

**REPORT AND PROPOSAL OF THE APPOINTMENTS AND
REMUNERATION COMMITTEE OF FAES FARMA, S.A. REGARDING THE
REMUNERATION POLICY FOR DIRECTORS OF FAES FARMA, S.A.**

1. Previous

Article 529 novodecies of the Capital Companies Act, following the reform introduced by Law 5/2021 of 12 April, establishes that the directors' remuneration policy must be in accordance with the system established in the Bylaws and be approved by the general meeting as a separate item on the agenda for application during a maximum period of three financial years.

The current Remuneration Policy for directors of Faes Farma, S.A. ("FAES" or the "Company") was approved in 2023 as it had to be submitted to the general shareholders' meeting prior to the end of the last year of application of the previous policy. However, it was already noted that the incorporation of a new chief executive and the conversion of the Executive Chairman into a non-executive should mean that the criteria contained in this policy would have to be adapted to the new circumstances in this financial year.

2. Approval procedure

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 Appointments 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 Appointments and Remuneration Committee proposes the Remuneration Policy to the Board of Directors, which submits it to the General Meeting of Shareholders for approval.

3. Criteria adopted at the determination of the Remuneration Policy

3.1 Consideration of the views of investors and proxy advisors

The Appointments 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 Appointments and Remuneration Committee also considers the feedback from institutional investors and proxy advisors received during the regular consultation process that FAES carries out with these stakeholders.

3.2 *Consideration of the remuneration conditions of 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 Appointments 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.

3.3 *Market conditions*

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

3.4 *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.

3.5 *Periodic review of the Remuneration Policy*

The Directors' remuneration policy is reviewed periodically by the Appointments 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, in accordance with the Spanish Companies Act.

4. Main changes to the existing policy

The Remuneration Policy, once the modifications described below have been introduced, maintains the general lines of the Remuneration Policy approved by the General Meeting of Shareholders on 15 June 2023, with 96.89% of votes in favour, and its basic objective is to adapt to the new organisational structure of the Company where the Chairman ceases his executive functions and a new member joins the Board of Directors with executive functions.

The most relevant new features of the Policy are the following:

- Total remuneration of the new Executive Director.

The remuneration package for the performance of the duties and responsibilities to be carried out by the new Executive Director is adjusted, taking into account that he/she will only perform executive duties and that the position of Chairman and Executive Director are separate. To this end, the remuneration elements of the previous Policy are maintained: fixed annual remuneration, annual variable remuneration and long-term variable remuneration, as well as remuneration in kind. As was the case for the Chairman, the new Executive Director will not participate in long-term savings schemes.

The remuneration package is mainly based on the principles of competitiveness and pay for performance. That is, the Executive Director's remuneration package is competitive considering the market benchmarks of comparable companies, without being excessive or insufficient, in order to avoid assuming inappropriate risks. At the same time, the Company, through an appropriate remuneration mix, ensures that a significant part of the remuneration package is linked to variable components that link their remuneration to the achievement of financial and non-financial results, with an annual and multi-year horizon.

Within this framework, both the amounts and the remuneration mix have been revised to reflect the functions and responsibilities of the Executive Director. In particular, the amount of total remuneration has been reduced by increasing the weight of remuneration at risk with respect to the current Remuneration Policy as detailed in the Remuneration Policy.

- Remuneration of directors in their condition as such.

The amounts are adjusted to adapt them to the new organisational structure where the Chairman ceases to perform executive functions in the terms detailed in the Policy. In particular, in addition to updating the Annual Fixed

Allowance for directors, a specific amount is established for committee chairmanships and, if applicable, for the assignment of specific ESG responsibilities, if it does not fall to the chair of the committee; and an additional remuneration is established for the position of Chairman of the Board of Directors (non-executive). This remuneration is established with the aim of retaining the current Chairman in a critical period for FAES, allowing the transition to the new corporate governance model and the transfer of accumulated knowledge and experience to the new executive director. It also provides for remuneration for the functions he performs as Chairman of the Company, of the Board of Directors and as FAES's highest representative; and for the special dedication that comes with holding the position of Chairman under the terms established in the Spanish Companies Act, in the Bylaws or by the Board of Directors itself in a company such as FAES. Likewise, the Chairman of the Board of Directors (non-executive) may receive remuneration in kind, as described in the Policy, for the annual amount established therein.

5. Validity

The Policy will enter into force on 1 September 2024, once the change in the governance model of the Company takes place and the Chairman of the Board of Directors ceases to perform his executive duties. Therefore, the Policy specifies that the settlement of the current service contract of the Chairman of the Board of Directors upon termination of his executive duties shall be carried out in accordance with the conditions set forth in his contract and with the content and limits expressed in the Policy approved at the 2023 general meeting and of which detailed information will be included in the annual report on Directors' Remuneration for 2024.

It shall remain in force until 31 December 2027, the following three financial years, without prejudice to any adaptations or updates that may be made by the Board of Directors in accordance with its provisions, and any amendments that may be approved by the General Shareholders' Meeting from time to time.

In the event that the appointment or incorporation of the Executive Director does not take place, the Policy establishes that the Policy approved by the General Shareholders' Meeting of 15 June 2023 will remain in force.

5. Proposal

The Appointments and Remuneration Committee, taking into account the above considerations, draws up the proposed Remuneration Policy for the directors of Faes Farma, S.A., which is included as an Annex for the purposes of its approval by the Board of Directors as a proposal to be submitted to the next Ordinary General Shareholders' Meeting.

Any amendment or replacement during this period shall require the prior approval of the general meeting of shareholders in accordance with the procedure established for its approval.

7 May 2024