percentage of variable remuneration in bonus form with regard to the fixed annual remuneration is relatively low in general, not normally exceeding 40%, without contemplating other possible variable components such as the Long-term Incentive Plans (hereinafter, **LTI**).

It also establishes that the variable component of the executive directors' remuneration must not exceed 100% of the fixed component of each executive director's total remuneration, unless the CaixaBank General Meeting approves a higher level, which must not exceed 200% of the fixed component, in accordance with the form, requirements and procedures set forth in the LOSS.

The executive directors' different variable remuneration components are mainly governed by sections IV.3 - IV.6, IV.9 and IV.11 (early termination payments) of the BDRP and are determined according to the legally established parameters for deferrals, payment in instruments, retention, maximum ratio calculation and *malus* and *clawback* clauses.

##### b) Considerations on termination payments

With regard to early termination payments, section IV.11.a) of the BDRP establishes that the amount of the **termination payments** for the executive directors' contracts must always be set so as not to exceed the legally established limits for the maximum

ratio of variable remuneration, taking into account the criteria of the EBA Guidelines.

As to payments for **post-contractual non-compete clauses**, section IV.11.b) of the BDRP sets forth that contracts signed with executive directors may contain agreements of this kind, the compensation consisting of an amount that must not generally exceed the sum of the fixed components of the remuneration that the executive director would have earned if he or she had continued working for the Entity; the compensation amount must be divided into future periodic instalments payable during the validity period of the non-compete clause.

Finally, section IV.11.e) of the BDRP establishes that making early termination payments cannot lead to the Entity's infringement of the variable remuneration limits in relation to the fixed remuneration set forth by the applicable legislation, and that the early termination payments must be reduced as necessary to comply with the mandatory limits.

c) The Entity's practice

In accordance with the contractual practice followed by CaixaBank since the application of the EBA Guidelines, when indemnity payments have been established in executive directors' contracts, they have been set at an amount equal to a year's payment of the fixed remuneration components; also, the duration of the non-contractual non-compete clauses of the currently valid contracts is one year, and the compensation has been set at an amount equal to a year's payment of the fixed remuneration components, payable on a monthly basis in twelve equal parts.

As the executive directors' contracts are commercial rather than employment contracts, the indemnity payment agreed on would fully count as variable remuneration in the remuneration ratio, in accordance with the previously mentioned regulations, if it were applicable in the case of termination of the contract. In turn, the post-contractual non-compete clause compensation would be excluded from this calculation, even though it is still considered a variable component.

3. Remuneration policy for the Identified Group<sup>4</sup>

a) General considerations

As is the case for the BDRP, the current Remuneration Policy for CaixaBank's Identified Group (hereinafter, the **RPIG**) reflects the Entity's conservative policy with regard to variable remuneration components.

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<sup>4</sup> Although the members of CaixaBank's Board of Directors, both executive and non-executive, are included in the Identified Group, the latter are not included in the Remuneration Policy for CaixaBank's Identified Group as they are subject to specific regulation in the Board of Directors' Remuneration Policy.

In particular, it is established in the RPIG that CaixaBank considers that the higher the variable remuneration in relation to fixed remuneration, the greater the incentive to achieve the required results will be and the associated risks may therefore also be greater; while if the fixed component is too low in relation to the variable remuneration it may be difficult to reduce or eliminate the variable remuneration in a financial year in which poor results have been obtained.

The RPIG implicitly considers that the variable remuneration can become a potential incentive to assume risks, and a low level of variable remuneration is therefore a simple method of protecting against such incentives.

In turn, the RPIG establishes that the level of risk assumption must also take into account the category of the professionals in the Identified Group, applying the internal proportionality principle whereby the appropriate balance of fixed and variable remuneration components may vary between professional categories, depending on the market conditions and the specific context in which the Entity operates.

Therefore, and so as to achieve a reasonable, prudential balance between the fixed and variable remuneration components, the RPIG reiterates that in the case of the CaixaBank Group the fixed remuneration amounts are sufficient, and the percentage of variable remuneration over the annual fixed remuneration is generally relatively low.

Lastly, the RPIG reproduces the EBA Guidelines on establishing that the remuneration of the professionals responsible for independent control duties should tend to be mainly fixed, and that when these professionals receive variable remuneration it should be determined separately from that of the business units they control, including the results deriving from business decisions in which these professionals are involved.

The different variable remuneration components for the members of the Identified Group are mainly governed by sections 7-10, 13, and 15 (early termination payments) of the RPIG and are determined in compliance with the legally established parameters for deferrals, payment in instruments, retention, maximum ratio calculation and *malus* and *clawback* clauses.

#### b) Considerations on termination payments

With regard to early termination payments, section 15.1 of the RPIG establishes that in general, obligations concerning **indemnity payments for termination of employment** assumed by the Entity are subject to the applicable regulations; thus, in the case of ordinary employment contracts, the Workers' Statute establishes that a determined indemnity payment is to be made in the cases and for the amounts set therein, which must be for a minimum amount, compulsory and non-distributable.

For the professionals in the Identified Group with an ordinary labour relationship it is determined that the amount of the redundancy or severance payments to be calculated for purposes of the maximum variable remuneration ratio must not exceed the legally established limits.

For the professionals in the Identified Group with a senior management relationship, it is determined that with the limit of the rule itself, in general and unless the applicable legislation gives rise to a higher compulsory amount, the quantity of redundancy or severance payments must not exceed the amount of all the fixed remuneration components for one year, without prejudice to the compensation agreed on in the post-contractual non-compete commitments, where the case may be.

In this regard, for cases in which the contract includes a **post-contractual non-compete clause**, section 15.2 of the RPIG establishes that the compensation must consist of an amount that must not generally exceed the sum of the fixed components of the remuneration that the professional would have earned if he or she had continued working for the Entity, and that the compensation amount must be divided into future periodic instalments payable throughout the validity period of the non-compete clause.

Additionally, section 15.5 of the RPIG governs payments for **severance covered by the collective plan**, applicable in general to all CaixaBank employees (hereinafter, the **CPS**)<sup>5</sup> who comply with the conditions set forth in this plan, and which may be adhered to by the members of the Identified Group with a labour relationship.

In accordance with the most conservative interpretation of the applicable regulations, the RPIG classifies CPS payments for members of the Identified Group as variable remuneration subject, where the case may be, to the exceptions envisaged in Article 154 of the EBA Guidelines (previously referred to in section II of this Detailed Recommendation), and the part of the CPS payments that cannot be exempted by virtue of this provision must therefore be totally submitted to the payment cycle regulations (deferral, payment in instruments, retention, calculation of the remuneration ratio, *malus* and *clawback* clauses) applicable to all the other variable remuneration components.

Finally, section 15.6) of the RPIG establishes that under no circumstances may making early termination payments give rise to the Entity's infringement of the variable remuneration limits in relation to the fixed remuneration set forth by the applicable legislation, and that the early termination payments must be reduced as necessary to strictly comply with the mandatory limits.

#### c) The Entity's practice

In accordance with the contractual practice followed by CaixaBank since the application of the EBA Guidelines, for members of the Identified Group with a senior management contract an indemnity payment has generally been established consisting of either (i) the indemnity payment that would correspond to them by virtue of the Workers' Statute in accordance with a suspended previous ordinary

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<sup>5</sup> These plans are habitually subject to negotiation and agreement with the CaixaBank workers' representatives, and they extend to the entire group of CaixaBank employees who comply with certain requirements established therein (habitually including seniority and age requirements).

employment contract or (ii) a year's payment of the fixed components of the annual remuneration, whichever is the highest.

Also, as a general rule, for the members of the Identified Group whose contracts contain post-contractual non-compete clauses, their duration has been set at one year, and their compensation also generally consists of an amount equal to one year's payment of the fixed components of the remuneration, payable on a monthly basis in twelve equal parts.

In accordance with the rule described, for senior management contracts where there is a suspended previous ordinary employment contract for which the indemnity payment earned up until the time of suspension exceeds the amount of one year's payment of the fixed components, the former will be applied, and it will not count towards the calculation of the ratio in accordance with the aforementioned regulation in section 154 of the EBA Guidelines; in turn, if no indemnity payment has been accumulated (as there is no suspended previous ordinary employment contract) or if its amount is lower than one year's payment of the fixed components, the applicable indemnity payment will be the equivalent of one year's payment of the fixed components, and it will count towards the remuneration ratio insofar as it exceeds the accumulated indemnity payment resulting from the previous ordinary labour relationship (if this relationship exists).

Finally, the post-contractual non-compete clause compensation established under the above terms would not count towards the calculation of the remuneration ratio, even though it is still considered a variable component.

#### **IV. Cases giving rise to the motion to increase the maximum variable remuneration ratio and justification**

The cases giving rise to the motion to increase the maximum variable remuneration ratio, and their justification, are as follows:

##### **1. The need to adapt to standard practice and market competition**

Although CaixaBank's remuneration policy generally establishes relatively low variable remuneration in relation to the fixed components and welfare benefits, the proportion established between the fixed and variable components for certain specific posts must comply with standard market practice for equivalent posts, both in Spain and internationally, on the basis of market surveys and information drawn up by top-level specialist companies.

European credit institutions are required to limit their variable remuneration regardless of the location of their business, while non-EU entities are only subject to this limitation with regard to business carried out in Europe. As an entity with an international vocation, CaixaBank must invest itself with the maximum potential and the necessary flexibility to be competitive with regard to attracting and retaining talent. CaixaBank must thus be able to attract, motivate and retain the best professionals for the posts in question, through a remuneration system comparable to those of the Company's direct competitors.

As in previous years, increasing the maximum ratio to 200% would affect a limited number of posts in the Identified Group. These 30 posts are listed in **Heading I** of the **APPENDIX** to this Detailed Recommendation.

Nonetheless, in accordance with the Entity's current remuneration principles and practices, the motion is for limited, specific and non-generalised use of variable remuneration in bonus form in the case of it possibly exceeding 100% of the fixed component.

## 2. Co-existence of different variable components in the same year of payment

As explained in previous sections, the obligatory classification of the different types of remuneration by fixed and variable components (with no intermediate or additional categories existing) and the method of defining each one (a variable component is any component that cannot be defined as fixed) means that in the same financial year different types of variable remuneration may be earned, all of them subject to the maximum ratio applicable to the Entity (variable remuneration in bonus form, long-term variable incentives, early termination payments or, alternatively, payments made under the CPS).

In the case of CaixaBank, although conservative policies have been applied with regard to variable remuneration, in some cases early termination payments or payments made under the CPS may have to be reduced as their overall amount exceeds the limit of 100% of the fixed components when they are calculated together with the rest of the variable components and are not totally or partially exempted from this calculation, in accordance with section 154 of the EBA Guidelines.

Increasing the maximum ratio to 200% in these cases would enable the Entity – without modifying its conservative policies for variable remuneration in bonus form, long-term incentives and early termination payments – to increase its quantitative capacity to cater to all the commitments acquired with the members of the Identified Group on equal terms with the rest of the Entity's employees (notwithstanding the fact that insofar as their payment is classified as a variable component and not excluded from the calculation in accordance with section 154 of the EBA Guidelines it must be made according to the principles of deferral, payment in instruments, retention, calculation of the remuneration ratio, *malus* and *clawback* clauses applicable).

As in previous years, increasing the maximum ratio to 200% would affect a limited number of members of the Identified Group, who are listed in **Heading I** of the **APPENDIX** to this Detailed Recommendation.

Although at present the number of specific persons holding posts in the Identified Group that could be affected by an obligatory reduction of the early termination payments or payments under the CPS is limited, given their contractual situation and the mandatory workers' compensation earned, the possible replacement of these persons in their posts may result in the aforementioned reduction being applied to the persons replacing them, and the increase in the maximum ratio aims to mitigate this situation.

For this reason, on increasing the maximum ratio to 200% all the posts in the Identified Group with acknowledged variable remuneration components must ultimately be included, and these posts – a total of 160 – are listed in **Headings I and II of the APPENDIX**.

Approval of the maximum ratio on the grounds stated in this **section IV.2** does not entitle the Entity to modify its conservative policies for variable remuneration components in general or make a general revision of the terms of the contracts of the members of the Identified Group, but rather, as previously indicated, has the purpose of increasing the Entity's capacity to cater to the individual and collective commitments acquired with regard to termination payments on equal terms for all the members of its Identified Group and the rest of its staff for whom variable remuneration components have been acknowledged.

#### **V. Effect of the motion on maintaining a sound capital base**

For the 30 posts for which the variable remuneration in bonus form may ultimately exceed 100% of the fixed components (described in **section IV.1** above and listed under **Heading I of the APPENDIX** to this Detailed Recommendation), the estimated maximum joint amount for this excess, even in hypothetical cases where it is not expected to occur, would be €2,152,000.

For the remaining 130 posts in the Identified Group for which variable remuneration components have been acknowledged (described in **section IV.2** of this Detailed Recommendation), given that their impact is merely potential, even in the case of different variable components coexisting and affecting the totality of the persons currently holding the posts on the list whose contractual status obliges reduction of early termination payments or payments under the CPS, the financial impact would be €11,470,000.

The Board of Directors considers that the aggregate amount of both figures (€13,622,000) would have no significant impact on maintaining a sound capital base and would not affect the Entity's solvency obligations.

#### **VI. Proposal of resolution to be submitted to the General Meeting**

By virtue of the above, the Board of Directors proposes approval of the following resolution to the General Meeting of Shareholders:

***Approval of the maximum level of variable remuneration that may be earned by employees whose work has a significant impact on the Company's risk profile.***

*Approval of the level of variable remuneration for the one hundred and sixty (160) posts in the group of employees whose work has a significant impact on the Company's risk profile (the Identified Group), as referred to in the "Board of Directors' detailed recommendation for the motion for resolution to approve the maximum level of variable remuneration for professionals belonging to the Identified Group", reaching two hundred percent (200%) of the fixed component of their total remuneration, all by virtue of and*

*subject to the provisions of Article 34 of Law 10/2014 of 26 June on regulation, supervision and solvency of credit institutions.*

*The sole purpose of the approval of this resolution for the one hundred and thirty (130) posts listed under Heading II of the document attached hereto as an appendix to the aforementioned Detailed Recommendation is to increase the Company's capacity to cater to the individual and collective commitments acquired with regard to early termination payments on equal terms for all the members of its Identified Group and the rest of its staff for whom variable remuneration components have been acknowledged, without implying any general modification of the Company's current remuneration practices and policies.*

Valencia, 20 February 2020



**APPENDIX**

**to the detailed recommendation on the motion for resolution to approve the maximum level of variable remuneration for professionals belonging to the Identified Group**

Number of persons and post affected

Heading I      Posts in the Identified Group affected for market reasons

POST	No. of persons
EXECUTIVE MANAGER - CORPORATE BANKING UNIT	1
EXECUTIVE MANAGER - PRIVATE BANKING	1
REGIONAL MANAGER - CATALONIA	1
REGIONAL MANAGER - EBRO	1
MANAGING DIRECTOR - MARKETS	1
MANAGING DIRECTOR - ALM, TREASURY & FUNDING	1
MANAGING DIRECTOR - TECHNICAL BUSINESS UNIT	1
MANAGING DIRECTOR - STRUCTURED FINANCE	1
MANAGING DIRECTOR - CORPORATE BANKING UNIT	1
MANAGING DIRECTOR - INTERNATIONAL BANKING	1
MANAGING DIRECTOR - DEBT CAPITAL MARKETS & FICC SALTS	1
MANAGING DIRECTOR - EQUITY	1
MANAGING DIRECTOR - GESTION STRUCTURAL RISKS OF BALANCE SHEET	1
MANAGING DIRECTOR - ENERGY & TELECOM	1
MANAGING DIRECTOR - CONSTRUCTION & INFRASTR.1&2 & REAL ESTATE	1
MANAGING DIRECTOR - ASSET & STRUCTURED TRADE FINANCE	1
MANAGING DIRECTOR - RESEARCH IBERIA	1
BRANCH MANAGER - PORTO	1
SENIOR DIRECTOR - STRUCTURED & COMMODITIES LIABILITIES	1
SENIOR DIRECTOR - EQUITY DERIVATES	1
SENIOR DIRECTOR - INTEREST RATE DERIVATES	1
SENIOR DIRECTOR - FIXED INCOME	1
SENIOR DIRECTOR - FOREIGN EXCHANGE	1
SENIOR DIRECTOR - CREDIT	1
SENIOR DIRECTOR - PUBLIC DEBT	1
SENIOR DIRECTOR - FX VOLATILITY	1
SENIOR DIRECTOR - FS SPOT AND FORWARD	1
SENIOR DIRECTOR - PORTFOLIO OF FIXED INCOME	1
SENIOR DIRECTOR - MANAGEMENT OF SECONDARY	1
SENIOR DIRECTOR - MANAGEMENT AND PRICING CVA - FVA	1

Heading II Other posts in the Identified Group affected by coexisting variable remuneration components

POST	No. of persons
CHIEF EXECUTIVE OFFICER	1
BUSINESS MANAGING DIRECTOR	1
MANAGING DIRECTOR OF HUMAN RESOURCES AND ORGANISATION	1
CHIEF RISKS OFFICER	1
EXECUTIVE DIRECTOR OF FINANCE	1
EXECUTIVE DIRECTOR OF COMMUNIC.,INSTIT.REL., TRADEMARKS AND CSR	1
EXECUTIVE DIRECTOR OF INTERVENTION, MANAGEMENT CONTROL AND CAPITAL	1
EXECUTIVE DIRECTOR OF CIB AND INTERNATIONAL BANKING	1
EXECUTIVE DIRECTOR OF THE INTERNAL AUDIT DEPARTMENT	1
EXECUTIVE DIRECTOR OF INSURANCE	1
EXECUTIVE DIRECTOR OF RESOURCES	1
GENERAL AND BOARD SECRETARY	1
DEPUTY EXECUTIVE DIRECTOR TO THE CHIEF EXECUTIVE OFFICER	1
EXECUTIVE DIRECTOR OF CORPORATE RISK MANAG.FUNCTION & PLANNING	1
EXECUTIVE DIRECTOR - CHIEF LENDING OFFICER COMPANIES	1
EXECUTIVE DIRECTOR - CHIEF RETAIL LENDING OFFICER	1
EXECUTIVE DIRECTOR OF THE STANDING LOAN COMMITTEE, CHAIRMAN	1
EXECUTIVE DIRECTOR OF BUSINESS AND ENTREPRENEURS	1
EXECUTIVE DIRECTOR OF THE LEGAL ADVISORY DEPT.	1
EXECUTIVE DIRECTOR OF CORPORATE DEVELOPMENT	1
EXECUTIVE DIRECTOR OF THE EXEC. DIV. ATTACHED TO THE GEN.BUS.MAN.DEPT	1
EXECUTIVE DIRECTOR OF NPL, RECOVERIES AND FORECLOSURES	1
EXECUTIVE DIRECTOR OF PAYMENTS & CONSUMER	1
EXECUTIVE DIRECTOR OF REAL ESTATE FORECLOSURES	1
EXECUTIVE DIRECTOR OF RETAIL	1
EXECUTIVE DIRECTOR OF THE TECH.OFFICE OF THE PRESIDENCY IN MADRID	1
REGIONAL MANAGER EASTERN ANDALUSIA AND MURCIA	1
REGIONAL MANAGER VALENCIAN COMMUNITY	1
REGIONAL MANAGER WESTERN ANDALUSIA	1
REGIONAL MANAGER CANARY ISLANDS	1
REGIONAL MANAGER BARCELONA	1

(continued)

<b>POST</b>	<b>No. of persons</b>
REGIONAL MANAGER MADRID	1
REGIONAL MANAGER NORTHWEST	1
REGIONAL MANAGER NORTH	1
SUBDIRECTOR GENERAL OF COMPLIANCE	1
SUBDIRECTOR GENERAL OF BANKING SERVICES	1
CORPORATE MANAGER - Chief Information Officer	1
CORPORATE MANAGER OF INDIVIDUAL ANALYSIS AND LOANS	1
CORPORATE MANAGER OF CORPORATE M&A	1
CORPORATE MANAGER OF REGULATORY COMPLIANCE	1
CORPORATE MANAGER OF CUSTOMER LAB & CUSTOMER EXPERIENCE	1
CORPORATE MANAGER OF BUSINESS DEV. COMP.TRANSACTIONAL BANKING	1
CORPORATE MANAGER OF COMPANY SALES MANAGEMENT	1
CORPORATE MANAGER OF INNOVATION AND DIGITAL TRANSFORMATION	1
CORPORATE MANAGER OF REAL ESTATE BUSINESS	1
CORPORATE MANAGER OF CUSTOMER EXPERIENCE	1
CORPORATE MANAGER OF STRATEGIC PALNNING AND STUDIES	1
CORPORATE MANAGER OF TRANSFORMATION PROJECT IN CORPORATE BANKING	1
CORPORATE MANAGER OF SECURITY & GOVERNANCE	1
CORPORATE MANAGER OF COMMERCIAL EFFICIENCY PROJECT BPI	1
SALES MANAGER - BARCELONA CITY	1
SALES MANAGER - BARCELONA PROVINCE	1
SALES MANAGER CORPORATE BANKING BARCELONA REG. DIV.	1
SALES MANAGER PRIVATE BANKING BARCELONA REG. DIV.	1
SALES MANAGER RETAIL BARCELONA REG. DIV.	1
SALES MANAGER - MADRID NORTH NETWORK	1
SALES MANAGER - MADRID SOUTH NETWORK	1
SALES MANAGER CORPORATE BANKING MADRD REG. DIV.	1
SALES MANAGER PRIVATE BANKING MADRID REG. DIV.	1
SALES MANAGER RETAIL BANKING MADRID REG. DIV.	1
SALES MANAGER - VALENCIA NORTH NETWORK	1
SALES MANAGER - VALENCIA SOUTH NETWORK	1
SALES MANAGER CORPORATE BANKING VALENCIAN COMMUNITY REG. DIV.	1
SALES MANAGER PRIVATE BANKING VALENCIAN COMMUNITY REG. DIV.	1
SALES MANAGER RETAIL BANKING VALENCIAN COMMUNITY REG. DIV.	1

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POST	No. of persons
SALES MANAGER - MALAGA CÓRDOBA JAÉN C GIBRALTAR CEUTA MELILLA NETWORK	1
SALES MANAGER - MURCIA ALMERÍA GRANADA NETWORK	1
SALES MANAGER CORPORATE BANKING EASTERN ANDALUSIA AND MURCIA REG. DIV.	1
SALES MANAGER PRIVATE BANKING EASTERN ANDALUSIA AND MURCIA REG. DIV.	1
SALES MANAGER RETAIL BANKING EASTERN ANDALUSIA AND MURCIA REG. DIV.	1
SALES MANAGER - ASTURIAS AND LEON NETWORK	1
SALES MANAGER CORPORATE BANKING NORTH REG. DIV.	1
SALES MANAGER PRIVATE BANKING NORTH REG. DIV.	1
SALES MANAGER RETAIL BANKING NORTH REG. DIV.	1
AREA MANAGER - BUSINESS RISK DEVELOPMENT & CARS	1
AREA MANAGER - CUSTOMER QUALITY AND VOICE	1
AREA MANAGER - CORPORATE EXECUTIVES AND CORPORATE BKNG. CAPITAL MKT.	1
AREA MANAGER - FINANCE AND SERVICES, AND UGES COORD.	1
AREA MANAGER - CORPORATE MANAGEMENT AND GOVERNANCE	1
DEPARTMENT MANAGER OF AGROBANK	1
DEPARTMENT MANAGER OF FINAN. AUDIT, PARTICIP. AND REG. COMPL.	1
DEPARTMENT MANAGER OF MARKET, RISKS AND INTERNATIONAL BANKING AUDIT	1
DEPARTMENT MANAGER OF SYSTEMS, PROCESSES AND DIGITAL BANKING AUDIT	1
DEPARTMENT MANAGER OF REGIONAL AND BUSINESS AUDIT	1
DEPARTMENT MANAGER OF BUSINESSBANK	1
DEPARTMENT MANAGER OF COMPLIANCE ANALYTICS	1
DEPARTMENT MANAGER OF BUSINESS CONTROL	1
DEPARTMENT MANAGER OF CONTROL AND REPORTING	1
DEPARTMENT MANAGER OF CREDIT MANAGER CIB AND INTERNATIONAL	1
DEPARTMENT MANAGER OF CORPORATE CREDIT MANAGER	1
DEPARTMENT MANAGER OF CONSUMER BUSINESS DYNAMIZATION	1
DEPARTMENT MANAGER OF EFFICIENCY AND PROCESS DIGITISATION	1
DEPARTMENT MANAGER OF STRATEGY, RISK GOVERNANCE AND REGULATION	1
DEPARTMENT MANAGER OF HOTELS & TOURISM	1
DEPARTMENT MANAGER OF AUDIT METHODOLOGY AND REPORTING	1
DEPARTMENT MANAGER OF NPL AND RESTRUCTURING	1
DEPARTMENT MANAGER OF RETAIL BANKING BUSINESS	1
DEPARTMENT MANAGER OF BUSINESS	1
DEPARTMENT MANAGER OF PLANNING, IMPAIRMENT AND CAPITAL REG.	1
DEPARTMENT MANAGER OF SEC. POL. AND CREDIT RISK CONTROL	1

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POST	No. of persons
DEPARTMENT MANAGER OF STRUCTURAL R. AND REGULATED MODELS	1
DEPARTMENT MANAGER OF NON-FINANCIAL RISKS	1
DEPARTMENT MANAGER OF MODEL VALIDATION AND RISK	1
DEPARTMENT MANAGER OF PRIVATE BANKING	1
DEPARTMENT MANAGER OF KEY CLIENTS	1
DEPARTMENT MANAGER OF WEALTH	1
DEPARTMENT MANAGER OF CORPORATE RESPONSIBILITY	1
MANAGING DIRECTOR - EQUITIES & CORPORATE FINANCE	1
MANAGING DIRECTOR - INDUSTRIALS & RETAIL	1
MANAGING DIRECTOR - INSTITUTIONAL BANKING	1
MANAGING DIRECTOR - INSURANCE & FINANCIAL ENTITIES	1
MANAGING DIRECTOR - INTERNATIONAL BUSINESS DEVELOPEMENT	1
MANAGING DIRECTOR - LISBON	1
MANAGING DIRECTOR - TRANSACTIONAL BANKING	1
MANAGING DIRECTOR - CONTROL OF BUSINESS CIB	1
SENIOR DIRECTOR - LIQUIDITY MANAGEMENT	1
RISK ASSUMPTION MANAGER BARCELONA REG. DIV.	1
RISK ASSUMPTION MANAGER MADRID REG. DIV.	1
RISK ASSUMPTION MANAGER EASTERN ANDALUSIA AND MURCIA REG. DIV.	1
RISK ASSUMPTION MANAGER OF WESTERN ANDALUSIA REG. DIV.	1
REP. OFFICE MANAGER - SOUTH AFRICA REP. BRANCH	1
REP. OFFICE MANAGER - NEW YORK REP. BRANCH	1
SPECIALIST - NEW YORK REP. BRANCH	1
SPANISH DESK MANAGER - PRESENCE AT PARTNERS	1
COORDINATION MANAGER - LUXEMBOURG PROJECT	1
IMAGINTECH EXECUTIVE CHAIRPERSON	1
DIRECTOR GENERAL OF CAIXABANK PAYMENTS & CONSUMER SOLUTIONS	1
DIRECTOR GENERAL OF PAYMENTS & CONSUMER SALES	1
DIRECTOR FOR INVESTMENT IBERIA - CAIXABANK ASSET MANAGEMENT	1
RISK MANAGER - CAIXABANK ASSET MANAGEMENT LUXEMBOURG	1