FAES FARMA

# REMUNERATION POLICY FOR DIRECTORS OF FAES FARMA, S.A.

## INTRODUCTION

The Board of Directors of FAES FARMA, S.A. (hereinafter, "**FAES**", the "**Company**" or the "**Company**"), at the proposal of the Nomination and Remuneration Committee, has approved at the meeting held on 4 May 2023 this Remuneration Policy for the Directors of the Company (hereinafter, the Policy or the "**Remuneration Policy**"), which will be submitted to the binding vote of the General Shareholders' Meeting as a separate item on the agenda and with the content established in the Capital Companies Act.

The Remuneration Policy contains the following sections:

| Sections of the Remuneration Policy | |
|---|---|
| 1. | Principles of Remuneration Policy. |
| 2. | Process for determining the Remuneration Policy. |
| 3. | Main changes to the Remuneration Policy. |
| 4. | Remuneration of executive directors. |
| 5. | Remuneration of directors in their condition as such. |
| 6. | Remuneration applicable to new directors. |
| 7. | Actions taken to align the Remuneration Policy with the Company's objectives, values and long-term interests. |
| 8. | Validity. |

## 1. PRINCIPLES OF REMUNERATION POLICY

The main focus of the Remuneration Policy is to attract, retain and motivate talent so that the Company can meet its strategic objectives within the increasingly competitive and internationalised framework in which it operates, establishing the most appropriate measures and practices for this purpose.

The general principles underlying the Remuneration Policy are as follows, classified according to their applicability to the remuneration policy for the different types of directors:

| PRINCIPLES | To whom it applies |
|---|---|
| **PROPORTIONALITY**: Remuneration levels are appropriate to the company's performance in relation to the sector, the company's situation, its future prospects and the comparison with the remuneration paid by other companies in the same sector or with similar characteristics. | All Directors |
| **COMPETITIVENESS:** The Remuneration Policy must be competitive, which is achieved by setting a remuneration package in line with market standards, considering comparable sectors and companies.<br><br>Remuneration should be adequate to attract and retain directors with the talent and profile desired by the Company. | Executive Directors |
| **APPROPRIATENESS:** Remuneration should be sufficient and appropriate to the dedication, qualifications and responsibilities of the directors in their capacity as such, without such remuneration compromising the independence of the directors' judgement. | All Directors |
| **NON-DISCRIMINATION:** FAES' Remuneration Policy will respect non-discrimination on grounds of gender, age, culture, religion and race. | All Directors |
| **TRANSPARENCY:** Remuneration disclosures are in line with best practice in corporate governance. | All Directors |
| **ALIGNMENT WITH STAKEHOLDER INTERESTS**: The design of the Remuneration Policy for executive directors is reviewed periodically to ensure alignment between the achievement of results and the creation of shareholder value.<br><br>Variable remuneration can also be linked to the achievement of environmental, social or governance (ESG) objectives linked to our sustainability strategy.<br><br>In addition, decisions on executive directors' remuneration are made taking into account the remuneration conditions of the management team as a whole and the interests of other stakeholders. | Executive Directors |

The above principles are reflected in the actions we take in the area of director compensation.

| WHAT THE POLICY INCLUDES | WHAT IT DOES NOT INCLUDE |
| --- | --- |
| • Reasonable balance between the different components: balance between fixed and variable elements (annual and multi-annual).<br>• Linking the payment of remuneration to the Company's performance ("*pay for performance*").<br>• Long-Term Variable Remuneration Plans linked to a multi-year, share-based target measurement period.<br>• Temporary holding commitment for the shares received.<br>• Termination indemnity and non-competition commitment: limited to 2 times the annual gross remuneration (fixed + annual variable).<br>• External advice. | • There are no contracts with guaranteed wage increases.<br>• There is no guaranteed variable remuneration.<br>• There are no pension commitments to directors.<br>• No loans or advances are granted.<br>• Non-executive directors do not participate in remuneration formulas or schemes linked to the Company's performance.<br>• Hedging, pledging, short selling or derivative contracts on the value of shares received during the holding period is not permitted. |

## 2. PROCESS OF DETERMINING REMUNERATION POLICY

### 2.1 Internal Regulations and Company Bodies Involved

The Company's remuneration policy is regulated in the Bylaws and in the Regulations of the Board of Directors. Specifically, article 19 g) of the Regulations of the Board of Directors establishes that the basic responsibility of the Nomination and Remuneration Committee is to propose to the Board of Directors the remuneration policy for directors and general managers or those performing senior management functions reporting directly to the Board, executive committees or managing directors, as well as the individual remuneration and other contractual conditions of executive directors, ensuring compliance therewith.

Based on the above, the Remuneration and Nomination Committee proposes the Remuneration Policy to the Board of Directors, which submits it to the General Shareholders´ Meeting for approval.

The functions performed by the aforementioned bodies of the Company involved in the review, determination and approval of the Policy are set out below:

**General Shareholders´Meeting:**

- Approves the Remuneration Policy at least every three years as a separate agenda item.
- Approves the maximum amount of annual remuneration for all directors in their condition as such.
- Approves variable remuneration systems for executive directors that include the delivery of shares or stock options, or remuneration linked to the value of the shares.

**Board of Directors:**

- With respect to the directors in their condition as such: approves the distribution among different items of the maximum amount approved by the General Shareholders´ Meeting.
- With respect to executive directors: approves the fixed remuneration, as well as the design of variable remuneration, approving the objectives at the beginning of each financial year, the evaluation of their fulfilment once the period for measuring the objectives has ended, and the corresponding settlement of the Annual Variable Remuneration and the Long-Term Variable Remuneration.
- Proposes adaptations or updates to the Remuneration Policy.
- Approves the contracts regulating the performance of the duties and responsibilities of the executive directors.

**Nomination and Remuneration Committee:**

- It prepares the remuneration proposals to be approved by the Board of Directors. In relation to variable remuneration, the Committee reviews the structure, the maximum levels of remuneration, the objectives established and the weighting of each of them, taking into account the Company's strategy, the needs and the business situation.
- In addition, it periodically reviews the remuneration policy, taking into account the factors described in the following section.

## 2.2 Criteria adopted in the determination of the Remuneration Policy

**Consideration of the views of investors and proxy advisors:**

The Nomination and Remuneration Committee considers both the external environment in which the Company operates and the guidelines issued by the organisations representing our institutional shareholders. The Nomination and Remuneration Committee also considers the feedback from institutional investors and proxy advisors received during FAES' regular consultation process with these stakeholders.

**Consideration of the remuneration conditions of the employees as a whole and the perspective of the management team.**

For the purpose of establishing the remuneration conditions for executive directors described in this Remuneration Policy, the remuneration strategy applicable to the Company's employees and executives has been taken into account.

In this regard, the Remuneration Policy applicable to executive directors is aligned with that of all employees and executives, remunerating them for the value they contribute to FAES and sharing the following specific principles:

- **Total remuneration structure**: the remuneration package offered by FAES may be made up of fixed and variable components, as well as remuneration in kind and other social benefits. In any case, the fixed remuneration has a relevant weight insofar as, in certain circumstances, the variable remuneration may be zero. In addition, the amounts and relative weight of the remuneration elements are adapted to local practices in the markets in which FAES operates.

- **Remuneration equity**: no discrimination on grounds of gender, age, culture, religion or race is guaranteed when applying remuneration practices and policies. In this regard, FAES professionals are remunerated in a manner consistent with their level of responsibility, leadership and performance within the organisation, favouring the retention of key professionals and attracting the best talent.

- ***Pay for performance***: a significant part of the total remuneration of the Company's management team is of a variable nature and its perception is linked to the achievement of financial and non-financial, business and value creation objectives that are predetermined, specific, quantifiable and aligned with FAES' social interest.

- **Proportionality**: remuneration levels are appropriate to the importance of the Company, to its economic situation at any given time and to market standards in comparable industries and companies.

- **Prudence**: The criteria used by the Nomination and Remuneration Committee to establish fixed, variable or other types of remuneration take into account the risks implicit in such decisions and the long-term implications for the Company.

- **Values**: The Remuneration Policy is designed to attract and retain the best talent and motivate a high performance culture.

**Market conditions**

Directors' remuneration is compared with that of comparable profiles in companies in the same or similar sectors in terms of size.

**Consideration of independent external advice**

In determining, reviewing and implementing the Remuneration Policy, the Remuneration and Nomination Committee seeks independent advice and ensures that no director makes decisions regarding his or her own remuneration.

**Periodic review of the Remuneration Policy**

The Directors' remuneration policy is reviewed periodically by the Nomination and Remuneration Committee and the Board of Directors in order to keep it in line with best corporate governance practices and market trends. The policy is submitted to the General Shareholders' Meeting for approval whenever it is necessary or advisable to amend it and, in any case, every three years, in accordance with the Spanish Companies Act.

## 3. MAIN CHANGES TO THE REMUNERATION POLICY

In 2023, the Company's Nomination and Remuneration Committee carried out a process of reflection on the remuneration policy in force at that time in order to propose a new policy to the Board of Directors. The criteria described in section 2.2 have been taken into account for this purpose. In addition, the recommendations on good corporate governance at national and international level applicable to listed companies and the feedback received from the main *proxy advisors* and institutional investors following the approval of the Remuneration Policy in 2021 have also been taken into account.

The proposed new Remuneration Policy is a continuation of the policy approved on 16 June 2021 at the General Shareholders' Meeting, although it introduces important improvements to strengthen alignment with our strategic priorities, with the views of our shareholders and with corporate governance recommendations. Many of these improvements began to be implemented in 2022 and are now incorporated into the Policy.

The most relevant proposals of this Policy are summarised below:

- The amount of the executive director's Fixed Remuneration will remain stable during the term of the Policy, maintaining the same amount allocated in the Remuneration Policy 2021-2023.

- Limitation to 15% (upwards and downwards) in the discretion of the Board of Directors to adjust the level of the annual variable remuneration payment in order to ensure that the outcome is fair and balanced, without in any case exceeding the maximum amount (110% of the target).

- Implementation of a Long-Term Incentive Plan, as Long-Term Variable Remuneration, which is structured through overlapping and independent cycles of 3 years' duration and whose payment will be made 100% in shares.

- Establishment of a clawback clause that may result in the reimbursement of variable remuneration in certain cases during a period of 2 years from the payment thereof. The circumstances that would trigger the application of the clawback clause are detailed in Section 4.1.

- Establishment of additional per diems for Committee Chairs and for the member of the Audit and Compliance Committee who is assigned specific ESG responsibilities, when not chairing the Committee.

- The amount to be received by the executive director as compensation for termination of his contract and as a non-compete clause may not exceed the amount of twice the gross annual remuneration (fixed remuneration and annual variable remuneration).

## 4. REMUNERATION OF EXECUTIVE DIRECTORS

### 4.1 Remuneration components of executive directors:

The elements comprising the executive directors' remuneration package are as follows:

| Fixed Remuneration | |
|---|---|
| Purpose | Reward the level of responsibility of the position in the organisation, as well as the professional experience of the director. |
| Amount | Executive Director: €963,490 (unchanged from the previous Remuneration Policy). |
| Operation | The Board of Directors determines the fixed remuneration of executive directors, at the proposal of the Nomination and Remuneration Committee.<br>This fixed remuneration is paid monthly in cash.<br>For the purpose of proposing an appropriate and market-competitive remuneration, the Nomination and Remuneration Committee takes into account the following factors:<br>• The specific characteristics of the position, the level of responsibility and involvement required of executive directors.<br>• The competences and experience of the person.<br>• The evolution of the contribution of the job and the person.<br>• Remuneration conditions for employees as a whole.<br>• Market data on companies of similar size, sector and complexity to FAES.<br>The amount will remain stable for the duration of the Remuneration Policy. |

| Remuneration in kind | |
|---|---|
| Purpose | Offer a competitive compensation package in line with the market. |
| Maximum amount | Executive Director: €35,000. |
| Operation | Executive Directors may be beneficiaries of certain benefits in kind, including, but not limited to, company cars and life insurance premiums. The Remuneration Policy for executive directors does not provide for the granting of other benefits, pension plans, loans, advances and guarantees provided by the Company. |

## Variable Remuneration

The elements comprising the variable remuneration of the executive director are detailed below:

(i) annual variable remuneration and (ii) long-term variable remuneration.

The following tables detail the specific features of each of the systems. However, there are a number of common features in the mechanics and operation of both systems.

- The Board of Directors, acting on a proposal from the Nomination and Remuneration Committee, is responsible for approving the objectives at the beginning of each financial year and for assessing compliance with the objectives at the end of the objective measurement period.
- Targets will be determined using a combination of quantitative and qualitative indicators, aligned with FAES' strategic priorities. These objectives may include, among others, specific, predetermined and quantifiable economic-financial, operational (e.g. EBITDA, Consolidated Profit, Cash Flow, if applicable), strategic and/or value creation (e.g. market capitalisation, total shareholder return, among others) parameters. Indicators linked to the sustainability strategy and the individual performance of the executive director may also be considered. Some of the metrics may be measured relative to a comparison group of competitor companies.
- Objectives may be measured in the short or long term, avoiding as a general rule duplication of objectives in each system. The Board of Directors shall determine the appropriateness of the objectives set in relation to strategic and tactical management priorities in the short and long term.
- The compliance scale, set at the beginning of each financial year, includes a minimum threshold below which no incentive is paid, a target level, which corresponds to 100% compliance with the objectives, and a maximum level, specific to each metric.
- In the annual variable remuneration and in the event that the Committee determines that the objectives set at the beginning of the financial year have been exceeded and that a level of overachievement has been reached, an additional incentive may be paid, which shall not exceed the maximum incentive indicated.
- In order to calculate the amount of variable remuneration, the degree of compliance and the weighting of each of the objectives shall be considered and the internal rules and procedures for the evaluation of objectives, established by the Company, shall be applied.
- Depending on the assessment of the objectives, the Committee is supported by the Finance Department and the Internal Audit Department, which provides information on the audited results. In both the setting of objectives and the assessment of their achievement, the Committee also considers any associated risks.
- Economic effects, positive or negative, arising from extraordinary events that could distort the evaluation results shall be eliminated and the long-term quality of performance and any associated risks shall be considered in the variable remuneration proposal.
- The Board of Directors, at the proposal of the Nomination and Remuneration Committee, may reduce (malus) and/or, as the case may be, claim the return (clawback) of the variable remuneration paid from the beneficiaries, if, within 2 years of its delivery, it is proven that (i) the data used to calculate the objectives are inaccurate or (ii) the beneficiaries have committed a serious and culpable breach of their duties of loyalty, diligence or good faith or of any other obligations assumed by virtue of their contractual relationship with FAES.

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| Annual Variable Remuneration | |
|---|---|
| Purpose | To strengthen the commitment of executive directors to the Company, motivate their performance and reward the achievement of specific objectives for each financial year. |
| Amount | • Target: 60% of Fixed Remuneration. To be achieved if 100% of the pre-established targets are met.<br>• Maximum: 110% of target (66% of Fixed Remuneration). To be reached in case of overachievement of pre-established targets.<br>• Minimum: 80% of target (48% of Fixed Remuneration). Below minimum target achievement, no incentive is paid. |
| Metrics | The quantitative targets will have a minimum weight of 50% of the overall incentive. They shall consist of metrics that ensure an appropriate balance between the financial and operational aspects of the Company's management.<br><br>The qualitative objectives will have a maximum weight of 50% of the overall incentive. These qualitative objectives include sustainability objectives, the details of which will be set out in the corresponding Annual Directors' Remuneration Report. |
| Operation | It is the responsibility of the Board of Directors, at the proposal of the Nomination and Remuneration Committee, to set the objectives at the beginning of each financial year and to evaluate their fulfilment, once the annual accounts for the financial year in question have been drawn up by the Board and audited.<br><br>The Board, at the proposal of the Committee, has the power to adjust the level of payment of annual variable remuneration to ensure that the outcome is fair and balanced, in light of the Company's overall performance. Such discretion shall be limited to a maximum of 15% upwards or downwards in response to exceptional circumstances requiring a qualitative assessment, without in any case exceeding the maximum amount (110% of target). In the event that this power is used, the company will provide detailed information on the reasons justifying its application in the corresponding Annual Directors' Remuneration Report. |
| Payment | The annual variable remuneration is paid in full in cash during the first three months of the year following the accrual of the variable remuneration. |
| **Malus and Clawback** | The Board of Directors, at the proposal of the Nomination and Remuneration Committee, may reduce (malus) and/or, as the case may be, claim a refund (clawback) of the amount paid from the beneficiaries, if, within 2 years of delivery, it is proven that (i) the data used to calculate the objectives are inaccurate or (ii) there has been a serious and culpable breach of the duties of loyalty, diligence or good faith, or of any other obligations assumed by virtue of their contractual relationship with FAES. |

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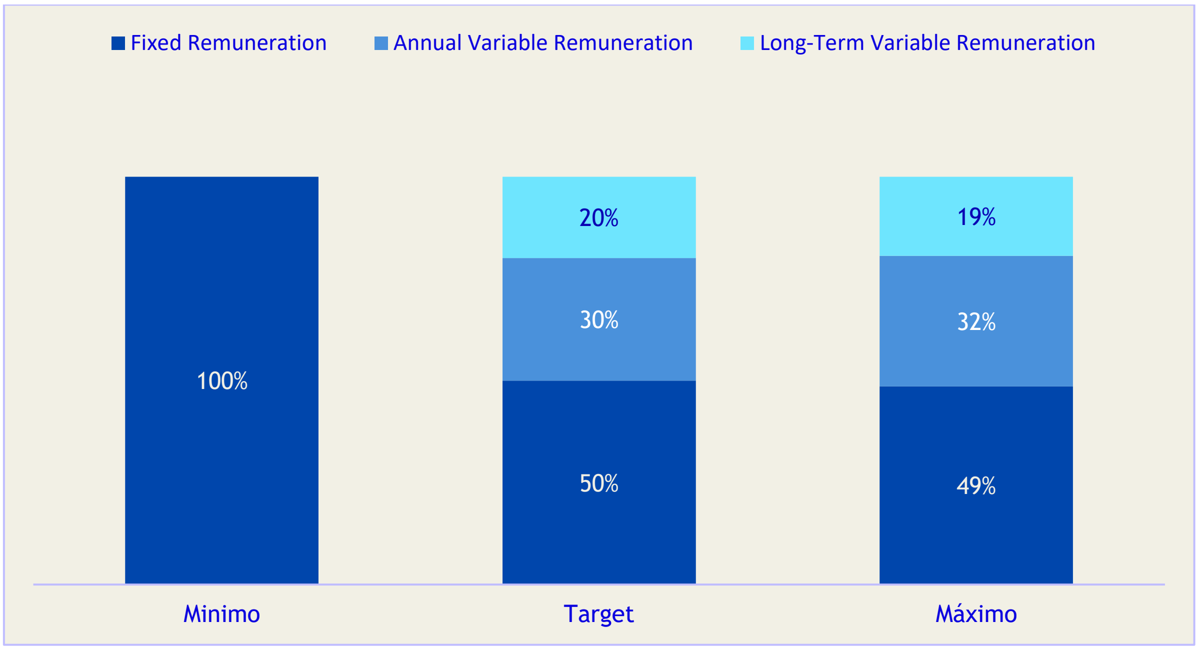
| Long-Term Variable Remuneration | |
|---|---|
| **Purpose** | Reward the achievement of FAES' long-term strategic objectives, the sustainability of results and the creation of sustainable shareholder value. |
| **Amount (annualised)** | • Target: 40% of Fixed Remuneration. To be achieved if 100% of the pre-established targets are met.<br>• Maximum: 100% of the target (40% of the Fixed Remuneration). No additional incentive will be paid in case of overachievement.<br>• Minimum: Specific to each metric. Threshold below which no incentive is paid. Details of the minimum level of compliance with each metric will be provided in the corresponding Annual Directors' Remuneration Report. |
| **Metrics** | The targets for this type of variable remuneration may be composed of metrics that ensure an appropriate balance between the strategic, value creation, financial or operational and sustainability aspects, where appropriate, of the Company's management. |
| **Operation** | Long-term remuneration is structured in overlapping and independent cycles. The first Long-Term Incentive Plan was approved by the General Shareholders' Meeting in June 2022 and consists of three cycles (1st cycle: 2022-24, 2nd cycle: 2023-25 and 3rd cycle: 2024-26).<br>The target measurement period for each concession is three years.<br>The Incentive shall be paid in full in the form of shares, share options or remuneration rights linked to the value of the shares, provided that the objectives established for this purpose are met, without prejudice to a part being paid in cash to meet the executive director's tax obligations.<br>The Committee monitors the objectives on an annual basis, and once the Plan has been finalised, the degree of achievement is determined. In determining the level of achievement of the objectives, any economic effects, positive or negative, arising from extraordinary events that could distort the results of the evaluation are eliminated.<br>In addition, in order to assess the corresponding final payment level, the Committee shall assess whether there have been any alterations or inaccuracies in the business data, promoted by any beneficiary of the plan, which would have been relevant for the determination of the annual variable remuneration (confirmed by the Company's external auditor). In such a situation, the Committee may adjust downwards or even cancel the accrual of the long-term variable remuneration.<br>The characteristics of each Long-Term Remuneration Plan are set out in the Annual Directors' Remuneration Report. |
| **Payment** | Long-term variable remuneration is paid entirely in shares. Shares delivered may not be disposed of until at least 3 years have elapsed since their delivery, unless such directors hold shares with a market value equivalent to twice their annual fixed remuneration. |
| **Malus and Clawback** | The Board of Directors, at the proposal of the Nomination and Remuneration Committee, may reduce (malus) and/or, as the case may be, claim from the beneficiaries the return (clawback) of the amount of the shares at the reference price, if, within 2 years of delivery, it is proven that (i) the data used to calculate the targets are inaccurate or (ii) during the term of the Plan, the beneficiaries have committed a serious and culpable breach of their duties of loyalty, diligence or good faith, or of any other obligations assumed by virtue of their contractual relationship with FAES. |

## 4.2 Scenarios of the remuneration mix for executive directors

The Remuneration Policy provides a reasonable balance between the various fixed and variable elements (annual and long-term), reflecting appropriate risk-taking combined with the achievement of defined short- and long-term objectives linked to sustainable value creation.

The chart shows examples of the potential future total remuneration for the executive director, in accordance with this Remuneration Policy, under three possible scenarios:

- Minimum: scenario where both annual variable remuneration and long-term variable remuneration do not reach a minimum threshold. In other words, the total remuneration of the executive director will consist exclusively of fixed remuneration.
- Target: scenario in which both the annual variable remuneration and the long-term variable remuneration reach a target level, which corresponds to 100% compliance with the objectives. The total remuneration in this case would be made up of the sum of these plus the fixed remuneration.
- Maximum: scenario where both annual variable remuneration and long-term variable remuneration reach a maximum level, which corresponds to a maximum payout level for each of the two variable remuneration schemes (110% in the case of annual variable remuneration and 100% in the case of long-term variable remuneration). The total remuneration in this case would be composed of the sum of these plus the fixed remuneration.



The possible outcomes and assumptions on which the above calculations are based are given below:

| | | |
|---|---|---|
| **Fixed remuneration** [1] | All scenarios | Fixed remuneration (RF): 963,490€. |
| **Annual variable remuneration** | Minimum (<80% target) | No incentive would be paid |
| | *Target* | 60% of the Fixed remuneration |
| | Maximum | 66% of the Fixed remuneration |
| **Long-term variable remuneration** [2] | Minimum (specific to each metric) | No incentive would be paid |
| | *Target* | 40% of the Fixed remuneration |
| | Maximum | 40% of the Fixed remuneration |

[1] Other remuneration in kind or for membership of the board that executive directors may receive, if any, is not included, as the amount would not be material.

[2] The amounts reflect the value of the long-term incentive at the date of grant.

## 4.3 Temporary holding commitment of the shares

Executive directors will be required to retain shares delivered to them as part of their Long-Term Variable Remuneration for at least three years after delivery, unless such directors hold shares with a market value equivalent to twice their annual fixed remuneration.

## 4.4 Contractual conditions of executive directors

Currently, the only executive director is the Chairman, whose contract is of indefinite duration.

The contract that currently regulates the performance of the Chairman's duties and responsibilities is of a commercial nature and includes the clauses that in practice are usually included in this type of contract in order to attract and retain the best professionals.

This contract has been proposed by the Nomination and Remuneration Committee and approved by the Board of Directors of the Company.

Pursuant to this contract, the Chairman shall be entitled to receive from the Company an indemnity for termination of the contract for any of the causes set forth therein, equivalent to one year's gross annual remuneration (fixed remuneration and annual variable remuneration), corresponding to the last annual payment.

The Chairman shall also be entitled to receive an amount equivalent to one year's gross annual remuneration (fixed remuneration and annual variable remuneration), corresponding to the last annual payment, as compensation for the post-contractual non-compete clause.

The total payment for both items, i.e. the sum of the severance payment and the post-contractual non-competite payment, may not exceed the amount of twice the gross annual remuneration (fixed and variable annual remuneration).

In addition, the contract includes a "clawback" clause which establishes that in the event that the Company pays the Chairman any amounts as variable remuneration (annual or long-term) and, within two years following such payment, any event or circumstance occurs that has the effect of significantly altering or modifying the income statement or the financial or other data on which the granting of the variable remuneration in question was based, such that the aforementioned data do not faithfully reflect the situation of the Company or its performance, regardless of whether the Chairman bears any responsibility for this, the Board of Directors, at the proposal of the Nomination and Remuneration Committee, may declare the reduction or cancellation of the variable remuneration, and even the restitution of the amounts already received by the Chairman, such that he shall be obliged to reimburse the Company the appropriate amount.

The situations that may give rise to the reimbursement of the variable remuneration, in the appropriate amount, include, but are not limited to, the following cases: (i) restatement of the Company's financial statements, where this is in the opinion of the Company's external auditors, except where this results from a change in accounting regulations; (ii) existence of alterations or inaccuracies in the business data that were relevant for the purposes of the variable remuneration and are confirmed by the Company's external auditors; (iii) serious non-compliance with any legal or internal regulations resulting in a significant alteration or modification of the accounts, results or economic or other data on which the granting of the variable remuneration in question was based.

## 5. DIRECTORS' REMUNERATION IN THEIR CONDITION AS SUCH

Pursuant to art. 26 of the Articles of Association, the remuneration of directors in their condition as such shall consist of (a) a fixed amount in cash and (b) a per diem or allowance for attendance at each meeting of the Board of Directors and/or the Board Committees to which they belong, if any.

The maximum amount of the remuneration that the Company may pay annually to all its directors for the aforementioned items shall be that determined for this purpose by the General Shareholders´ Meeting, which shall remain in force until such time as the latter resolves to modify it.

In this regard, the Annual General Shareholders' Meeting set 6% of the distributable profit for the last financial year as the maximum gross annual limit of the remuneration to be received by the directors in their condition as members of the Board of Directors. This limit will remain applicable during the term of this Policy unless the General Shareholders' Meeting decides to modify it in the future.

The exact amount to be paid within the aforementioned limit and its distribution among the different directors shall be determined by the Board of Directors, at the proposal of the Nomination and Remuneration Committee, taking into account the functions and responsibilities attributed to each director, the membership of committees within the Board of Directors and any other objective circumstances it deems relevant.

The following is a breakdown of the elements of the Remuneration Policy for directors in their capacity as such for the financial year 2023:

|  | Fixed Annual Allowance | Per diems |
|---|---|---|
| **Board of Directors** | 70,000€ | 1,500€ per session |
| **Commissions (member)** | Not applicable | 1,500€ per session |
| **Presidency Committees (*)** | Not applicable | 2,000€ per session<br>(maximum 5 sessions per year) |
| **ESG Responsibility (*) (**)** | Not applicable | 2,500€ per session<br>(maximum 4 sessions per year) |

(*) Per diems in addition to the corresponding per diems as members of the Committees.
(**) When not holding the Presidency of the Commission.

In addition, the Lead Director receives an annual remuneration of 5,000€ for the additional duties he/she is required to perform.

The above amounts may be modified each year within the maximum amounts approved by the General Shareholders' Meeting and subject to prior approval by the Board of Directors. Should this occur, it shall be duly reported in the Annual Report on Directors' Remuneration to be submitted annually to the General Shareholders' Meeting.

In addition, the Company has arranged civil liability insurance for its directors at market conditions.

No loans, advances or guarantees provided by the Company to members of the Board of Directors are envisaged.

Nor does it establish the participation of non-executive directors in social welfare systems, pension plans, or indemnities for their supervisory and collegiate decision-making functions in connection with the termination of their relationship with the Company due to their status as directors, or the granting of additional remuneration other than that included above.

## 6. REMUNERATION APPLICABLE TO NEW DIRECTORS

The remuneration system described above for executive directors shall apply to any director who may join the Board of Directors during the term of this Policy to perform executive duties. For such purposes, the Nomination and Remuneration Committee and the Board of Directors shall take into consideration, in particular, the duties attributed, the responsibilities assumed, their professional experience, the market remuneration of such position, and any others it deems appropriate to take into account in order to determine the elements and amounts of the remuneration system applicable, if any, to the new executive director, which shall be duly reflected in the corresponding contract to be signed between the Company and the new executive director and in the corresponding Annual Director Remuneration Report.

Exceptionally, and in order to facilitate the recruitment of an external candidate, the Nomination and Remuneration Committee may propose for decision by the Board to establish a special incentive to compensate for the loss of incentives not accrued in the previous company due to the resignation and subsequent acceptance of FAES's offer. The Company will provide detailed information in the corresponding Annual Directors' Remuneration Report on the incentives that, if applicable, the Board of Directors may agree to establish.

For internal promotions, the Commission may cancel and/or offset pre-existing incentives and other obligations that may be in place at the time of appointment.

In the event that new non-executive members join the Board of Directors during the term of this Policy, the remuneration system described in section 5 above shall apply to them.

## 7. ACTIONS TAKEN TO ALIGN REMUNERATION POLICY WITH THE OBJECTIVES, VALUES AND LONG-TERM INTERESTS OF THE COMPANY

The design of the Remuneration Policy is consistent with the Company's strategy and oriented towards the achievement of long-term results:

- The total remuneration of executive directors is composed of different remuneration elements consisting mainly of: (i) fixed elements, (ii) annual variable remuneration and (iii) long-term variable remuneration.

- Long-term variable remuneration is set within a multi-year framework to ensure that the evaluation process is based on long-term performance and takes into account the underlying business cycle of the Company. This remuneration is awarded on the basis of value creation, so that the interests of executive directors are aligned with those of shareholders.

- The metrics established in both the Annual Variable Remuneration and the Long-Term Variable Remuneration are linked to the achievement of a combination of economic-financial, industrial, operational, shareholder value creation and non-financial objectives, which may be ESG. These objectives will be specific, predetermined and quantifiable, aligned with the social interest and in line with FAES' Strategic Plan. Some examples of metrics are included in section 4.1 above and those established for each year can be consulted in the Annual Report on Directors' Remuneration.

In addition, there is an appropriate balance between fixed and variable components of remuneration. The variable remuneration system for executive directors is fully flexible and allows executive directors to opt out of receiving any variable remuneration if the minimum thresholds are not met.

In addition, the Remuneration Policy has the following features to reduce exposure to excessive risks:

- One of the main functions of the Nomination and Remuneration Committee throughout the process is to analyse, select and propose the objectives and metrics of variable remuneration for executive directors and senior management. The main characteristics of the objectives are as follows:

  a) are regularly reviewed to ensure that they are sufficiently demanding;

  b) are measurable and quantifiable, the weightings and levels of achievement of which are approved by the Nomination and Remuneration Committee at the beginning of each financial year for annual variable remuneration, taking into account, among other factors, the economic environment, the strategic plan, historical analyses, the Company's budget and the expectations or consensus of investors and analysts;

  c) during the measurement period are monitored by the Nomination and Remuneration Committee;

  d) at the end of the measurement period, the Nomination and Remuneration Committee assesses its final degree of compliance. Both in setting the targets and in assessing their achievement, the Nomination and Remuneration Committee also considers any associated risks. Provision is made for the elimination of any economic effects, positive or negative, arising from extraordinary events that could distort the results of the assessment. The Nomination and Remuneration Committee shall assess the degree of achievement of the established targets and, taking into account the weightings of each established metric, determine the amount to be paid, which has to be subsequently approved by the Board of Directors. The assessment of annual and long-term objectives and recognition of variable remuneration is based on audited financial statements, where applicable.

- To reinforce the executive directors' commitment to the long-term interests of the Company and alignment with shareholders' interests, the minimum temporary shareholding requirement described above is included.

- In relation to the measures necessary to avoid conflicts of interest on the part of the directors, in line with the provisions of the Capital Companies Act, the Regulations of the Board of Directors of FAES include in articles 25 and 26 a set of obligations derived from their duties of non-competition and loyalty, the duty to avoid situations of conflict of interest and their duty to inform.

## 8. VALIDITY

The Company shall apply this directors' remuneration policy from the date of its approval and, if applicable, during the following three financial years (2024 to 2026). Any amendment or replacement of the directors' remuneration policy during such period shall require the prior approval of the shareholders at the general shareholders' meeting in accordance with the provisions of applicable law.