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ISSUER IDENTIFICATION DETAILS

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Year end-date: [ 31/12/2020 ]

Tax ID (CIF): [ A-78267176 ]

Company name:

[ PHARMA MAR, S.A. ]

Registered office:

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

**A. OWNERSHIP STRUCTURE**

A.1. Complete the table below with details of the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
30/10/2020	11,012,944.20	18,354,907	18,354,907

Indicate whether there are different classes of shares with different associated rights:

- Yes  
 No

A.2. List the company's significant direct and indirect shareholders at year end, excluding directors:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
SANDRA ORTEGA MERA	0.00	5.05	0.00	0.00	5.05
SAFOLES, S.A.	3.91	0.00	0.00	0.00	3.91

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
SANDRA ORTEGA MERA	ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	5.05	0.00	5.05

Indicate the most significant changes in the shareholder structure during the year:

A.3. Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
ANA PALACIO VALLELERSUNDI	0.01	0.00	0.00	0.00	0.01	0.00	0.00
JOSÉ MARÍA FERNÁNDEZ SOUSA- FARO	6.00	5.11	0.00	0.00	11.11	0.00	0.00
VALENTÍN DE TORRES-SOLANOT DEL PINO	0.57	0.00	0.00	0.00	0.57	0.00	0.00
CARLOS SOLCHAGA CATALÁN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BLANCA HERNÁNDEZ RODRÍGUEZ	0.01	0.00	0.00	0.00	0.01	0.00	0.00
PEDRO FERNÁNDEZ PUENTES	0.63	3.91	0.00	0.00	4.54	0.00	0.00
CARLOS PAZOS CAMPOS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MONTSERRAT ANDRADE DETRELL	5.11	0.00	0.00	0.00	5.11	0.00	0.00
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	5.05	0.00	0.00	0.00	5.05	0.00	0.00
EDUARDO SERRA Y ASOCIADOS, S.L.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total percentage of voting rights held by the Board of Directors						21.30	

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	MONTSERRAT ANDRADE DETRELL	5.11	0.00	5.11	0.00
PEDRO FERNÁNDEZ PUENTES	SAFOLES, S.A.	3.91	0.00	3.91	0.00

The differences in the number and proportion of voting rights attached to the shares of the significant shareholders as published on the CNMV website and those reported in this Report are due primarily to: (i) the share pooling and exchange transaction carried out by the Company's Board of Directors, effective on the stock exchange as of 22 July 2020, (ii) implementation of the capital reduction approved by the General Shareholders' Meeting held on 18 June 2020, through the redemption of treasury stock, and which was registered with the Mercantile Registry of Madrid on 17 November 2020, and (iii) transactions carried out by significant shareholders in fiscal year 2020, which were reported in accordance with applicable regulations, following Executive and Related-Party Notification ("NOD") procedure, and in relation to which such shareholders were not required to report to the CNMV their remaining proportion of voting rights following such transactions, as this proportion did not reach or exceed, or fell below, the thresholds required by applicable regulations.

**A.4.** If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO, MONTSERRAT ANDRADE DETRELL	Family	José María Fernández Sousa-Faro is in a community property marriage with Montserrat Andrade Detrell, who is also a significant shareholder of the Company.
MONTSERRAT ANDRADE DETRELL, JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	Family	Montserrat Andrade Detrell is in a community property marriage with José María Fernández Sousa-Faro, who is also a significant shareholder of the Company.

A.5. If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
<p>JOSÉ MARÍA FERNÁNDEZ SOUSA- FARO</p>	<p>Contractual</p>	<p>The Chairman signed an agreement with the Company for the provision of executive services. The Board of Directors of Zeltia, S.A. approved this agreement in its meeting on 26 February 2015, at the proposal of its Compensation Committee, in accordance with Article 249 of the Spanish Capital Corporations Law (<i>Ley de Sociedades de Capital - LSC</i>). This agreement, in which Pharma Mar, S.A. succeeded Zeltia, S.A. in its contractual position as a result of the takeover merger of Zeltia by Pharma Mar, covers those items for which the Chairman may be compensated for performing his executive duties (annual fixed compensation and variable compensation, special bonuses, attendance allowances, severance pay for termination of the agreement based on causes attributable to the company). At the proposal of the Appointments and Compensation Committee and following approval by the Board, the Company and the Chairman executed an Addendum to this agreement on 18 June 2020, amending the total percentage of the Chairman's annual variable compensation, effective from 1 January 2020.</p>

- A.6.** Describe the relationships, unless insignificant for both parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
PEDRO FERNÁNDEZ PUNTES	SAFOLES, S.A.	SAFOLES, S.A.	Pedro Fernández Puentes is the controlling shareholder and a joint director of SAFOLES, S.A., as well as an executive director and Vice Chairman of the Board of Directors of Pharma Mar, S.A., also forming part of its employee workforce.
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	SANDRA ORTEGA MERA	ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	Sandra Ortega Mera is the sole shareholder of ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L., Company Director, and the natural representative of this director on the Board.

**A.7.** Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes  
 No

Parties to the shareholders' agreement	% of share capital	Brief description of the agreement	Expiry date of the agreement, if any
PHARMA MAR, S.A., SPECIALISED THERAPEUTICS INVESTMENTS PTY LET ATF THE SPECIALISED THERAPEUTICS	0.20	See section H.1	17/05/2021

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes  
 No

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

**A.8.** Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

Yes  
 No

**A.9.** Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
242,192	72	1.32

(\*) Through:

Name or company name of direct shareholder	Number of direct shares
GENOMICA, S.A. SOCIEDAD UNIPERSONAL	8
SYLENTIS, S.A. SOCIEDAD UNIPERSONAL	64
<b>Total</b>	<b>72</b>

Explain any significant changes during the year:

Explain significant changes

On 25 March 2020, the Company announced a share buy-back program, in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, with the purpose of (i) reducing the Company's share capital through the redemption of shares to be acquired through this program, thus increasing earnings per share and contributing to shareholder remuneration, and (ii) complying with its obligations under the Share Plans for Group executives and employees.

To enable the launch of this buy-back program, the Company resolved to temporarily suspend, effective 1 April 2020, the liquidity agreement executed with JB CAPITAL MARKETS, SOCIEDAD DE VALORES, S.A.U., in effect since 5 June 2018.

Through this program, the Company acquired 349,200 treasury shares, totaling 1.88% of the Company's share capital as at 29 September 2020, reaching the maximum monetary limit for the buy-back program of €30,000,000. Of these shares, the Company redeemed 199,200 treasury shares, representing 1.07% of its share capital, by implementing the share capital reduction approved by the Board of Directors on 28 October 2020; and allocated 150,000 treasury shares, representing 0.81% of its share capital, to fulfill its obligations under the Share Plans for Group executives and employees.

Following completion of the buy-back program, the suspension on transactions under the above-mentioned liquidity agreement was lifted, and it was accordingly reactivated as of 30 September 2020.

**A.10.** Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares:

See section H.1

**A.11.** Estimated floating capital:

	%
Estimated floating capital	77.38

**A.12.** Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes  
 No

Description of restrictions
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Article 18 of the Bylaws establishes the right of shareholders with at least 100 shares, notwithstanding the right of shareholders with fewer shares to form groups with other shareholders in identical circumstances to accumulate the required number of shares, to attend the General Shareholders Meeting.

In accordance with Article 25.2 of the Bylaws, as regards calculating votes, each share present in person or by proxy at the General Shareholders Meeting shall have the right to one vote, excluding non-voting shares, in accordance with the provisions of law. It is worth noting in this regard that the Company has resolved on the issuance of non-voting shares.

It is worth noting that Article 25.3 of the Bylaws establishes the following as restrictions on the exercise of the voting right:

- No shareholder may cast a number of votes exceeding 25% of total voting capital from time to time, even when the number of shares held thereby is greater than the aforesaid capital percentage. This limit shall not affect the votes applicable to the shares represented by a shareholder by proxy (in the terms provided in Article 19 of the Bylaws), notwithstanding the individual application to each shareholder so represented of the same 25% limit for the votes related to the shares held thereby.
- This restriction shall also apply to: (i) the maximum number of votes that may be cast –jointly or separately– by two or more corporate shareholders belonging to the same corporate groups; and (ii) the maximum number of votes that may be cast by a natural person shareholder and the company or companies, also shareholder(s), which are controlled by said natural person, whether cast jointly or separately.
- Those shares that belong to one holder, to a group of entities or to a natural or legal person, and the companies controlled by said natural or legal person, as well as all individuals or entities acting collectively with the aforementioned, shall be fully accounted for among the shares attending the Shareholders Meeting to obtain the necessary quorum in terms of capital required to hold the meeting, but at the time of voting, the aforementioned limit on the number of votes (25%) shall apply.
- Article 25.3 of the Bylaws states that the limit established in this section shall cover any material subject to a decision of the General Shareholders Meeting, including the appointment of directors by the proportional system, but excluding amendment of its Article 25, which shall in any case require the approval of a qualified majority of 75% of the capital present in person or by proxy, in first and second call.
- The limit shall be null and void when, following a public tender offer, the offeror has reached a percentage equal to or greater than 70% of the voting capital, unless said offeror was not subject to equivalent neutralization measures, or if such measures were not adopted, as provided in Article 527 of the Spanish Capital Corporations Law. The removal of the aforesaid limits shall be effective as of the date on which the settlement results of the offer are published in the Quotation Bulletin of the Madrid Stock Exchange.

**A.13.** Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

Yes  
 No

If so, explain the measures approved and the terms under which such limitations would cease to apply:

**A.14.** Indicate whether the company has issued shares that are not traded on a regulated EU market.

Yes  
 No

If so, indicate each share class and the rights and obligations conferred:

Indicate the various share classes

At a meeting on 19 May 2015, the Board of Directors of Zeltia, S.A. resolved to issue simple bonds through its incorporation to the Spanish Alternative Bond Market (MARF) on 8 July 2015, the primary terms and conditions of which are as follows:

- a) The nominal amount of the issue was seventeen million euros (€17,000,000), represented by 170 simple bonds;
- b) The bonds will mature in 12 years from the payout date for the issue (7 July 2015);
- c) The issue was aimed at a single qualified Spanish investor, through private placement;
- d) The bonds were issued at par with a unit par value of one hundred thousand euros (€100,000) and are represented by book entries. The company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBERCLEAR) and its member entities are responsible for recording the book entries for these bonds in the company's records;
- e) The bonds accrue annual nominal fixed interest of 4.75%, payable for completed years counting from the payout date;
- f) The Company guarantees its obligations deriving from the bonds with its full equity and has not granted any specific guarantee;
- g) The terms and conditions of the bonds are governed by Spanish law.

The aforementioned bond issue was assumed by Pharma Mar, S.A. by virtue of the takeover merger of Zeltia, S.A. by Pharma Mar, S.A.

**B. GENERAL SHAREHOLDERS' MEETING**

**B.1.** Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details:

Yes  
 No

	% quorum different from that established in Article 193 of the Spanish Corporate Enterprises Act for general matters	% quorum different from that established in Article 194 of the Spanish Corporate Enterprises Act for special resolutions
Quorum required at 1st call	50.00	50.00
Quorum required at 2nd call	0.00	25.00

Description of differences

The quorum necessary to hold the General Shareholders Meeting is established in Article 20 of the Bylaws and, in the same manner, in Article 8 of the General Shareholders Meeting Regulations.

Article 20.1 of the Bylaws, unlike Article 193.1 LSC, which sets a minimum quorum of twenty-five percent of the subscribed voting capital in first call, establishes a minimum quorum for the General Shareholders Meeting, whether annual or special, of attendance of shareholders representing at least fifty percent of the subscribed voting capital in first call. In second call, the General Meeting will be validly assembled no matter the share capital represented.

Therefore, the system provided for in the Company's Bylaws differs from the minimums provided for in the LSC, as the Bylaws require a quorum of fifty percent of subscribed voting capital in order to hold a General Shareholders Meeting in first call, regardless of the type of resolutions being addressed.

**B.2.** Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

Yes

No

	Qualified majority different from that established in Article 201.2 of the Spanish Corporate Enterprises Act for matters	Other matters requiring a qualified majority
% established by the company for the adoption of resolutions	75.00	0.00

The adoption by the Company's General Shareholders Meeting of the resolutions referred to in Article 194.1 LSC do not require a special majority beyond that established in Article 201.2 LSC, except as regards the amendment to Article 25 of the Bylaws, on the adoption of resolutions, the approval of which requires a qualified majority vote of 75% of the capital present, in person or by proxy, both in first and second call.

Article 25.3 of the Bylaws states that no shareholder may cast a number of votes exceeding 25% of total voting capital from time to time, even when the number of shares held thereby is greater than the aforesaid capital percentage. This restriction shall also apply to the maximum number of votes that two or more shareholding companies belonging to the same corporate group may cast, whether jointly or separately. This restriction shall also apply to the maximum number of votes that a natural person shareholder and the entity or entities, also shareholders, controlled thereby may cast, whether jointly or separately.

**B.3.** Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.

In general, Article 50 of the Bylaws establishes the following:

"The amendment of the Bylaws shall be resolved upon by the General Shareholders Meeting and shall require compliance with the following requirements:

1. The directors or, as the case may be, the shareholders issuing the proposal shall draft the full contents of the proposed amendment and shall issue a written report justifying said amendment.
2. The proposed amendments shall be clearly stated in the meeting notice, which shall also specify the shareholders' right to inspect, at the registered offices, the full text of the proposed amendment and the report on said amendment, as well as to request that said documents be delivered or sent to them free of charge.

3. The resolution shall be adopted by the General Shareholders Meeting in compliance with the quorums established by law and these Bylaws for holding the Meeting and adopting resolutions.

4. In any case, the resolution shall be drawn up as a public deed and registered in the Mercantile Registry and published in the Official Mercantile Registry Bulletin."

There are no special requirements beyond those established in the legislation in force for the amendment of the corporate Bylaws, except as regards the amendment of Article 25, on the adoption of resolutions. As indicated in section B.2, *supra*, the amendment of said Article 25 requires that the resolution be adopted by a qualified majority of 75% of the capital present, in person or by proxy, in both first and second call.

**B.4.** Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

Date of general meeting	Attendance data				Total
	% physically present	% present by proxy	Electronic voting	Other	
28/06/2018	23.14	10.21	0.00	0.00	33.35
Of which floating capital	2.76	10.21	0.00	0.00	12.97
26/06/2019	18.83	13.51	0.02	0.10	32.46
Of which floating capital	2.26	13.51	0.02	0.10	15.89
18/06/2020	17.24	22.15	0.09	0.18	39.66
Of which floating capital	1.19	17.66	0.09	0.18	19.12

**B.5.** Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason:

Yes

No

**B.6.** Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

Yes

No

Number of shares required to attend General Meetings	100
Number of shares required for voting remotely	100

**B.7.** Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting:

Yes

No

**B.8.** Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website:

Information on the Company's corporate governance can be accessed through Pharma Mar, S.A.'s website, [www.pharmamar.com](http://www.pharmamar.com), by clicking on the "Shareholders and Investors" heading on the main page and under that heading, within the section titled "Corporate Governance" (<https://pharmamar.com/accionistas-e-inversores/gobierno-corporativo/>).

Furthermore, information on the Company's General Shareholders Meetings can be accessed through Pharma Mar, S.A.'s website, [www.pharmamar.com](http://www.pharmamar.com), by clicking on the "Shareholders and Investors" heading on the main page and under that heading, within the section titled "General Shareholders Meeting" (<https://pharmamar.com/accionistas-e-inversores/junta-general-de-accionistas/>).

**C. STRUCTURE OF THE COMPANY'S ADMINISTRATION**

**C.1. Board of Directors**

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	3
Number of directors set by the general	11

C.1.2 Complete the following table on Board members:

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure
ANA PALACIO VALLELERSUNDI		Independent	DIRECTOR	28/07/2009	28/06/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO		Executive	CHAIRMAN	30/04/1986	28/06/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION
VALENTÍN DE TORRES-SOLANOT DEL PINO		Independent	DIRECTOR	28/06/2018	28/06/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION
CARLOS SOLCHAGA CATALÁN		Independent	DIRECTOR	30/06/2015	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION
JOSÉ FÉLIX PÉREZ- ORIVE CARCELLER		Other External	DIRECTOR	26/06/2019	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION
BLANCA HERNÁNDEZ RODRÍGUEZ		Independent	DIRECTOR	26/06/2019	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure
PEDRO FERNÁNDEZ PUENTES		Executive	VICE CHAIRMAN	30/04/1986	28/06/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION
CARLOS PAZOS CAMPOS		Independent	INDEPENDENT COORDINATING DIRECTOR	26/06/2019	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION
MONTserrat ANDRADE DETRELL		Shareholder-Appointed	DIRECTOR	30/06/2015	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	SANDRA ORTEGA MERA	Shareholder-Appointed	DIRECTOR	16/07/2013	28/06/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION
EDUARDO SERRA Y ASOCIADOS, S.L.	EDUARDO SERRA REXACH	Other External	DIRECTOR	30/06/2015	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION

Total number of directors	11
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Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
No data					

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisation chart of the company	Profile
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	CHAIRMAN	<p>José María Fernández Sousa-Faro has a Bachelor's Degree in Chemical Sciences (1967) and PhD in Biochemistry (1971) from the Complutense University of Madrid. Between 1971 and 1979 he was associate professor and adjunct professor before later Professor of Biochemistry at the University of Santiago de Compostela. MBA from the I.E.S.E. Business School (University of Navarre) in Madrid (1986-1987). In 2009 he was awarded an honorary doctorate by the Antonio de Nebrija University and received the National Biotechnology Award in 2009. Between 1967 and 1979 he worked at the following institutions: Institut für Physikalische Chemie of the University of Basel (Switzerland), Department of Molecular Biochemistry at the Washington University of St. Louis, Missouri (United States of America), and L'institut de biologie physico-chimique de la Fondation Edmond de Rothschild in France, ICI Pharmaceuticals Division, Alderley Edge Research Laboratories and Shell-Research Laboratories in Sittingbourne. From 1979 to 1985, he was Research Director of Antibióticos, S.A. He also has around 100 publications and patents in the biochemistry, molecular biology, anti-infective and anti-tumor areas. He has been part of the Boards of Directors of the following companies: Antibióticos, S.A.; ICI-Farma, S.A., Transportes Ferroviarios Especiales, S.A. (Transfesa), Pescanova, S.A., Cooper Zeltia, S.A., Biolys, S.A., ICI-Zeltia, S.A., Penibérica; S.A., Banco Guipuzcoano, S.A. and Zeltia, S.A. He is currently the Chairman of the Board of Directors of Pharma Mar, S.A. and Chairman of the Bankinter Foundation for Innovation.</p>
PEDRO FERNÁNDEZ PUENTES	VICE CHAIRMAN	<p>Pedro Fernández Puentes has a Bachelor's Degree in Chemical Sciences from the University of Santiago de Compostela. Between 1965 and 1971 he worked as a laboratory manager for the development of new products at Cooper Zeltia, S.A, a company that he went on to chair until it split into Cooper Zeltia Veterinaria, S.A. and Consumo Zeltia, S.A. (later, Zelnova Zeltia, S.A.). Between 1995 and 1997 he was the Chairman of Xylazel S.A. He has been a member of the Boards of Directors of ICI Farma, S.A.; ICI-Zeltia, S.A.; Corporación Noroeste, S.A. and its main subsidiaries for approximately twenty years; and Zeltia since 1971 until its merger with Pharma Mar in 2015. He is currently the Vice Chairman of the Board of Directors of Pharma Mar, S.A., Chairman of the pharmaceutical group Zendal and Chairman of Zelnova Zeltia, S.A.</p>

Total number of executive directors	2
Percentage of Board	18.18

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	SANDRA ORTEGA MERA	Sandra Ortega Mera has a Bachelor's Degree in Psychology from the University of Santiago de Compostela (1992). Between 1994 and 2012, she worked on various projects for the Paideia Galiza Foundation, a Galician foundation that promotes equal opportunities and personal and social development through the creation of innovative and sustainable proposals/projects. In 2013, she became the Chairwoman of the Foundation. She currently heads the Economía Social Trebore SL corporate group, chairs the DELOA Local Development Association and is the Manager of the ROSP CORUNNA corporate group.
MONTSERRAT ANDRADE DETRELL	MONTSERRAT ANDRADE DETRELL	Montserrat Andrade Detrell has a Bachelor's Degree in Biological Sciences (1975), in Medicine and Surgery (1983) and diploma in Family and Community Medicine (1983) from the Complutense University of Madrid. She obtained a Master's degree in Pathologie du Sein from the University of Strasbourg (1991), a postgraduate diploma in Mammary Pathology from the University of Barcelona (1992), a year later a Master's degree in the same specialty, and in 1996 the qualification of specialist in Senology and Breast Pathology from the Complutense University of Madrid. She is a qualified supervisor of X-ray facilities for medical diagnosis from the Center for Energy and Environmental and Technological Research of the Ministry of Industry and Energy (1991). She also trained as a medical intern at the San Carlos University Hospital in Madrid (1985-1988). PhD from the San Carlos University of Madrid and Thesis from the Complutense University of Madrid with the Summa Cum Laude honor. She served as Director of Institutional Relations at Zeltia, S.A. from 2007 to 2012.

Total number of proprietary directors	2
Percentage of Board	18.18

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of director	Profile
ANA PALACIO VALLELERSUNDI	Ana Palacio Vallelersundi has a Bachelor's Degree in Law from the National University of Distance Education (1984), and in Sociology and Political Science (Award for Academic Achievement) from the Complutense University of Madrid (1981), and has an Honorary Doctorate Degree from Georgetown University (2009). In 2016, she was granted the O'Connor Justice Prize. As a lawyer specializing in International and European Union Law, Arbitration and Mediation, she founded the law firm Palacio y Asociados.

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of director	Profile
	<p>Former Member of the European Parliament (1994–2002), where she presided over the Legal Affairs and Internal Market Committee, the Justice and Home Affairs Committee and the Conference of Committee Chairs. Spanish Minister of External Affairs (2002–2004); Spanish Parliament Member in its 8th Term, during which time she chaired the Mixed Party Committee in the Spanish Parliament and in the Senate of the European Union (2004-2006); First Vice President – General Counsel of the World Bank Group (2006-2008); Secretary General of the International Centre for Settlement of Investment Disputes (ICSID) (2006-2008); Executive Vice President in charge of the International Department of Areva (2008-2009) and Elected Director of the State Council (2012-2018). Independent Coordinating Director of Enagás and Director of AEE Power. She is also a member of the Advisory Committee of INVESTCORP, and of the Boards of various research centers and international and foreign public institutions, including: Energy Futures Initiative, MD Anderson Cancer Center, US Atlantic Council, Advisory Board of Sandra Day O’Connor Justice Prize, Global Leadership Foundation, Institute for Human Sciences, RAND EUROPE, ELN (European Leadership Network) and The Tocqueville Foundation. In Spain she is a member of the Scientific Board of the Elcano Institute, of the Board of Trustees of the Foundation for Social Studies and Analysis (FAES), member of the Governing Board of Instituto Empresa, European Council on Foreign Relations (ECFR) and US-Spain Council Foundation. Visiting professor at the Edmund E. Walsh School of Foreign Service of Georgetown University since 2014.</p>
<p>VALENTÍN DE TORRES-SOLANOT DEL PINO</p>	<p>Mr. Valentín de Torres-Solanot del Pino holds a Degree in Public Works Engineering from Madrid Polytechnic University (1992) and a Degree in Civil Engineering from the UCAM (Catholic University of Murcia) (2001). He has been a non-regulated education lecturer at the University School of Technical Civil Engineering (EUITOP) of the Madrid Polytechnic University and a regulated education lecturer at the Advanced Technical School of Civil Engineering (ETSECCP) of the Polytechnic University of Catalonia. He was a director and non-executive Vice Chairman of Noscira, S.A. (formerly Neuropharma), a company of the Zeltia Group. He founded and is currently the General Manager of COPREDIJE, S.A., a company specializing in Coordination Engineering, and the first Spanish engineering company to subscribe to the Ten Principles of the Global Compact. He is a founding partner of E2IN2 S.A. and currently coordinates the CIVIE Project.</p>
<p>CARLOS SOLCHAGA CATALÁN</p>	<p>Carlos Solchaga Catalán holds a B.A. in Economic and Business Sciences from the Complutense University of Madrid (1966). Completed graduate studies at the Alfred P. Sloan School of Business of the Massachusetts Institute of Technology (MIT) (1971). He started his professional career at the Bank of Spain, moving on to work with the National Institute of Industry and the Vizcaya Bank, where he was appointed as director of the research department and adviser to the chairman. He served as the Minister of Industry and Energy (1982-1985) and subsequently served as the Minister of Economy and Taxation (1985-1993). From 1991 to 1993, he served as the Chairman of the Internal Committee of the International Monetary Fund (IMF). He was a Member of the Spanish Parliament (1980-1994) and served as the Chairman of the socialist parliament group between 1993 and 1994. He is currently the Chairman of Solchaga Recio &amp; Asociados and a director of Cie Automotiva, S.A. He is also an Honorary Chairman of the Euroamerica Foundation; Honorary Trustee of the Royal Board of Trustees of the Reina Sofía Museum; Chairman of the Architectural and Societal Foundation; and member of the Scientific Board of the Royal Elcano Institute.</p>

**EXTERNAL INDEPENDENT DIRECTORS**

Name or company name of director	Profile
<p><b>BLANCA HERNÁNDEZ RODRÍGUEZ</b></p>	<p>Blanca Hernández Rodríguez has a Bachelor's Degree in Business and Economic Sciences from the University of Seville (1996), a Bachelor's Degree in Humanities from the European University of Madrid and a Master's Degree in Finance from the University College of Financial Studies (CUNEF). She has in-depth knowledge in the areas of investment and stock markets, with over 20 years of experience in the financial sector.</p> <p>She started her professional career with the Arcalia Group and subsequently started up and managed a family office (Hisparroz Group). She is currently the Managing Director of Grupo Tradifin, S.L., a reference shareholder of Ebro Foods, and is the Managing Director and founder of Magallanes Value Investors, SGIIC, S.A., an asset management company operating under a long-term value investment philosophy. She is a member of the management board of the Spanish Institute of Financial Analysts (IEAF). She is a member of the Board of Directors and of the Appointments and Compensation Committee and of the Audit and Control Committee of Ebro Foods. Since 2006, she has served as the President of the Ebro Foods Foundation and has supported the company's Corporate Social Responsibility activities. She is a trustee in several organizations including but not limited to the Capacis</p>
<p><b>CARLOS PAZOS CAMPOS</b></p>	<p>Carlos Pazos Campos holds a Bachelor's Degree in law from the Complutense University of Madrid (1987), LLM in High European Studies from College of Europe (Belgium) (1988) and LLM in International Business Law from London School of Economics (United Kingdom) (honorable mention) (1989). He is a founding partner of King&amp;Wood Mallesons Spain, specializing in all types of corporate transactions and corporate restructuring, including M&amp;A transactions with a high international component (United States, France, United Kingdom, Portugal, Brazil, China, etc.). He is responsible for the global strategy of King&amp;Wood Mallesons for Latin America. He was Director of Hidroeléctrica del Cantábrico S.A. (2001-2002), Legal Counsel to the Board of Hidroeléctrica del Cantábrico S.A. (2002-2004) and Director of EDP Energía Ibérica S.A. (2004-2005). Since 1999, he has served as the Chairman and Managing Director of King &amp; Wood Mallesons S.A.P. and, since 2013, Non-Director Secretary and Legal Counsel of Vocento S.A.</p>

Total number of independent directors	5
Percentage of Board	45.45

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
No data		

**OTHER EXTERNAL DIRECTORS**

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is	Profile
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	José Félix Pérez-Orive Carceller served, in his individual capacity, as a director of Pharma Mar, S.A. since he was first appointed on 9 June 1993 up until 30 June 2015, on which date JEFPO, S.L. was appointed as a director and it designated José Félix Pérez-Orive Carceller to serve as its natural representative. Subsequently, following expiration of the mandate of JEFPO, S.L., the Company's General Shareholders' Meeting held on 26 June 2019 resolved to appoint José Félix Pérez-Orive Carceller as an "other external director" for the statutory period of four years. It is worth noting that on 5 May 2014, Zeltia, S.A. and JEFPO, S.L. executed an agreement for the provision of consulting and mediation services in which Pharma Mar, S.A. succeeded Zeltia, S.A. in its contractual position as a result of the takeover merger of Zeltia by Pharma Mar.	PHARMA MAR, S.A.	José Félix Pérez-Orive Carceller has a Bachelor's Degree in Pharmacy from the University of Navarre (1969) and in Law from UNED (National University of Distance Education) (1994). Master's Degree in Economics and Business Administration (MBA) from IESE in Barcelona (1971). He has a postgraduate degree from Harvard Business School (1978) and four from Columbia Business School (1996, 1999, 2002 and 2006). From 1979 to 1984 he was the country manager of Antibióticos, S.A. in the US and from 1984 to 1987 he was general manager of the Company in Spain. He has sat on around thirty boards of directors and has given around one hundred lectures for major institutions. He was a member of the Board of Directors of Zeltia, S.A. from June 1990 to 2015. Since 1987 he has been in charge of Pérez-Orive & Asociados, a law firm specialized in mergers and acquisitions.

OTHER EXTERNAL DIRECTORS

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is	Profile
	<p>Furthermore, and in accordance with the information included in the official registers of the CNMV, José Félix Pérez-Orive Carceller holds shares representing 0.001% of the share capital of Pharma Mar. Based on all of the above and on the provisions of Article 529 duodecies 4 LSC -in particular, the requirement that directors who have served for 12 consecutive years cannot be deemed independent-, the Appointments and Compensation Committee reported favorably on the appointment of Mr. José Félix Pérez-Orive Carceller as an "other external director" of the Company.</p>		
<p>EDUARDO SERRA Y ASOCIADOS, S.L.</p>	<p>EDUARDO SERRA Y ASOCIADOS, S.L., as represented by Mr. Eduardo Serra Rexach, has served as director of Pharma Mar, S.A. since it was first appointed on 30 June 2015. It should be noted that EDUARDO SERRA Y ASOCIADOS, S.L. previously served as director of Zeltia, S.A. from 27 June 2007 until its extinction, effective 30 October 2015, as a result of the takeover merger of Zeltia, S.A. by Pharma Mar, S.A.</p>	<p>PHARMA MAR, S.A.</p>	<p>Eduardo Serra Rexach holds a Bachelor's Degree in law from the Complutense University of Madrid (1968); in 1974, he was registered as a Spanish State Attorney under qualification no. 1. He has held various positions in the public sector: head of department of the Ministry of Industry and Energy (1977–1979); General and Board Secretary of the National Institute of Industry (1979–1982); Director of the Bank of Industrial Credit (1979–1982); Director of Butano (1979–1982); Vice Chairman of Astilleros Españoles (1979–1982); Chairman of Auxini (1979–1982). Deputy Secretary of Defense (1982–1984); State Secretary of Defense (1984–1987); Director of the National Institute of Industry (1984–1987); and Director of the National Institute of Hydrocarbons (1984–1987).</p>

OTHER EXTERNAL DIRECTORS

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is	Profile
	<p>According to the provisions of Article 529 duodecies 4 LSC (in particular, the requirement that directors who have served for 12 consecutive years cannot be deemed independent), the Appointments and Compensation Committee considered that EDUARDO SERRA Y ASOCIADOS, S.L. had exceeded the applicable 12-year term and could not be deemed independent, so it was classified as an external director of the Company.</p>		<p>He served as the Minister of Defense from 1996 to 2000. In the private sector, from 1987 to 1996, he was appointed as the Chairman of Telettra España; Vice Chairman and Chairman of Cubiertas Mzov; Chairman of Peugeot-Talbot Spain; and Founding Chairman of Airtel. From 2000 to 2006, he served as the Chairman of UBS Spain. He has served as a member on the Board of Directors of Zeltia, S.A. During his professional career he also served as the Vice Chairman and Chairman of the National International Affairs and Foreign Policy Institute (INCIPE) (1989–1996), General Manager, Vice Chairman and Chairman of the Foundation for Aid for Drug Users (<i>Fundación de Ayuda contra la Drogadicción</i>) (1987-1996), Chairman of the Royal Board of Trustees of the Prado Museum (2000–2004), Founding Chairman of the Royal Elcano Institute (2001–2005) and Chairman of the Everis Foundation (2005–2014). He is currently the chairman of EVERIS; chairman of the consulting firm Eduardo Serra y Asociados, S.L.; chairman of the Transform Spain Foundation and of the Constitutional Spain Foundation; and director, advisor and trustee of several non-profit organizations.</p>

Total number of other external directors	2
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Percentage of Board	18.18
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Indicate any changes that have occurred during the period in each director's category:

Name or company name of director	Date of change	Previous category	Current category
No data			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of total directors for each category			
	FY 2020	FY 2019	FY 2018	FY 2017	FY 2020	FY 2019	FY 2018	FY 2017
Executive					0.00	0.00	0.00	0.00
Proprietary	2	1	1	1	18.18	9.09	10.00	11.11
Independent	2	2	1	1	18.18	18.18	10.00	11.11
Other External					0.00	0.00	0.00	0.00
Total	4	3	2	2	36.36	27.27	20.00	22.22

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the policy that they have implemented in relation to gender diversity.

- Yes  
 No  
 Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been applied, and results achieved
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Article 8.4 of the Board Regulations states that the Board of Directors shall aim to develop Director selection policies and procedures that favor diversity as regards gender, experience and knowledge, ensuring that there are no implicit flaws that could result in any type of discrimination and, in particular, that promote the selection of female Directors. In this regard, Article 14.2.b) of the Board of Directors Regulations establishes the duty of the Appointments and Compensation and Sustainability Committee to set representation goals for the least-represented gender on the Board of Directors and to develop guidelines on how to reach such objective.

The Company's Director Selection Policy approved by the Board of Directors establishes that the director candidate selection process will be based on an analysis of the skills required by the Company and the companies of its Group, with any director able to suggest candidates provided they meet the requirements established in the Policy. The Policy provides that the selection process should endeavor to identify candidates that contribute a diversity of knowledge, experience, age and gender, and that bring enlightening and pluralistic points of view to debates and decision-making within the Board of Directors, with the aim of promoting an appropriate composition of this corporate body. In particular, the Policy aims to have female directors account for at least forty percent of the total number of Board members by 2022.

As of 31 December 2020, the Board of Directors of Pharma Mar had four women among its eleven members (36.36% women), one of whom is the natural representative of a corporate Director.

- C.1.6 Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of female senior executives:

#### Explanation of measures

Article 8.4 of the Board of Directors Regulations states that the Board shall aim to develop Director selection policies and procedures that favor diversity as regards gender, experience and knowledge, ensuring that there are no implicit flaws that could result in any type of discrimination and, in particular, that promote the selection of female Directors.

Thus, in accordance with the provisions of the Company's Director Selection Policy, its Appointments and Compensation and Sustainability Committee shall verify that all candidates for the position of director are qualified professionals of good repute with recognized abilities, experience and proper training and whose appointment would contribute to diversity within the Board of Directors as regards knowledge, experience, origins, nationalities, age and gender, noting that the selection process shall not suffer from any implicit flaws that could result in any type of discrimination, and shall ensure that the number of female directors represents at least forty percent of total Board members by 2022.

Following the approval in June 2020 by the CNMV of the partial reform of the Corporate Governance Code for Listed Companies, the Company's Appointments and Compensation and Sustainability Committee submitted a proposal to the Board of Directors for revision of the director selection policy and the new sustainability policy, to address in both policies the implementation by the Company of measures promoting the appointment of a significant number of female senior executives. The Board of Directors, at its meeting on 28 January 2021, approved the above proposals submitted by the Committee.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

#### Explanation of reasons

As of 31 December 2020, the Board of Directors of Pharma Mar had four women among its eleven members (36.36% women). It should also be noted that, as of 31 December 2020, 60% of the members of the Appointments and Compensation and Sustainability Committee were women, and in 2020, 62% of the Group's average workforce were women, with 46.1% of women in executive positions.

- C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

The Appointments and Compensation and Sustainability Committee has verified the fulfillment in 2020 of the Director Selection Policy, concluding that the current composition of the Board of Directors, in terms of number of members, structure and professional competences of its members, meets the needs of the Company, specifying that future selection processes will identify candidates meeting the conditions set forth in section 4 of the Director Selection Policy, i.e. qualified professionals of good repute with recognized abilities, experience and proper training and whose appointment would contribute to diversity within the Board of Directors as regards knowledge, experience, origins, nationalities and gender.

C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	Reason
No data	

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

- Yes  
 No

C.1.9 Indicate the powers, if any, delegated by the Board of Directors to directors or Board committees:

Name or company name of director or committee	Brief description
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	<p>José María Fernández Sousa-Faro holds a power of attorney by virtue of a deed granted on 13 November 1992 before the Madrid Notary Public, Antonio de la Esperanza Martínez-Radio, under number 3694 of his official records, and may act for and on behalf of the company with the powers granted to him, including but not limited to the following:</p> <p>(i) use of the corporate signature and representation of the Company in its transactions with the Bank of Spain or with any other banking or credit institution; (ii) resolve upon the execution of all types of deeds or agreements deemed necessary or convenient for the performance of the corporate purpose and, in general, adopt resolutions on all types of transactions and business that may be performed by the Company in accordance with the Bylaws; and (iii) request and obtain for the Company, and acquire, dispose of and use patents, privileges, licenses and any other rights related to the corporate purpose. José María Fernández Sousa-Faro also currently provides executive services to the Company by virtue of an agreement executed on 26 February 2015 with Zeltia, S.A., in which Pharma Mar succeeded Zeltia by operation of law as a result of the merger between the aforementioned companies in October 2015, and which was amended by virtue of an Addendum thereto executed on 18 June 2020 and effective from 1 January 2020.</p>
EXECUTIVE COMMITTEE	<p>It has been delegated all the powers corresponding to the Board of Directors, except matters that, according to the bylaws or the law in force, must be reserved for the knowledge of the Board itself.</p>

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name or company name of director	Company name of the group entity	Position	Does the director have executive powers?
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	GENOMICA, S.A. SOCIEDAD UNIPERSONAL	CHAIRMAN OF THE BOARD OF DIRECTORS	YES
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	SYLENTIS, S.A. SOCIEDAD UNIPERSONAL	CHAIRMAN OF THE BOARD OF DIRECTORS	YES
JOSÉ FÉLIX PÉREZ- ORIVE CARCELLER	GENOMICA, S.A. SOCIEDAD UNIPERSONAL	DIRECTOR	NO
PEDRO FERNÁNDEZ PUENTES	SYLENTIS, S.A. SOCIEDAD UNIPERSONAL	DIRECTOR	NO

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name or company name of director	Company name of the listed entity	Position
ANA PALACIO VALLELERSUNDI	ENAGAS, S.A.	INDEPENDENT COORDINATING DIRECTOR
CARLOS SOLCHAGA CATALÁN	CIE AUTOMOTIVE, S.A.	DIRECTOR
BLANCA HERNÁNDEZ RODRÍGUEZ	EBRO FOODS, S.A.	REPRESENTATIVE OF DIRECTOR
PEDRO FERNÁNDEZ PUENTES	INGERCOVER, S.A. SICAV	CHAIRMAN

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

- Yes  
 No

Explanation of the rules and identification of the document where this is regulated

Article 22.3 of the Board Regulations establishes that Directors may not be a member on more than four boards of directors of public limited companies (*sociedades anónimas*) and of eight boards of directors of limited liability companies (*sociedades de responsabilidad limitada*), not including the boards of those companies forming part of the Company's corporate group and of the holding companies (*sociedades patrimoniales*) of the aforesaid Directors.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	5,650
Amount of pension rights accumulated by directors currently in office (thousands of euros)	684

Amount of pension rights accumulated by former directors (thousands of euros)

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
MARÍA LUISA DE FRANCIA CABALLERO	CHIEF FINANCIAL OFFICER
JOSÉ LUIS MORENO MARTÍNEZ- LOSA	DIRECTOR, INVESTOR RELATIONS AND CAPITAL MARKETS
LUIS MORA CAPITÁN	MANAGING DIRECTOR, ONCOLOGY BUSINESS UNIT
JUAN GÓMEZ PULIDO	GENERAL AND BOARD SECRETARY
JUAN CARLOS VILLALÓN GÓMEZ	INTERNAL AUDITOR
BELÉN SOPESÉN VERAMENDI	CORPORATE AFFAIRS DIRECTOR
MARIA CONCEPCIÓN SANZ LÓPEZ	GENERAL COUNSEL TO BUSINESS
SANDRA LLAMERA SÁNCHEZ	GLOBAL CHIEF COMPLIANCE
JOSÉ LUIS ORTEGA CONEJERO	QUALITY UNIT DIRECTOR

Number of women in senior management	4
Percentage of total senior management	44.44

Total remuneration of senior management (thousands of euros)	3,340
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At the proposal of the Appointments and Compensation Committee, the Board of Directors resolved to change the name of the position of Belén Sopesén Veramendi to Corporate Affairs Director. In May and June 2020, respectively, Sandra Llamera Sánchez (Global Chief Compliance) and José Luis Ortega Conejero (Quality Director) were appointed as senior managers of the Company.

C.1.15 Indicate whether the Board regulations were amended during the year:

Yes

No

Description of amendment(s)

The amendment to the Board of Directors Regulations approved on 21 January 2020 only affected Article 14.1, with the sole purpose of increasing the maximum number of non-executive Directors permitted to sit on the Appointments and Compensation Committee from four to five, thus providing the Committee with greater flexibility in terms of its number of members.

The amendment to the Board Regulations approved on 26 February 2020 only affected Art. 19.2, with the purpose of removing the requirement that directors tender their resignation from the Board when they reach the age of 75. In this regard, the mere fact that a director reaches this age is not sufficient grounds to prevent them from performing their duties with the same degree of professionalism and diligence as they did before reaching this age.

The amendment to the Board of Directors Regulations approved on 11 December 2020 affected 23 of its 32 articles, with the purpose of (i) incorporating certain recommendations provided for in the reform of the Corporate Governance Code for Listed Companies, approved by resolution of the Board of Directors of the CNMV in June 2020; (ii) changing the name of the Appointments and Compensation Committee, now referred to as the Appointments and Compensation and Sustainability Committee; and (iii) making technical adjustments to improve its wording and style.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

See section H.1

C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of amendment(s)

The outcomes of the annual assessment of the Board of Directors and its Committees during fiscal year 2020 has not led to significant changes in the internal organization of the Board or its committees, nor to the procedures applicable to its activities.

Although this assessment has not led to changes in the internal organization of the Board, the Appointments and Compensation and Sustainability Committee approved a 2021 Action Plan with a view to improving the quality and efficiency of the operation of the Board and its Committees.

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and areas evaluated

The annual assessment of the operation of the Board and its Committees for fiscal year 2020 was completed internally and led by the Chairmen of the various Committees and by the Coordinating Director.

According to the report prepared by the Appointments and Compensation and Sustainability Committee, the composition, skills, operation and quality of the work of the Board of Directors was assessed, analyzing aspects such as the organization and content of its meetings, as well as the training of the directors to properly address the topics discussed in its meetings.

The process for assessment of the Board shows a widespread view of a high level of commitment and dedication of all its directors, effective functioning of the Board, quality debates and adequate time dedicated to matters being addressed as well as quality documentation submitted at the meetings, and usefulness of the regular meetings with independent experts. Likewise, the assessment process has shown a high degree of compliance by the Board of Directors with the recommendations laid out in the 2020 Action Plan established in the report on the activities and assessment of the Board of Directors in fiscal year 2019.

Furthermore, the Board of Directors assessed the performance and contributions of its Board members as a whole, as well as of the Executive Chairman's performance of his duties in fiscal year 2020.

C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.

N/A

C.1.19 Indicate the cases in which directors are obliged to resign.

Article 19.2 of the Board of Directors Regulations provides in such regard as follows:

"Directors shall tender their resignation to the Board of Directors and formalize the pertinent resignation, if deemed appropriate by the Board, in the following cases:

(a) If they are involved in any circumstance of incompatibility or prohibition provided by law, the Corporate Bylaws or these Regulations.  
 (b) If situations arise that affect them, whether or not they are related to their actions in the Company itself, as a result of which their continued membership on the Board of Directors could put at risk or harm the Company's interests, credit or reputation.  
 (c) When they no longer hold an executive position to which their appointment was linked or, in general, when the reasons for their appointment no longer exist (e.g. when the shareholder represented by a Director disposes of its shareholding in the Company that motivated the Director's appointment).  
 (d) When the Director has missed four consecutive Board meetings without granting a proxy to another Board member.  
 The Board of Directors may only propose the removal of an Independent Director to the General Shareholders Meeting before the period provided for in the Bylaws has lapsed and when the Director has not tendered his or her resignation after having met any of the said circumstances referred to in this article or when any other just cause as determined by the Board exists, following a report of the Appointments and Compensation and Sustainability Committee. In particular, just cause shall be deemed to exist when the Director accepts additional obligations that prevent said Director from dedicating the required time to the performance of its duties, breaches any duties inherent in its position or otherwise is in any circumstances that prevent its independence. The Board of Directors may also propose the removal of Independent Directors as a result of public offers of acquisition, merger or other similar corporate transactions that entail a change to the Company's capital structure, provided such structural changes to the Board of Directors are a result of application of the proportionality criteria set forth in corporate governance recommendations for listed companies in Spain."

C.1.20 Are qualified majorities other than those established by law required for any particular kind of decision?

Yes  
 No

If so, describe the differences.

Description of differences
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In order for amendments to the Board Regulations to be valid, the relevant resolution must be adopted by a two-thirds majority of the Directors in attendance, in accordance with the provisions of Article 3.4 of the Board Regulations.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

Yes  
 No

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

Yes  
 No

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

Yes  
 No

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, briefly describe these rules.

The third paragraph of Article 36 of the Bylaws establishes in this regard that proxies shall be granted to other Directors in writing or by e-mail and shall be made specifically for each Board meeting. No Director may hold more than three proxies. The same requirement is also set forth in Article 17.1 of the Board Regulations.

As regards any restrictions on the category of director to which proxies may be granted, the aforesaid Bylaw provision (and Article 17.1 of the Board Regulations) states, along the same lines as Article 529 quáter 2 LSC, that Non-Executive Directors may only grant proxies to other Non-Executive Directors.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of board meetings	10
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0
--------------------	---

Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the AUDIT COMMITTEE	7
Number of meetings held by the APPOINTMENTS AND COMPENSATION AND SUSTAINABILITY COMMITTEE	8
Number of meetings held by the EXECUTIVE COMMITTEE	8

One of the seven meetings of the Audit Committee was held in writing in lieu of a meeting, and two of the eight meetings of the Appointments and Compensation and Sustainability Committee were held in writing in lieu of a meeting.

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings in which at least 80% of directors were present in person	10
Attendance in person as a % of total votes during the year	98.18

Number of meetings with attendance in person or proxies given with specific instructions, by all directors	8
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	98.18

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

- Yes  
 No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

It is worth noting, first, that the audit reports on the individual and consolidated financial statements for fiscal year 2020 did not include any reservations.

The mechanisms established by the Board of Directors are derived from the powers assigned to the Audit Committee which, in accordance with Article 13.2 of the Board Regulations, include, *inter alia*, the following duties: (i) overseeing the effectiveness of the Company's internal controls, internal audit and financial and non-financial risk management and control systems related to the Company and, as the case may be, to the Group, as well as discussing any significant weaknesses identified in the internal control system during the audit with the statutory auditor, all without compromising the auditor's independence; (ii) monitoring the process for preparing and presenting the required financial information and submitting recommendations or proposals to the management body with a view to ensuring the integrity of such information; and (iii) ensuring that the annual financial statements presented by the Board of Directors to the General Shareholders' Meeting are prepared in accordance with applicable regulations. In those cases in which the external auditor has included in its audit report some reservation, the Board of Directors may agree that the Chairman of the Audit Committee explains them to the General Shareholders' Meeting and expresses his or her opinion about the content and scope of the same, making available to the shareholders at the time of the publication of the notice of the General Shareholders' Meeting, together with the rest of the proposals and reports of the Board of Directors, a summary of such opinion.

Furthermore, Article 32.4 of the Board Regulations, referring to the Board's relations with the auditors, establishes that the Board of Directors shall draft a final and conclusive copy of the financial statements such that no reservations are made by the auditor. Notwithstanding as the Board considers it should uphold its position, the Board shall publicly explain the scope and content of the discrepancy.

C.1.29 Is the secretary of the Board also a director?

- Yes  
 No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
JUAN GÓMEZ PULIDO	

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

Article 32.1 of the Board Regulations establishes that the relations of the Board with the external auditors shall be channeled through the Audit Committee. In this regard, Article 13 of the Board Regulations provides that the Audit Committee shall have the following duties, *inter alia*:

- To refer proposals for the selection, appointment, reappointment and removal of the statutory auditor, taking responsibility for the selection process in accordance with the provisions of applicable regulations, as well as for the hiring conditions thereof, to the Board of Directors, and regularly gather information from the external auditor on the auditing plan and execution thereof, in addition to maintaining its independence in carrying out its duties.
- To establish the relevant relationships with the external auditor in order to receive information on all matters which may threaten their independence, to be examined by the Committee, as well as on any other matters related to the auditing of the accounts, and, as applicable, on the authorization of services other than those services prohibited under the terms set forth in applicable regulations on the independence regime, including all communications as provided for by statutory auditing legislation and standards. In any event, the Committee shall receive an annual statement from the external auditors on their independence in relation to the company or any of its directly or indirectly related entities. This report shall include detailed and personalized information on additional services of any nature that were provided together with the applicable fees received from such entities by either the external auditor or other persons or entities related thereto, in accordance with the applicable regulations governing statutory auditing.
- To issue an annual report, prior to issuance of the audit report, expressing an opinion on whether the independence of the statutory auditors or audit firms is compromised. This report shall, in any event, include a reasoned assessment of the value of each of the additional non-auditing services referred to in the preceding paragraph, accounted for both individually and collectively, in relation to independence requirements or statutory auditing regulations.
- To ensure that compensation of the external auditor does not compromise quality or independence.
- To ensure that the external auditor holds an annual meeting with a plenary session of the Board of Directors in order to inform them of the work performed and the financial position of and risks faced by the Company.
- To ensure that the Company and the external auditor respect rules in force on the provision of non-auditing services, limits on the concentration of the auditor's business and, in general, any other rules on the independence of the auditors.

In addition, Article 32.2 of the Board Regulations states that the Board of Directors shall abstain from contracting those audit firms that are involved in any circumstances that could affect their independence in performing their duties, respecting in all cases the legally established prohibitions and incompatibilities. Section 3 of said Article also provides that the Board of Directors shall publicly report any overall professional fees paid by the Company to the audit firm for non-audit services, which it has already been reporting in the Notes to the Annual Financial Statements.

On the other hand, the Investor Relations and Capital Markets Department is tasked with maintaining communications with institutional shareholders and financial analysts that cover the shares of Pharma Mar, making sure not to provide them with any insider information as regards the rest of the shareholders, in accordance with Article 30 of the Board of Directors Regulations and with the Company's General Policy of Communication of Economic-Financial, Non-Financial and Corporate Information, as approved by the Board of Directors and published on the Company's website.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

- Yes  
 No

If there were any disagreements with the outgoing auditor, explain their content:

- Yes  
 No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

Yes  
 No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousands of euros)	27	0	27
Amount invoiced for non-audit work/Amount for audit work (in %)	5.56	0.00	5.56

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

Yes  
 No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	25	25

  

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	80.64	80.64

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

Yes  
 No

**Details of the procedure**

The directors' right to information is expressly regulated by Article 20.1 of the Board Regulations, which establishes that the Directors, as required to perform their duties, shall have ample powers to make inquiries on any matter related to the Company and, for such purpose, shall have access to any and all documents, registries, records or any other necessary elements. Information requests shall be made to the Chairman and will be processed by the Secretary of the Board of Directors, who shall directly provide the Directors with such information or otherwise notify the relevant intermediaries in the Company and, in general, shall establish all necessary measures to ensure full compliance with the Director's right to information.

Article 16 of the Regulations states that the annual meetings shall be called by letter or e-mail issued by the Secretary at the demand of the Chairman or the Acting Chairman. The meeting notice shall be made at least five days in advance, except as provided in Article 3.3 of the Regulations on proposed amendments to such Regulations, and shall include the agenda for the meeting, which shall clearly list the agenda items on which the Board must make a decision or pass a resolution. Thus, and in accordance with regulatory provisions, to ensure that meetings are properly prepared and with a view to ensuring that the Directors have all necessary information, the Chairman shall establish an agenda for all Board meetings. This agenda, together with all documents related thereto, is sent by the Board Secretary, usually by e-mail, at least five days before the date set for the meeting.

The prior and express consent of a majority of the Directors in attendance shall be required, and duly recorded in the minutes, if the Chairman wishes to submit to the Board, for urgency reasons, the approval of decisions or resolutions not listed on the agenda.

The annual Board meetings shall discuss the general performance and financial results of the Company and, as the case may be, of its subsidiaries, as well as those matters referred to in Article 5 of the Regulations, if applicable and, in any case, shall discuss those items included on the agenda.

The Board of Directors shall receive information in these regular meetings on the most relevant aspects of the business management since the last meeting of said body was held as well as on all actions in such regard proposed by Senior Management.

Article 16.3 establishes that special meetings of the Board may be convened by phone and that the deadline and other requirements referred to in the preceding section shall not apply when, in the opinion of the Chairman or Acting Chairman, the circumstances so justify.

On the other hand, Article 17.3 of the Regulations states that, except where the Board of Directors has been convened on an urgent basis, the Directors shall have sufficient prior access to the information required to form an opinion on each of the agenda items, and the Chairman shall be responsible, with the assistance of the Secretary and, as the case may be, the Legal Counsel, for preparing said information. The Chairman may invite as many officers to the meeting as he or she deems appropriate with a view to supplementing the information provided to the Directors on the agenda items.

Finally, it should also be noted that, since October 2020, Directors have been able to access all documentation relating to the meetings of the Board of Directors and its Committees through a digital platform.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate.

Yes  
 No

If so, provide details: Explain the rules

Article 28.2 of the Board Regulations states that Directors shall inform the Company of any positions that they hold or activities that they carry out in other companies or entities and, in general, of any other fact or circumstances that could be relevant to its conduct as a director of the Company and of any transactions that could cause harm to the Company or of any other activities that could constitute competition for the Company or any of its Group companies.

Furthermore, Article 19.2 of the Board Regulations provides that the Directors shall tender their resignation to the Board of Directors and formalize said resignation, if deemed appropriate, when they are involved in any circumstance of incompatibility or prohibition provided by law, the Bylaws or the Regulations, and if situations arise that affect them, whether or not related to their actions in the Company itself, as a result of which their continued membership on the Board could put at risk or harm the Company's interests, credit or reputation.

Article 19.3 establishes that the Appointments and Compensation and Sustainability Committee shall make proposals to the Board of Directors, for their submission to the General Shareholders Meeting, on the removal of Directors whose behavior could negatively affect the functioning of the Board or the Company's credit and reputation.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

- Yes  
 No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The license, development and marketing agreement signed between Pharma Mar, S.A. and Luye Pharma Group, Ltd. on 26 April 2019 provides that either party may terminate the agreement in the event of a change in control of the other party.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	Description of the agreement
Executive Chairman	As regards the Executive Chairman, the contract for the provision of executive services between the Company and the Chairman shall remain in force for as long as the Executive Chairman continues to hold such position on the Board of Directors and to serve as the top executive of the Company, bearing in mind that the contract may be terminated by mutual agreement of the parties, by unilateral voluntary resignation of the Executive Chairman, for causes attributable to the Company and due to death, legal incapacity, total permanent or other significant incapacity of the Executive Chairman, or temporary incapacity or inability to perform his duties for a period longer than twelve months. The Executive Chairman shall have the right to receive a severance payment equivalent to 1.5 times the gross annual Regulated Compensation (defined as the arithmetic mean of the total amount of annual fixed compensation, annual variable compensation and attendance allowances accrued during each of the two full fiscal years immediately preceding the contract termination date) if his contract as the top executive is terminated for any cause attributable to the Company (whether by unilateral voluntary termination by the Company –e.g. removal or non-reappointment of the director or revocation of authorities or powers without subsequently and immediately appointing, delegating or granting analogous authorities or powers in the Company or, in the case of an intragroup merger, in the absorbing company–, or by significant amendment to the duties or conditions for providing services, including the succession of the Company or a significant change in ownership thereof that has the effect of changing the composition of its governing bodies or the content and focus of its primary activity, unless the contract is assigned by the Company to any other Group company).

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General shareholders'
Body authorising the clauses	√	
	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

### C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

AUDIT COMMITTEE		
Name	Position	Category
ANA PALACIO VALLELERSUNDI	MEMBER	Independent
VALENTÍN DE TORRES-SOLANOT DEL PINO	CHAIRMAN	Independent
CARLOS SOLCHAGA CATALÁN	MEMBER	Independent
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	MEMBER	Other External

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	75.00
% of other external directors	25.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

In accordance with Art. 13 of the Board Regulations, this Committee has the following duties, *inter alia*:

- To notify the General Shareholders Meeting regarding matters arising within the scope of the Committee's competencies.
- To supervise the effectiveness of the Company's internal controls, internal auditing and financial risk management and control systems relating to the Company, and where applicable, the group, as well as non-financial risks, as well as discuss with the statutory auditor any significant weaknesses in the internal control system detected during the audit, without undermining its independence. For such purpose, as the case may be, recommendations or proposals may be submitted to the board of directors, including the periods established for compliance.

- (c) To supervise the preparation and presentation of all required financial information and present recommendations or proposals to the board of directors, aimed at safeguarding the integrity thereof.
- (d) To refer proposals for the selection, appointment, reappointment and removal of the external auditor, as well as on the hiring conditions thereof, to the Board of Directors, and regularly gather information from the external auditor on the auditing plan and implementation thereof, in addition to maintaining its independence in carrying out its duties.
- (e) To establish the relevant relationships with the external auditor in order to receive information on all matters which may place their independence at risk, to be examined by the Committee, as well as on any other matters related to the auditing of the accounts, including all communications as provided for by accounting and auditing legislation and standards. In any event, the external auditors shall issue an annual statement on their independence in relation to the company or any of its directly or indirectly related entities, including information on additional services of any nature that were provided together with the applicable fees received from such entities by either the external auditor or other persons or entities related thereto, as set forth in applicable legislation on the auditing of accounts.
- (f) To issue an annual report, prior to issuance of the audit report, expressing an opinion on the independence of the statutory auditor. This report shall, in any event, include an assessment of the value of the additional services referred to in the preceding paragraph, accounted for both individually and collectively, which were provided apart from the legal auditing and in relation to independence requirements or auditing regulations.
- (g) To provide the Board of Directors with advance notice regarding all matters provided for by law, the Bylaws and these Regulations and in particular, regarding:
1. all financial information that the Company must periodically make public;
  2. the creation or acquisition of shares in special purpose vehicles or companies incorporated in foreign countries or territories that are considered tax havens; and
- (h) To ensure that the financial statements presented by the Board of Directors to the General Shareholders Meeting are prepared in accordance with accounting regulations.

The Committee also exercises duties related to the reporting and internal control systems and to the external auditor, including:

- (a) To supervise the preparation process and the integrity of the financial and non- financial information relating to the Company and, as the case may be, to the group, reviewing compliance with regulatory requirements, the proper scope of the consolidated Group and the correct application of accounting principles.
- (b) To ensure the independence of the internal auditing unit; propose the selection, appointment and removal of the party responsible for the internal auditing services; propose or propose approval to the Board of Directors of the orientation and annual work plan of the internal audit, ensuring that the activity focuses primarily on relevant risks for the Company; receive from the head of the internal audit unit information on the execution of the annual work plan, including possible incidents and limitations to the scope presented in its development, the results and the follow-up of its recommendations; receive from the head of the internal audit unit at the end of each year an activity report; and verify that senior management takes the conclusions and recommendations of such reports into account.
- (c) To establish and monitor a mechanism that allows employees to communicate, confidentially, any potential significant irregularities, in particular financial and accounting irregularities, observed from within the company.
- (d) To ensure in general that the policies and systems established for internal control are effectively applied in practice.
- (e) In the event that the external auditor resigns, examining the circumstances leading to such resignation.
- (f) To ensure that compensation of the external auditor does not compromise quality or independence.
- (g) To oversee that the Company reports the change of auditor through the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores* - CNMV), which shall be accompanied by a statement on any potential disagreements with the outgoing auditor and, if any, the content thereof.
- (h) To ensure that the external auditor holds an annual meeting with a plenary session of the Board of Directors in order to inform them of the work performed and the financial position of and risks faced by the Company.
- (i) To ensure that the Company and the external auditor respect rules in force on the provision of non-auditing services, limits on the concentration of the auditor's business and, in general, any other rules on the independence of the auditors.

(continued in section H.1)

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Names of directors with experience	VALENTÍN DE TORRES-SOLANOT DEL PINO / CARLOS SOLCHAGA CATALÁN
Date of appointment of the chairperson	23/10/2019

APPOINTMENTS AND COMPENSATION AND SUSTAINABILITY COMMITTEE		
Name	Position	Category
ANA PALACIO VALLELERSUNDI	CHAIRMAN	Independent

**APPOINTMENTS AND COMPENSATION AND SUSTAINABILITY COMMITTEE**

Name	Position	Category
BLANCA HERNÁNDEZ RODRÍGUEZ	MEMBER	Independent
MONTSERRAT ANDRADE DETRELL	MEMBER	Shareholder-Appointed
EDUARDO SERRA Y ASOCIADOS, S.L.	SECRETARY	Other External
CARLOS PAZOS CAMPOS	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	20.00
% of independent directors	60.00
% of other external directors	20.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

In accordance with Art. 14 of the Board Regulations, this Committee has the following duties:

- (a) To assess the skills, knowledge and experience needed on the Board of Directors. For such purpose, the Committee shall define the functions and skills necessary in the candidates to cover each vacancy and evaluate the time and dedication required in order that they may properly perform their mandate.
- (b) To establish a representation goal for the least-represented gender on the Board of Directors and develop guidelines on how to reach such objective.
- (c) To raise all proposals for the appointment of Independent Directors to the Board of Directors for their appointment by co-optation or by submission to the decision of the General Shareholders Meeting, as well as all proposals for the reappointment or removal of said Directors by the General Shareholders Meeting.
- (d) To report on all proposals for the appointment of the remaining Directors by co-optation or by submission to the decision of the General Shareholders Meeting, as well as on all proposals for their reappointment or removal by the General Shareholders Meeting.
- (e) To report on proposals for the appointment or removal of senior executives as well as to report on or propose the basic terms of their contracts.
- (f) To assess and coordinate the succession of the Chairman of the Board of Directors and of the Company's top executive and, as the case may be, develop proposals for the Board of Directors such that said succession may be completed as smoothly and orderly as possible.
- (g) To propose a policy to the Board of Directors for the compensation of Directors and general managers or other individuals carrying out senior management duties under the direct supervision of the board, the executive committees or the Managing Directors, as well as for individual compensation and other contractual terms of the Executive Directors, ensuring that such terms are complied with.
- (h) To verify annually the compliance of the compensation policy by reporting it in the Annual Corporate Governance Report and to periodically review it, including share compensation systems and their application, as well as to ensure that the individual compensation of the Company's Directors and senior executives is proportionate to the that paid to other Directors and senior executives.
- (i) To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the Committee.
- (j) To verify information regarding compensation of Directors and senior executives as provided in various corporate documents, including the annual Directors' compensation report.
- (k) To report to the Board of Directors in advance regarding proposed resolutions for related-party transactions.

This Committee shall also carry out the following duties relating to sustainability:

- (a) To evaluate and periodically review the system of corporate governance and the Sustainability Policy, so that they fulfill their mission of promoting the social interest and take into account, as appropriate, the legitimate interests of the other interest groups.
- (b) To supervise that the Company's actions in the area of sustainability (environmental, social and corporate governance) are in line with the strategy and policies approved by the Board of Directors and, if appropriate, to propose recommendations to improve the Company's position in this area, submitting the corresponding report or proposal to the Board of Directors.
- (c) To supervise compliance with the rules of corporate governance and the internal codes of conduct of the Company, also ensuring that the corporate culture is aligned with its purpose and values.
- (d) To supervise the application of the general policy regarding the communication of economic-financial, non-financial and corporate information. Likewise, the way in which the entity communicates and relates to small and medium shareholders will be monitored.
- (e) To supervise and evaluate the processes of relationship with the different interest groups.
- (f) To establish the general principles that guide the preparation of the statement of non-financial information.

- (g) To review and validate, prior to its approval by the Board of Directors, the statement of non-financial information that the Company must make public.  
(h) To analyze the actions and proposals in matters of sustainability that are proposed or agreed upon by the different business units of the Company.  
(i) Any other related to the matters of its competence and that are requested by the Board of Directors. (continued in section H.1)

EXECUTIVE COMMITTEE		
Name	Position	Category
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	CHAIRMAN	Executive
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	MEMBER	Other External
PEDRO FERNÁNDEZ PUENTES	MEMBER	Executive

% of executive directors	66.67
% of proprietary directors	0.00
% of independent directors	0.00
% of other external directors	33.33

Explain the functions delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

In accordance with Art. 15 of the Board Regulations, it shall focus its activities primarily on:

- (a) Ongoing monitoring and oversight of the daily operation and management of the Company, regularly monitoring financial management and implementation of the Company's strategic proposals and plans.  
(b) Discussing those matters related to the following topics prior to submitting them to the Board:  
(i) Accounts, management report and proposed application of earnings for each fiscal year;  
(ii) Budgets and action plans, guidelines for managing the Company;  
(iii) Oversight of the foundations of the corporate organization in order to ensure its maximum efficiency.  
(iv) Tangible or financial investments and divestments that are particularly relevant for the Company.  
(c) In general, providing assistance to the Board in all decisions related to those issues listed in Article 5.3 a) and b) of the Board Regulations, which refer to the establishment by the Board of general strategies and management guidelines for the Company.

As regards the rules on organization and functioning, Article 15.1 states that the Executive Committee shall be comprised of three Directors appointed by the Board of Directors. The Chairman of the Board of Directors shall act as the Committee Chairman. The position of Committee Secretary shall be performed by one of the Directors on the Committee, the Board Secretary, the Vice Secretary or the Legal Counsel of said body, as determined by the Board of Directors.

This Committee shall perform the duties delegated by the Board of Directors in relation to the day-to-day management, administration and representation of the Company in conformity with the principles governing conduct as established in the Bylaws and in these Regulations in relation to the Board of Directors. Notwithstanding the Executive Committee's decision-making autonomy in relation to the delegated powers, and its resolutions being valid and effective without any requirement of ratification by the Board, in those cases in which, in the opinion of the Chairman, the circumstances so require, the resolutions passed by the Executive Committee shall be submitted to the ratification of the Board, following the same regime as applicable to those matters for which the Board has delegated their analysis to the Committee but reserving the final decision thereon to the Board, in the latter case which the Executive Committee shall be limited to submitting the relevant proposal to the Board.

Information will be provided in the Board meetings on the main decisions adopted, as the case may be, in the meeting(s) of the Executive Committee that were held after the most-recent Board meeting, and all minutes for such meetings shall be made available to the Directors for their evaluation. Any member of the management team or other Company employee as required for such purpose may attend its meetings and provide their assistance.

The Executive Committee held eight meetings in 2020, addressing various issues related to the Group's strategy.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	FY 2020		FY 2019		FY 2018		FY 2017	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	25.00	1	20.00	1	20.00	1	25.00
APPOINTMENTS AND COMPENSATION AND SUSTAINABILITY COMMITTEE	3	60.00	3	75.00	2	50.00	2	50.00
EXECUTIVE COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

The Board Committees are governed by the Bylaws and the Board Regulations (Articles 12 to 15). Both of these documents are published on the Company's website ([www.pharmamar.com](http://www.pharmamar.com)) on the "Corporate Governance" page of the "Shareholders and Investors" section.

The Audit Committee and the Appointments and Compensation and Sustainability Committee have prepared reports on their proceedings and activities, which the Company intends to make available to its shareholders when the next Annual General Shareholders Meeting is convened.

**D. RELATED PARTY AND INTRAGROUP TRANSACTIONS**

**D.1. Describe, if applicable, the procedure and competent bodies for the approval of related party and intragroup transactions.**

The Appointments and Compensation and Sustainability Committee is responsible for reporting on, prior to the meeting of the Board of Directors, proposed resolutions for related-party transactions (Art. 14.2.k of the Board Regulations).

The Board of Directors is in charge of approving, following a report from the Appointments and Compensation and Sustainability Committee, transactions carried out by the Company or its group companies with significant shareholders, whether individually or collectively with others, including shareholders represented on the Board of Directors of the Company or of other group companies, or with parties related thereto, in the terms and subject to the exceptions set forth in applicable Law (Art. 5.3.b.(vii) of the Board Regulations).

**D.2. Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:**

Name or company name of significant shareholder	Name or company name of the company or entity within its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
No data				N/A

**D.3. Describe any transactions that are significant, either because of their amount or the subject matter, entered into between the company or entities within its group and directors or managers of the company:**

Name or company name of director(s) or manager(s)	Name or company name of the company or entity within its group	Relationship	Nature of the transaction	Amount (thousands of euros)
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	PHARMA MAR, S.A.	Commercial	Provision of services	13

Talleres Trébore, S.L., the sole shareholder of which is Sandra Ortega Mera, who is the controlling shareholder of Rosp Corunna Participaciones Empresariales, S.L., provided graphic design, layout, printing and merchandising services to the Company in 2020, totaling €13 thousand.

- D.4.** Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Company name of the entity within the group	Brief description of the transaction	Amount (thousands of euros)
No data		N/A

- D.5.** Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections.

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N/A

- D.6.** List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

In the case of Directors, Article 24 of the Board Regulations governs conflicts of interest, establishing that:

"1. The Company's Directors, in compliance with their duty of loyalty, shall be required to report to the Board, through the Chairman or Secretary, any conflict of interest with the Company and its group companies, prior to it arising or as soon as they become aware of its existence, and shall be required to immediately resign if based on the nature and continuance of the conflict their presence on the Board goes against the Company's interests.

The Directors shall also adopt those measures necessary to prevent their interests, whether for themselves or on behalf of third parties, from coming into conflict with corporate interests or with their duties to the Company, in accordance with the provisions of law. In particular, the duty to avoid conflicts of interest requires that the Directors abstain from engaging in the conduct described in Article 229 of the Spanish Capital Corporations Law, except as waived in accordance with the provisions of Article 230.

A conflict of interest shall be deemed to exist when the interests of the Company and the interests of the Directors directly or indirectly clash. The Director shall be deemed to have an interest when he or she is directly affected or if any related party thereto is so affected, as provided in Article 231 of the Capital Corporations Law.

2. The Directors shall also abstain from debating and voting on those matters in which they have an interest, whether directly or indirectly through a related party, that conflicts with the interests of the Company.  
This obligation to abstain shall not apply to those resolutions that affect the Directors in their condition as such, including resolutions for their appointment, reappointment or removal. Voting by the Directors or, as the case may be, by the Committee in question on these types of resolutions may be made anonymously if so requested by any of its members.

3. The Directors shall disclose any interest held thereby in the capital of a company engaging in activity identical, analogous or complementary to that constituting the corporate purpose, as well as any offices held or duties performed in such company, as well as any activity carried out, for their own benefit or for the benefit of a third party, that is identical, analogous or complementary to that constituting the Company's corporate purpose. This information shall be included in the justifying report.

(...)"

Articles 25 and 27 of the Board Regulations may apply to certain conflicts of interest. These articles regulate, respectively, the use of corporate assets and taking advantage of business opportunities, although they only incidentally address conflict of interest.

Article 25 of the Regulations provides that "Directors may not use the assets of the Company or its subsidiaries for private purposes or for persons related thereto and may not use their position in the Company or its subsidiaries to obtain a financial advantage unless sufficient consideration is paid. Waiver of this requirement shall require a prior report from the Appointments and Compensation and Sustainability Committee. If the benefit is attained in their condition as a partner, the principle of equal treatment of shareholders must be followed." Article 27 states that "Directors may not take advantage, whether directly or on behalf of a related party thereto, of any potential business investments or transactions, or of any other nature, of which they became aware in the performance of their position, using the information means of the Company or of its investee companies or in such circumstances that could give rise to an assumption that the action was actually led by the Company. This prohibition shall not govern when the Board has previously offered the business opportunity to the Company or when authorized by the Board by prior report of the Appointments and Compensation and Sustainability Committee, whenever the Company has not dismissed said investment or transaction through the influence of the Director."

It is also important to note that Article 29 of the Board Regulations, governing transactions with significant shareholders and directors, states that:

"1. Whenever a significant shareholder or Director of the Company wishes to carry out a transaction with the Company, it shall provide prior and immediate notice to the Board of Directors, through the Chairman, unless the transaction relates to ordinary transactions that are made under standard conditions for all clients and are immaterial, understood as those for which information is not required to express a true and fair view of the Company's equity, financial position and profits.

2. The Company may authorize performance by any Director or any related party thereto of a certain transaction with the Company. The authorization shall necessarily be granted by the General Shareholders Meeting when it relates to a transaction whose value exceeds ten percent of corporate assets. In all other cases, the authorization may also be granted by the Board of Directors, following a report from the Appointments and Compensation and Sustainability Committee, provided that independence of the members granting the authorization is guaranteed as regards the excepted Director or executive. In addition, it shall also be required to show that the transaction authorized will be harmless to the company's equity or, as the case may be, that it is being carried out under arm's length conditions and through a transparent process."

- D.7.** Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

Yes  
 No

## **E. RISK MANAGEMENT AND CONTROL SYSTEMS**

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### **E.1. Explain the scope of the company's Risk Management and Control System, including tax risk:**

As a result of the structure of the Pharma Mar Group, comprised of various business units within the biopharmaceutical sector, combined with the intense activity and resources applied to R&D projects, the most appropriate risk management system is a decentralized system for each of the business units, developed primarily on a project-by-project basis. The inherent risks in each project are identified and assessed by the different business units, who develop actions to respond to and mitigate said risks, as necessary.

Nevertheless, with a view to monitoring certain common risks across the different Group companies, a Group Policy has been established that applies to all Group companies and which addresses, *inter alia*, restrictions on and monitoring of powers of attorney and the contracting of certain financial transactions or purchases and investments. The Audit Committee, with the assistance of the Group's Internal Audit Department, is responsible for monitoring compliance with these specific policies.

### **E.2. Identify the bodies within the company responsible for preparing and executing the Risk Management and Control System, including tax risk.**

In general, the management bodies of each of the Group companies are aware of the risks faced by their organizations and understand the control environment. Officers in the different areas are in charge of implementing the specific controls for such risks.

The Board of Directors of the parent company of the Group, through its Audit Committee, has the duty to monitor the effectiveness of the Company's internal controls, internal auditing and risk management systems, as well as for discussing with the statutory auditors any significant weaknesses in the internal control system identified during the audit, all without compromising their independence. For such purpose, as the case may be, recommendations or proposals may be submitted to the governing body, including the periods established for compliance therewith (Art. 13.2.b of the Board Regulations).

In order to carry out this duty, the officers of the different business units shall report to the Committee at least once per year on the different risks faced by their respective business units (operating, market, financial, etc.), on processes for monitoring such risks and on mitigating actions.

Development projects for new products are managed by the project management teams or "Project Teams," who are also responsible for identifying the risks that may arise in relation to each project and sub-project. These "Project Teams" are interdisciplinary and assess potential risks from the perspective of various disciplines (patents, production, clinical, regulatory, etc.) and establish tolerance levels which, as regards projects in the clinical development stages, are regulated by the competent authorities, leaving little discretionary margin. The management system through "Project Team" was adopted by the Management Committee of the Oncology Business Unit.

As regards research projects, certain institutional criteria have been established: patentability, viability of production, market criteria or therapeutic window and novel mechanisms of action; if the research project does not comply with any of these institutional criteria, there are a series of internal mechanisms that result in stoppage of the project by the Research Management. The decision of whether to promote a project from the research stage to the development stage is discussed among the Chairman, the Managing Director of the Oncology Business Unit and R&D Management.

On the other hand, all of the boards of directors of the different business units have various directors that also serve as directors of the Group's parent company; these directors disseminate the principles of conduct established in the board of directors of the Group's parent company to these boards of directors and raise relevant questions to the board of the parent company that may arise within the boards of directors of which they form part for the different business units.

### **E.3. Indicate the main risks, including tax risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives:**

See section H.1

**E.4. Indicate whether the entity has risk tolerance levels, including for tax risk:**

The biopharmaceutical industry in which the activity of the different business units of the Pharma Mar Group is carried out is a highly regulated sector. In this sector, the safety and reliability of operations are monitored by official bodies such as the Spanish Agency of Medications and Sanitary Products, the European Medicines Agency (EMA), and the U.S. Food and Drug Administration (FDA). Consequently, risk appetite has very low tolerance thresholds, in particular as regards operating risks and risks related to physical safety of employees, compliance and separation of duties. The Group's risk tolerance is in line with and complies with the standards and regulations applicable thereto. Management decisions made by the Company's senior management take into account this tolerance level as established at the corporate level.

**E.5. Indicate which risks, including tax risks, have materialised during the year:**

**Regulatory Risk.** The pharmaceutical sector is a highly regulated industry. The prices of pharmaceutical products are controlled and regulated by governments in most countries, and it is the government that has the authority to approve, deny or even preclude the reimbursement of the product cost.

With regard to the risk of price regulation, it should be noted that Yondelis has suffered price reductions in certain European countries, the impact of which has been circa €400 thousand.

The impact of changing distributors in the Nordic countries, Eastern Europe, the United Kingdom and Ireland, valued at 1.3 million euros, should also be noted.

**Competition Risk.** The pharmaceutical market is very competitive and Pharma Mar's results may be affected by the launch of new or innovative products by competitors.

Additionally, since the end of 2017, three Yondelis competitors have been approved belonging to the group of PARP inhibitor molecules which, when administered after platinum in platinum-sensitive ovarian cancer, delay the administration of Yondelis to further lines of treatment. The increase in commercial activity and clinical trials of these three molecules together with other already existing competitors have delayed the administration of Yondelis.

**Tax Risk.** A tax audit process of the Austrian subsidiary, Pharma Mar Ges.m.b.H., was commenced in December 2019. This is a routine audit covering the 2016-2018 period for Corporate Tax and VAT. The audit has not yet been completed and no provision has been included in the Financial Statements.

**E.6. Please explain the plans for responding to and monitoring the main risks faced by the company, including tax risks, as well as the procedures followed by the company to ensure that the board of directors responds to the new challenges that arise:**

See section H.1

**F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)**

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

**F.1. The entity's control environment.**

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

The Company's Board of Directors has the duty to establish the internal control and risk management systems, including as regards tax risks, and to identify the primary risks faced by the Company, in particular those risks arising from derivative transactions, as well as to implement and monitor adequate internal control and reporting systems, in accordance with Article 5.3.b).(vi) of the Board Regulations.

This responsibility is exercised through the Audit Committee, which is the body responsible for monitoring the effectiveness of the Company's internal controls, internal auditing and financial and non-financial risk management and control systems related to the Company and, as the case may be, the Group, as well as for discussing with the statutory auditor any significant weaknesses in the internal control system identified during the audit, all without compromising independence. For such purpose, as the case may be, recommendations or proposals may be submitted to the governing body, including the periods established for compliance therewith, in accordance with Art. 13.2.b) of the Board Regulations.

The Company's Financial Managers are responsible for the design, implementation and operation of the ICFR, as well as for identifying and assessing risk on an annual basis and for determining the controls to be implemented, in accordance with the risk management procedures in relation to financial reporting.

The Audit Committee and the Financial Managers assist the Internal Audit Department, which is in charge of drafting and implementing an annual plan to assess the efficiency of the ICFR. Likewise, it shall regularly report to the Audit Committee on weaknesses identified and the implementation of corrective measures, as frequently as required. These duties are also established by virtue of the risk management procedures in relation to financial reporting.

F.1.2 Indicate whether the following exist, especially in relation to the drawing up of financial information:

Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity:

As regards the organizational structure, the Board of Directors is entrusted with the duty to define the structure of the group of companies for which the Company is the parent company (Art. 5.3.a).(vi) of the Board Regulations).

The Board shall adopt all measures necessary to ensure that company management is under the effective supervision of the Board (Article 6.3.b of the Board Regulations). Article 22 of the Regulations establishes that, in addition, the Directors shall have the duty to assist the Board with its duty to foster and monitor the day-to-day management of the Company and, to the extent legally permitted, of the investee companies.

In this regard, the General Managers of the investee companies shall, at least once a year and whenever so required due to special circumstances, report to the Board of Directors on their day-to-day operations, and the Board shall aim to ensure that no individual or small group of individuals holds decision making power not subject to counterweights and controls (Art. 6.3.c) of the Board Regulations); in this regard, there is an internal policy establishing restrictions on powers of attorney.

The Executive Committee has the duty to monitor the bases of the corporate organization with a view to ensuring the maximum efficiency thereof (Art. 15.2.b).(iii) of the Board Regulations), whereas the General Managers are in charge of distributing tasks and duties among members of their respective organizations. As regards the process for drawing up financial information, applicable procedures are established by corporate Financial Managers and distributed to the different affected areas through their managers.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions:

The Company's Board of Directors unanimously resolved on the approval of the new amended and restated text of the Pharma Mar Group's Code of Conduct at its meeting held on 28 October 2020. The Code of Conduct has been sent to all employees of the Pharma Mar Group and is aimed at, in accordance with Article 1 thereof, formalizing the principles and values that should guide the conduct of everyone forming part of the companies of the Pharma Mar Group, both internally and with clients, partners, suppliers and in general, with all public and private individuals and entities with which they liaise in the performance of their professional activity.

Article 3.15 of the Code states that the management bodies of the Pharma Mar Group and its companies undertake to ensure regular monitoring of the effectiveness of the internal control system in relation to financial reporting to the markets. Any doubts that may arise in the interpretation of the Code of Conduct shall be discussed with the line manager or, as the case may be, with the Compliance Committee.

- Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential:

Everyone covered by the Code of Conduct –i.e. members of the board of directors, Senior Management and, in general, without exception and regardless of his or her position, responsibility or workplace, all employees and officers of companies that form part of the Pharma Mar Group–, may report any potential breaches thereof through the Complaints Channel established for such purpose.

In accordance with the Regulations governing the Complaints Channel, the Compliance Committee, the composition of which was resolved on by the Board of Directors on 28 October 2020, ensures that all complaints received through the Complaints Channel are addressed and managed properly and fully and are analyzed on an unbiased and confidential basis. Furthermore, the Compliance Committee guarantees the confidentiality of the identity of the reporting party or parties, as well as of the party or parties being reported, notifying only those people as strictly necessary for the investigation and resolution process.

- Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management:

Staff involved in the preparation and review of financial information regularly attend external continuing education programs on applicable regulations. In 2020, the total number of hours spent on training in this area was 133 hours.

## **F.2. Assessment of risks in financial reporting.**

Report on at least the following:

### **F.2.1 The main characteristics of the risk identification process, including risks of error and fraud, as regards:**

- Whether the process exists and is documented:

The Company has a process for identifying financial risks that results in the development of a risk map for the Group's financial information. Both the process for identifying financial risks as well as the resulting map are duly documented.

- Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often:

The process analyzes the five objectives for reliable financial reporting: (i) existence and occurrence; (ii) completeness, (iii) valuation, (iv) allocation, classification and comparability, and (v) rights and obligations. Those risks that could result in material misstatements in the financial information are identified and assessed through this process. For such purpose, both quantitative criteria based on materiality and qualitative criteria based on risk factors are used.

Based on the results obtained, the key processes associated with those accounts showing significant and/or specific risks are identified. The results of this process form the basis for the procedures for documenting and assessing the ICFR. The risks associated with fulfilling the financial reporting objectives are annually identified and assessed as the basis for establishing the controls to be implemented.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles:

The Company's internal regulations establish a process for identifying the perimeter of consolidation to monitor any potential changes in the perimeter of consolidation. In this regard, the Audit Committee is responsible for supervising the drafting process and integrity of financial and non-financial reporting related to the Company and, as the case may be, to the Group, ensuring compliance with regulatory requirements, proper identification of the perimeter of consolidation and proper application of accounting criteria (Article 13.3a) of the Board Regulations).

The Board of Directors is responsible for (i) approving the creation or acquisition of shares in special purpose vehicles or organizations resident in a country or territory that is classified as a tax haven and any other transaction or operation of a similar nature which, based on its complexity, could compromise the transparency of the Company or its group; and (ii) approving investments, divestments or transactions of any kind that, due to their high amount or specific characteristics, are considered strategic or that pose particular tax risks, unless approval thereof is reserved to the General Shareholders Meeting (Article 5.3.b of the Board Regulations).

Furthermore, the Company's Internal Auditor is required to report to the Audit Committee on a quarterly basis, prior to assessment by the latter of the regular financial information required to be submitted to the approval of the Company's Board with a view to its referral to the markets of any financial investment or divestment made in subsidiaries or other companies that would require adjustment to the consolidation perimeter or that would trigger the consolidation obligation. For such purpose the Internal Auditor shall collect the necessary information in such regard from the various Group companies.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements:

The risk management procedures for financial reporting form part of the Pharma Mar Group's comprehensive risk management system, exclusively covering those risks that threaten the financial reporting objectives (existence and occurrence; completeness; valuation; allocation, classification and comparability; and rights and obligations). The procedures are applicable to all financial reporting risks that affect or may affect the Pharma Mar Group in any of its entities or areas or that arise in its environment or activities.

Therefore, the process considers the effects of other types of risks covered by the comprehensive risk system of the Pharma Mar Group (operating, technological, financial, legal, reputation, environmental, etc.), to the extent they affect the financial statements.

- The governing body within the company that supervises the process:

The governing body that oversees the risk identification process is the Audit Committee, in accordance with the provisions of the Risk Management System for Financial Reporting. The Internal Audit Department, Financial Managers and external auditors, as the case may be, assist the Audit Committee in such regard.

### **F.3. Control activities.**

Report on whether the company has at least the following, describing their main characteristics:

- F.3.1 Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

The Company has an internal financial reporting control model based on the COSO framework, which provides reasonable certainty of compliance with the objectives of said model: effectiveness and efficiency of transactions, safeguarding of assets, reliability of financial reports and compliance with applicable laws and regulations.

Prior to identifying the financial risks and developing the pertinent risk map, critical activities were identified (totaling 61), enabling identification of the key processes to be documented (totaling 24). These 24 processes are duly described and documented, including flowcharts and a description of the activity. The significant risks identified at each stage of the process are assigned an applicable key control, which is also described in the processes. A total of 146 controls have been identified.

The financial managers are responsible for identifying and documenting the aforementioned processes and the corresponding risks that could affect financial information, as well as for assessing their potential impact. The financial managers are also responsible for implementing actions aimed at mitigating the identified risks.

There is a procedure for closing the accounts. The specific review of material opinions, estimates, valuations and projections follow their own process. The respective business units make estimates, valuations or projections in the areas for which they are authorized; the reasonableness of these calculations is evaluated by the corporate Financial Managers, with the support of, as the case may be, the advice provided by the different General Managers.

**F.3.2 Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.**

As regards reporting systems that support the relevant financial reporting processes, the responsibilities are delegated to the different business units. The most significant business unit has a security policy that includes IT controls, controls on the access of programs and data, controls on the development and management of change, and controls on the operation and implementation of reporting systems.

**F.3.3 Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.**

The Company has not sub-contracted any activities which could be relevant to the issuing of the financial statements. When the services of an independent expert are used to, for example, make valuations, the professional technical capacity thereof is ensured, and the Group has qualified staff that can verify the reasonableness of the conclusions made in the reports issued.

#### **F.4. Information and communication.**

Report on whether the company has at least the following, describing their main characteristics:

**F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.**

The corporate Financial Managers are primarily responsible for the application of the accounting policies. As regards International Financial Reporting Standards, the Consolidation Unit reports to the heads of the accounting areas of the Group regarding any updates that could affect such areas, working with them to analyze one-off operations and transactions and resolve any doubts that may arise in any other Group company regarding application of these standards. The internal auditor updates the different heads in charge of drafting the financial statements as regards regulatory amendments and also determines the effects of applying new regulations. In particularly complex transactions, the corporate Financial Managers request the opinion of external auditors regarding the analysis completed by the Group and, in other cases, the opinions of independent experts and consultants are sought.

The Group's Accounting Policies are set forth in a document titled "Manual of Accounting Proceedings for Pharma Mar Group Companies," drafted based on the General Spanish Accounting Plan Law, as the most significant Group companies are located in Spain. This document is regularly updated and has been distributed to the financial managers of the different Spanish Group companies.

**F.4.2 Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR.**

The Company has internally developed IT tools for use in consolidating and drafting the annual financial statements. These applications have a unified format and are distributed to the Group companies, who then incorporate their individual financial statements into the application and return them completed to the Consolidation Unit where the consolidation process is completed. In the event of companies that have their own subsidiaries, such companies shall be responsible for adding their subsidiaries before sending the financial information to the Consolidation Unit. The ICFR is supported by a single, unified system that includes a reporting tool used to obtain the necessary information to reach conclusions regarding the functionality of the ICFR.

**F.5. Supervision of the functioning of the system.**

Report on at least the following, describing their principal features:

**F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.**

The Company has an internal audit department that is tasked with, *inter alia*, supporting the Audit Committee in the performance its duties, which includes the duty to monitor the functioning of Pharma Mar's control environment. These duties are performed in compliance with the Audit Department Charter approved by the Board of Directors of Zeltia, S.A. on 28 November 2011. The aforesaid Charter was assumed by Pharma Mar, S.A. as a result of the takeover merger of Zeltia, S.A. (absorbed company) by Pharma Mar, S.A. (absorbing company), effective as of 30 October 2015.

In relation to the ICFR, the internal audit department is responsible for overseeing the reliability and integrity of the financial information, monitoring and assessing the efficiency of the control and management of financial risks, publishing proposals for improvement and monitoring their implementation, unifying compliance with accounting policies, standards and procedures with effects on each of the processes analyzed and coordinating with financial managers to ensure documentation related to the ICFR is up to date. The internal auditor issues an annual report evaluating compliance with the ICFR and making proposals for improvement to the ICFR, which is then sent to the Audit Committee for review. The internal auditor designs and implements a plan for assessing the efficiency of the controls. Identified weaknesses in the controls are notified to the Audit Committee.

**F.5.2 Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.**

The external auditor met with the Audit Committee four times during fiscal year 2020. The audit work completed in relation to the individual and consolidated Financial Statements for fiscal year ended 31 December 2019 was presented at a meeting held on 26 February 2020 together with the Additional Report to the Audit Committee for fiscal year ended 31 December 2019, which contained the areas of risk and attention, the result of the audit with its most significant aspects and accounting policies, including an annex with the summary of internal control weaknesses. In the meeting held on 2 December 2020, the external auditor presented the audit procedures carried out on the financial closing at 30 September 2020 in relation to the conclusions of the preliminary audit review of the fiscal year ending 31 December 2020, as well as the subsequent steps to take and key information to verify in the final visit and the Audit Work Plan for fiscal year 2020.

The financial managers of the Group Companies attend to report to the Audit Committee on the business performance of their respective companies/units throughout 2020 and on key events during the fiscal year, as well as to present a list of the primary risks faced by the different companies and the measures taken to mitigate such risks.

The corporate Financial Managers attend the meetings whenever so required.

The internal auditor, by delegation of the Audit Committee, monitors the proper operation of the ICFR and assesses its design and effectiveness. The assessment plan for the ICFR for the upcoming year shall be presented to the Audit Committee on an annual basis, which shall address risks identified by the financial managers of the Group companies. This Committee shall be responsible for approving this plan. The Audit Committee shall be regularly notified of any potential weaknesses identified during the work carried out by the audit department. In this regard, the internal auditor attended the meeting of the Audit Committee on 30 July 2020, in which it presented on the implementation of the Audit Plan during the first half of 2020. This Plan was approved by the Committee itself at the end of 2019. Details on the processes analyzed were provided at this meeting and, in the case of weaknesses identified in the controls by the internal auditor, the recommendations to be implemented by the Group companies in order to mitigate such weaknesses were reported to the Audit Committee. Supplementary information was also sent to the members of said Committee via e-mail. The Internal Audit Plan for 2021 was presented to and approved by the Audit Committee at its meeting on 2 December 2020.

The monitoring process is continually carried out, which provides reasonable security that the financial information provided at the interim closing dates is reliable. Furthermore, the Audit Committee may seek the opinion of external auditors or, in specific cases, seek support from independent experts as regards their monitoring tasks, on the items of the ICFR that it deems appropriate.

**F.6. Other relevant information.**

N/A

**F.7. External auditor's report.**

Report:

F.7.1 Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

In fiscal year 2020, ICFR information reported to the markets was not submitted to a review by the external auditor.

**G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies [  ]      Explain [  ]

Article 25.3 of the Bylaws provides that "no shareholder may cast a number of votes exceeding 25% of total voting capital from time to time, even when the number of shares held thereby is greater than the aforesaid capital percentage." This limit shall not affect the votes applicable to the shares represented by a shareholder by proxy in the terms provided in Article 19 of these Bylaws, notwithstanding the individual application to each shareholder so represented of the same 25% limit for the votes related to the shares held thereby.

The limit established in this section shall also apply to the number of votes that, at the most, two or more corporate shareholders belonging to the same group of companies may cast, whether jointly or separately. This limit shall likewise apply to the number of votes that, at the most, a natural person shareholder and the company or companies, also shareholder(s), which are controlled by the natural person, may cast, whether jointly or separately.

For the purposes of the previous paragraph, a group of companies shall be defined as provided in Article 42 of the Commercial Code, and a natural person shall be deemed to control one or several entities when, in the relations between the aforementioned person and the reference company or companies, one of the control circumstances referred to in said article occurs.

Likewise, and for the purposes of this Article, the relationship of any natural person or corporate shareholder with interposed parties, trustees or equivalent entities that are in turn shareholders of the company, as well as with funds, investment institutions or similar entities that are also shareholders of the company, shall be considered control for the purposes of Article 42 of the Commercial Code, when the voting rights of the shares held by these persons or entities are directly or indirectly exercised by the shareholder in question.

The limit established in this section shall likewise apply to the number of votes that may be cast jointly by shareholder groups acting collectively.

In the days leading up to the General Meeting, in first call, the Chairman of the Board of Directors may require that any shareholder inform the Company through its Chairman, within 48 hours, of the shares held directly thereby and of the shares owned by third parties directly or indirectly controlled by the shareholder in question, as well as of any information on any pacts or agreements, express or implied, relating to the right to vote that could give rise to collective action with other shareholders. The Chairman may comment as he or she deems appropriate at the General Meeting, at the time the Meeting is assembled, in order to ensure compliance with these Bylaws in relation to the exercise of voting rights by shareholders.

Those shares that belong to one holder, to a group of entities or to a natural or legal person, and the companies controlled by said natural or legal person, as well as all individuals or entities acting collectively with the aforementioned, shall be fully accounted for among the shares attending the Shareholders Meeting to obtain the necessary quorum in terms of capital required to hold the meeting, but at the time of voting, the limit on the number of votes, established at 25% by virtue of this article, shall apply.

The limit established in this section 3 shall cover any material subject to a decision of the General Shareholders Meeting, including the appointment of directors by the proportional system, but excluding amendment of this article, which shall in any case require the approval of a qualified majority of 75% of the capital present in person or by proxy, both in first and second call.

The limit established in this section 3 shall be null and void when, following a public tender offer, the offeror has reached a percentage equal to or greater than 70% of the voting capital, unless said offeror was not subject to equivalent neutralization measures, or if such measures were not adopted. The removal of the aforesaid limits shall be effective as of the date on which the settlement results of the offer are published in the Quotation Bulletin of the Madrid Stock Exchange."

This limit provided for in the Bylaws is aimed at protecting the rights of the many minority shareholders that have a limited ability to act and response capacity before any potential shareholder with a participation that, although not a majority holding and without reaching takeover bid thresholds, wishes to exercise its influence and whose interests may not be completely in line with the corporate interests. It should be noted that this limit provided for in the Bylaws was already in force in 2000 in Zeltia, S.A., as the former parent company of the Group, listed on the Stock Exchange Continuous Market, and which was absorbed by Pharma Mar, S.A. in 2015, at which time the latter became a listed company. In any case, Article 25 of the current Bylaws in force establishes the circumstances under which said voting limit may be removed, including but not limited to in those cases in which the Company is the subject of a public tender offer that attracts sufficient social consensus. By virtue of the above, the limit on the maximum number of votes that may be issued by any single shareholder cannot be considered to constitute a barrier to a public tender offer.

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies [  ]      Complies partially [  ]      Explain [  ]

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [  ]      Complies partially [  ]      Explain [  ]

The policy on communication and contact with shareholders and institutional investors of Pharma Mar was in effect through 28 January 2021, on which date the Board of Directors approved a General Policy of Communication of Economic-Financial, Non-Financial and Corporate Information, which incorporates the provisions of the above-mentioned policy on communication and contact with shareholders and institutional investors.

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [  ]      Complies partially [  ]      Explain [  ]

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

- a) Report on the auditor's independence.
- b) Reports on the workings of the audit and nomination and remuneration committees.
- c) Report by the audit committee on related party transactions.

Complies [  ]      Complies partially [  ]      Explain [  ]

Prior to the Annual General Shareholders Meeting held on 18 June 2020, the Company published a report on independence of the auditor, the reports on the functioning of the Audit Committee and the Appointments and Compensation Committee, at which time the Company did not consider necessary the release of a report on the functioning of the Appointments and Compensation Committee on related-party transactions, as such report may potentially contain confidential information and, therefore, publication thereof could harm the legitimate interests of third parties (e.g. employees, providers), taking into account that such report would contain the economic conditions of the offers made by third parties in their proposals in competition with those of the related party.

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies [  ]      Complies partially [  ]      Explain [  ]

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies [  ]      Complies partially [  ]      Explain [  ]

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [ X ]      Complies partially [ ]      Explain [ ]

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

- a) Should immediately distribute such complementary points and new proposals for resolutions.
- b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [ ]      Complies partially [ X ]      Explain [ ]      Not applicable [ ]

Article 24.2 of the Bylaws provides that "unless the Presiding Panel, at the proposal of the Chairman, has established a different system for the voting in question, votes in favor of the proposed resolutions shall be understood as the votes of all shareholders attending, in person or by proxy, that have not expressly abstained, voted in blank or voted against the resolution, and approval shall be accredited by recording the votes against, in blank or abstentions. Nevertheless, as regards resolutions not proposed by the Board of Directors (defined as proposed resolutions deriving from the exercise of the right provided for in Article 519 of the Capital Corporations Law), votes of all shareholders attending, in person or by proxy, except for those shareholders that expressly abstain, vote for or cast a blank vote, shall be considered votes against the proposal submitted to a vote." Article 14.4 of the General Meeting Regulations contains a provision in this same regard.

These types of provisions are included for practical and operational reasons. For example, the use of mechanisms for granting a proxy or for distance voting and the preparation of the required documentation for such purpose (voting cards, proxy cards, etc.) is facilitated if a consensus on the direction of the vote exists, and following this recommendation would hinder and limit the use of these mechanisms, as it is presumed that a considerable portion of the shareholders employing these methods for voting or granting proxies would need to revise and, perhaps, amend the documentation that they had prepared or sent to cast their votes using these methods if they were considered to have voted in favor of any proposed resolution submitted by any shareholder (this same reasoning would apply to shareholders that leave the Shareholders Meeting after it has already been assembled).

In any case, it should be noted that no authorized shareholder has, prior to the meeting of the Annual General Shareholders Meeting on 18 June 2020, exercised its right to add additional agenda items or to present new proposed resolutions.

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not applicable [ X ]

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [ X ]      Complies partially [   ]      Explain [   ]

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [ X ]      Explain [   ]

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

- a) Is concrete and verifiable;
- b) ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies [ X ]      Complies partially [   ]      Explain [   ]

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies  [ X ]

Complies partially  [ ]

Explain  [ ]

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies  [ ]

Explain  [ X ]

The Company does not comply with this recommendation, as two of its primary shareholders are considered executive directors and cannot be considered shareholder-appointed directors; all of the shareholders currently holding a significant interest in the company form part of its Board of Directors. Furthermore, the independent directors comprise a majority of the non-executive directors, with more than double as many independent directors as there are shareholder-appointed directors (five vs two).

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies  [ ]

Explain  [ X ]

The number of independent directors represents at least 45.45% of the total number of directors.

18. That companies should publish the following information on its directors on their website, and keep it up to date:

- a) Professional profile and biography.
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies [  ]

Complies partially [  ]

Explain [  ]

The Company has made public on its website all information referred to in the recommendation, except information on other compensated activities of any nature carried out by the directors; this is the case due both to the practical difficulty of gathering the information referred to in this recommendation, taking into account that it includes any type of activity regardless of the materiality thereof (conferences, publication of articles, teaching activities, etc.), as well to the confidential and personal nature of this information.

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies [  ]

Complies partially [  ]

Explain [  ]

Not applicable [  ]

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies [  ]

Complies partially [  ]

Explain [  ]

Not applicable [  ]

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies [ X ]      Explain [ ]

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies [ X ]      Complies partially [ ]      Explain [ ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not applicable [ ]

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies [  ]      Complies partially [  ]      Explain [  ]

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies [  ]      Complies partially [  ]      Explain [  ]

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies [  ]      Complies partially [  ]      Explain [  ]

In fiscal year 2020, only two absences of directors occurred, although in these cases no proxy with instructions was granted.

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [  ]      Complies partially [  ]      Explain [  ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies  Explain  Not applicable

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies  Complies partially  Explain

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies  Complies partially  Explain

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies  Complies partially  Explain

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies  Complies partially  Explain  Not applicable

Article 10 bis of the Board of Directors Regulations establishes that "if the Chairman is an Executive Director, the Board of Directors, with all Executive Directors abstaining, shall necessarily appoint a Coordinating Director from among the Independent Directors, who shall be specifically empowered to convene a meeting of the Board of Directors, add new items to the agenda for Board meetings that have already been called, preside over the Board of Directors in the absence of the Chairman and of the Vice Chairmen, coordinate and gather Non-Executive Directors, coordinate the succession plan for the Chairman and, as the case may be, carry out periodic assessments of the Chairman of the Board of Directors."

For such purpose, the Company is considered to partially comply with this recommendation, as the only duty of those listed in the recommendation that the Coordinating Director does not perform is that of "maintaining contact with investors and shareholders." This duty is performed by the Capital Markets and Investor Relations Department, which keeps the Board of Directors duly informed in such regard.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies  Explain

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies  Complies partially  Explain

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies  Complies partially  Explain  Not applicable

The Executive Committee is comprised of three members, only one of whom is a non-executive classified as an "other external director," and the Secretary of the Committee is the Board Secretary.

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies  Complies partially  Explain  Not applicable

The Board is regularly informed of the main decisions adopted by its Committees and the minutes thereof are available to all Directors for review. The Board believes the current system is effective.

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies  [ X ]

Complies partially  [ ]

Explain  [ ]

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies  [ X ]

Complies partially  [ ]

Explain  [ ]

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies  [ X ]

Complies partially  [ ]

Explain  [ ]

Not applicable  [ ]

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:
  - a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
  - b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
  - c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
  - d) Generally ensuring that internal control policies and systems are effectively applied in practice.
2. With regard to the external auditor:
  - a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.
  - b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
  - c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
  - d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
  - e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [ X ]

Complies partially [ ]

Explain [ ]

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies  ]      Complies partially  ]      Explain  ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

In accordance with applicable law and the Company's internal regulations, the Audit Committee has not been granted the power to analyze the financial terms and accounting effects of these types of transactions (in the manner of a fairness opinion), and therefore does not have to report on these matters to the Board of Directors.

45. That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified in the event that they should materialise.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies  ]      Complies partially  ]      Explain  ]

The Company does not have a risk management and control policy, however, it has implemented a comprehensive financial reporting control system, and each of the business units comprising the Group identifies risks, on an annual basis, that its business could face in the upcoming fiscal year; they classify these risks based on how serious the risks are and propose, as the case may be, mitigating actions, all of which is presented to the Audit Committee on an annual basis.

The Company also has an Organizational and Management Model for Crime Prevention, which was approved by the Board of Directors on 28 October 2020, identifying the risks of potential criminal charges and the internal protocols implemented, and which includes a Complaints Channel through which the members of the governing bodies, the management team, employed personnel -regardless of their professional category-, external consultants and contractors -to the extent they are providing services to the Group-, shall report any breaches of the Code of Conduct or internal procedures of the Pharma Mar Group, as well as any irregular activity that could pose a risk of potential criminal charges within the organization. The Compliance Committee is the body entrusted with the duty to oversee the functioning of and compliance with said Organizational and Management Model for Crime Prevention.

The Company also has a Monitoring Committee, which ensures application of the Internal Regulations on Conduct in Securities Markets.

Finally, as previously stated above, the Company has an Internal Audit Department that functionally reports to the Audit Committee.

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
- c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies [  ]      Complies partially [  ]      Explain [  ]

Given the size of the Company, an internal risk control and management function performed by an internal unit or department is not considered necessary at this time, as this internal risk control and management function is performed in practice by the Audit Committee. Furthermore, the Company's internal auditing department is tasked with ensuring the proper functioning of the reporting and internal control systems. The Company also has a Monitoring Committee, which ensures application of the Internal Regulations on Conduct in Securities Markets, as well as a Compliance Committee responsible for overseeing the functioning of and compliance with the Organizational and Management Model for Crime Prevention established for the Group.

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies [  ]      Complies partially [  ]      Explain [  ]

48. That large-cap companies have separate nomination and remuneration committees.

Complies [  ]      Explain [  ]      Not applicable [  ]

The Company was listed on the IBEX-35 index on 21 September 2020 and, for the time being, has determined that separating the powers of the Appointments and Compensation and Sustainability Committee into two separate committees is neither necessary nor helpful. The existence of a single committee in no way impairs or limits the committee's ability to carry out the powers entrusted to the appointments and compensation committee by law.

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies [  ]      Complies partially [  ]      Explain [  ]

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Proposing the basic conditions of employment for senior management to the Board of Directors.
- b) Verifying compliance with the company's remuneration policy.
- c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.
- d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.
- e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies  ]      Complies partially  ]      Explain  ]

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies  ]      Complies partially  ]      Explain  ]

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
- b) That their chairpersons be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and the minutes be made available to all directors.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [ X ]

Complies partially [ ]

Explain [ ]

54. The minimum functions referred to in the foregoing recommendation are the following:

- a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
- b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.
- c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.
- d) Supervision of the company's environmental and social practices to ensure they are in alignment with the established strategy and policy.
- e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [ X ]

Complies partially [ ]

Explain [ ]

55. That environmental and social sustainability policies identify and include at least the following:

- a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct
- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [  ]

Complies partially [  ]

Explain [  ]

[ The Company's Sustainability Policy was approved by the Board of Directors on 28 January 2021 and addresses those matters specified in this Recommendation. ]

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [  ]

Explain [  ]

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies [  ]

Complies partially [  ]

Explain [  ]

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

Although payment of the variable component of the Executive Chairman's compensation is subject to sufficient verification, and the requirements relating to the time required and methods for such verification are included in the annual compensation report, no malus clause is expected to be applied.

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies  ]      Complies partially  ]      Explain  ]      Not applicable  ]

The compensation of both executive directors does not in any way involve the delivery of shares or financial instruments linked to share value, as the interests of the executive directors are already considered sufficiently in line with the Company's interests, given that said executive directors are significant shareholders of Pharma Mar.

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

In relation to the agreements currently in force, it is considered unnecessary to amend such agreements solely to include a reimbursement clause for variable components, bearing in mind that said claim is considered to be permitted at all times even if not expressly stated in a clause for such purpose in the agreement, as is generally the case for any improper payment or payment without cause. In the future, in the event that agreements are executed with new executive directors, the convenience of including this type of clause referred to in this Recommendation will be analyzed when negotiating such agreements.

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies [  ]      Complies partially [  ]      Explain [  ]      Not applicable [  ]

## H. FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010:

This Corporate Governance Report covers the company Pharma Mar, S.A. ("Pharma Mar" or the "Company") in its condition as a listed company, a condition which it attained on 2 November 2015, the date its shares were admitted to trade on the official Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

In relation to section A.7, the shareholder agreement notified by the Company to the CNMV as a Relevant Event on 25 May 2017 is described below:

Within the framework of the license and marketing agreement executed between Pharma Mar and Specialised Therapeutics Asia Pte, Ltd ("STA"), Pharma Mar executed a subscription agreement with Specialised Therapeutics Investments Pty LTD ATF The Specialised Therapeutics Unit Trust (the "Subscriber") by virtue of which the Subscriber subscribed to 444,400 new shares ("Shares Subscribed") in the Company, undertaking not to engage in the following conduct without the prior written consent of the Company, for the period running from the Execution Date hereof until (i) the second anniversary of the Delivery Date of the Shares Subscribed, for 50% of the Shares Subscribed; and (ii) the fourth anniversary of the Delivery Date of the Shares Subscribed, for the remaining 50% of the Shares Subscribed (the "Non-Disposal Period"):

- (i) offer, provide, pledge, sell, commit to sell, sell any purchase option or commitment, purchase any option or commitment to sell, mortgage, encumber, assign, grant any option or right to purchase or in any other manner transfer or dispose, directly or indirectly, of the Shares Subscribed or of any securities exchangeable for the Shares Subscribed;
  - (ii) enter into any swap or any other agreement or transaction by virtue of which the economic rights attached to ownership of the Shares Subscribed are directly or indirectly transferred;
  - (iii) carry out any other transaction with analogous economic effects as those described in paragraphs (i) and (ii), *supra*, or agree to carry out or to announce or publicize in any manner whatsoever its intent to engage in any of the above-mentioned conduct, regardless of whether the transactions or swap agreements referred to in paragraphs (i) and (ii), *supra*, are settled by delivery of the Shares Subscribed or of any other securities, in cash or otherwise.
- The Subscriber may, upon expiration of the Non-Disposal Period and subject to applicable regulations, freely dispose of the Shares Subscribed.

The number of shares specified in the paragraph above is equal to 37,033 current shares of the Company following the share pooling and exchange transaction -in a proportion of one new share for every 12 pre-existing shares- carried out by the Company's Board of Directors, effective on the stock exchange as of 22 July 2020.

As a supplement to section A.10:

- a) Resolution Three of the Annual General Shareholders Meeting of Pharma Mar held on 29 June 2017 establishes the following:

"TO AUTHORIZE THE BOARD OF DIRECTORS, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 297.1.B) OF THE SPANISH CAPITAL CORPORATIONS LAW (*LEY DE SOCIEDADES DE CAPITAL*), TO INCREASE SHARE CAPITAL, WITHIN A MAXIMUM PERIOD OF FIVE YEARS, IF DEEMED CONVENIENT, BY AN AMOUNT EQUAL TO HALF OF THE CURRENT SHARE CAPITAL, ON A ONE-TIME BASIS OR SEVERAL TIMES, IN THE MANNER AND AMOUNT DEEMED APPROPRIATE, GRANTING THE POWER TO EXCLUDE PREEMPTIVE SUBSCRIPTION RIGHTS, PROVIDED IN ALL CASES SAID RIGHT OF EXCLUSION SHALL BE SUBJECT TO A LIMIT OF 20% OF THE COMPANY'S SHARE CAPITAL UNDER THE TERMS LAID OUT IN THE PROPOSED RESOLUTIONS. REVOKE AND INVALIDATE ANY UNIMPLEMENTED PORTIONS OF RESOLUTION ELEVEN OF THE GENERAL SHAREHOLDERS MEETING HELD ON 30 JUNE 2015.

I) Revoke and invalidate any unimplemented portions of the authorization granted by virtue of Resolution Eleven of the General Shareholders Meeting held on 30 June 2015.

II) Authorize the Board of Directors, as extensively as may be required by law, in accordance with the provisions of Article 297.1.b) of the Spanish Capital Corporations Law, to increase share capital, on a one-time basis or several times, within a maximum period of five years of the holding of this General Meeting, by a maximum amount equal to half of the share capital of Pharma Mar, S.A. at the time this General Meeting is held, by issuing new shares, with or without a premium, with the counter value of the new shares being settled by way of monetary contributions. In this regard, the Board of Directors may also set the terms and conditions of the capital increase as well as the characteristics of the shares, including determining the investors and markets to whom the capital increase will be directed and the placement procedure to be followed, freely offering new unsubscribed shares in the preemptive subscription period(s); provide that, in the event of an incomplete subscription, capital shall only be increased in the amount of subscriptions made; and amend provisions of the corporate Bylaws as related to capital. The available limit from time to time shall include the amount of capital increases that, as the case may be, with a view to converting bonds, are carried out in accordance with the resolution passed in relation to Agenda Item Four of this General Shareholders Meeting. Furthermore, the Board of Directors is entitled to exclude, in whole or in part, preemptive subscription rights under the terms of Article 506 of the Spanish Capital Corporations Law, provided in all cases the nominal amount of any capital increases agreed to or effectively carried out pursuant to the authority delegated herein and in the resolution proposed under Agenda Item Four of this Meeting to exclude preemptive rights shall not exceed a maximum nominal amount, jointly, of 20% of the Company's share capital at the time of this delegation. In any event, if the Board decides to exclude preemptive subscription rights in relation to any or all such capital increase(s), the Board shall, at the time the resolution for capital increase is passed, issue a report detailing the specific corporate interests justifying such measure, which shall be subject to the relevant report of the statutory auditor as referred to in Article 506 of the Spanish Capital Corporations Law. Said reports shall be made available to the shareholders and shall be reported to the first General Meeting to be held after the resolution on the issue was adopted.

This authority includes the power to carry out any procedures necessary to ensure the new shares under the capital increase(s) are admitted to trade on the securities markets on which the shares of Pharma Mar, S.A. are listed, as well as on any other stock exchanges, regulated markets, multi-lateral trading systems or other trading markets or systems, whether in Spain or abroad, in accordance with the procedures set forth for each such trading market or system, and in all cases complying with applicable rules on admission, listing and delisting.

The Board of Directors is also authorized to delegate the powers granted by this resolution to the Executive Committee or to any other Director or individual as it deems appropriate, provided said powers are delegable under law."

b) Resolution Three of the Annual General Shareholders Meeting of Pharma Mar held on 18 June 2020 establishes the following:

"TO AUTHORIZE THE BOARD OF DIRECTORS, WITH EXPRESS POWER OF SUBSTITUTION, TO EXECUTE DERIVATIVE BUY BACK TRANSACTIONS WITH TREASURY STOCK, BY THE COMPANY AND/OR ITS SUBSIDIARIES, IN ACCORDANCE WITH APPLICABLE LAW, WITH THE EXPRESS POWER TO DISPOSE OF OR REDEEM THE SHARES THROUGH A SHARE CAPITAL REDUCTION, REVOKING AND INVALIDATING, TO THE EXTENT NOT USED, THE DELEGATION AGREED BY THE GENERAL SHAREHOLDERS MEETINGS IN PRIOR FISCAL YEARS.

Pursuant to the provisions of Article 146 and related provisions and of Article 509 of the Spanish Capital Corporations Law, it is resolved to authorize the Company's Board of Directors (as well as its subsidiaries), with the express power of substitution to the Executive Committee, the Chairman or the Vice Chairman of the Board of Directors, to acquire, during a period of five years from the date of the General Shareholders Meeting, at any time and as many times as deemed appropriate and by any means permitted by law, the Company's shares, and to dispose of or redeem such shares, in accordance with the following provisions and requirements in addition to those provided by the legal provisions in force:

(A) Means of acquisition

Acquisitions shall be made through sale and purchase transactions, swap transactions or other means permitted by law, including securities lending.

(B) Maximum limit

Company shares with a par value, in aggregate with shares already held by the Company and its subsidiaries, that does not exceed 10% of the Company's subscribed capital from time to time.

(C) Purchase price when for consideration

(i) Maximum acquisition price: 10% above the trading price of the Company's shares in the Spanish Stock Exchange Interconnection System at the time of acquisition.

(ii) Minimum acquisition price: par value of the Company's shares.

It is hereby resolved to authorize the Company's Board of Directors (and the boards of its subsidiaries), for the period and in accordance with the terms established in the preceding paragraphs to the extent applicable and at arm's length, to acquire the Company's shares using loans.

It is hereby expressly authorized that treasury stock acquired may be used in whole or in part towards (i) its disposal; (ii) redemption through the consequent share capital reduction; (iii) delivery to employees, officers or directors (for the purposes provided in Article 146 of the Spanish Capital Corporations Law); and (iv) reinvestment plans for dividends or similar instruments.

Render void the unimplemented portion of Resolution Four of the General Shareholders Meeting held on 26 June 2019, also governing authorization to acquire treasury stock. It is hereby noted, for clarification purposes, that the above-mentioned authorization was implemented and therefore remains in force with respect to the maximum number of shares subject to the buy-back program approved by the Board of Directors at its meeting on 25 March 2020, representing approximately 3% of the Company's share capital on the date of said Board resolution.

(...)"

In relation to section C.1.11, it should be noted that the natural representative of director ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L., Ms. Sandra Ortega Mera, is the Chairwoman of the Board of Directors of BREIXO INVERSIONES, IICICIL, S.A. and of SOANDRES DE ACTIVOS SICAV, S.A.

In relation to section C.1.13, it should be noted that the overall compensation of the Board of Directors for fiscal year 2020, both in their condition as directors and for the performance of their executive duties, specified in this section (5,649 thousand euros), includes the full amount of the discretionary tranche of the Executive Chairman's variable compensation in 2020, equal to 30% of his fixed compensation and totaling 269 thousand euros. Following the proposal of the Appointments and Compensation and Sustainability Committee to the Board of Directors, the latter, at its meeting on 28 January 2021, considered the discretionary tranche of the variable compensation fully accrued.

In relation to section C.1.16, it is worth noting that:

As regards selection, appointment and reappointment, the provisions of the Director Selection Policy shall first and foremost be taken into account. According to said Policy, the process of selecting or reappointing directors will be aimed at promoting an appropriate composition of the Board of Directors. In addition, candidates will be sought whose appointment would contribute to diversity within the Board of Directors as regards knowledge, experience, origins, nationalities, age and gender, and who are qualified professionals of good repute with recognized abilities, experience and proper training. Candidates for the position of director will be selected based on the analysis completed by the Board of Directors, with the assistance and report from the Appointments and Compensation and Sustainability Committee, of the skills required by the Company and its group. Any director may suggest candidates for the position of director, provided said candidates meet the requirements set forth in the Policy. The selection process shall not suffer from any implicit biases that could result in any type of discrimination.

On the other hand, Article 18 of the Board of Directors Regulations refers to the appointment of directors and identifies the responsible bodies and procedures for appointing and reappointing directors:

"1. The Directors shall be appointed by the General Meeting or, in the event of an unexpected vacancy, by co-optation by the Board of Directors itself up until the next General Meeting is held and, if a vacancy arises after the General Meeting has already been called but before it is held, until the following General Meeting. Directors appointed by co-optation shall not be required to be shareholders. The appointment of substitutes shall not be required.

2. The Appointments and Compensation and Sustainability Committee shall be responsible for the proposals for the appointment or reappointment of Directors as regards Independent Directors, and in all other cases, responsibility shall lie with the Board itself.

The proposal shall, in any case, be accompanied by a justifying report of the Board of Directors assessing the skills, experience and merits of the proposed candidate. This report shall be attached to the minutes of the General Meeting or of the Board itself.

The proposal for appointment or reappointment of any non-independent Director shall be preceded by a report from the Appointments and Compensation and Sustainability Committee.

These provisions shall also apply to natural persons designated as representatives of a corporate Director. The proposal for a natural representative shall be subject to the report of the Appointments and Compensation and Sustainability Committee.

3. The Directors shall serve in their positions for a maximum term of four years and may be reappointed for periods of like duration. The term of the mandate of the Directors shall be calculated as of the date of the General Meeting in which their appointment or ratification, in the event of prior appointment by co-optation by the Board of Directors, was made.

4. The Board of Directors may make proposals to the Shareholders Meeting for the appointment as an Honorary Director of those Directors who, based on their merits and dedication to the Company, deserve to be granted such title following their removal as members of the Board of Directors. The appointments made may be deemed void by the Board itself based on the circumstances of each case. In such case, the General Meeting shall be provided notice of such circumstances.

Honorary Directors may attend and participate in Board meetings, but with no right to vote, provided the Board of Directors itself deems it appropriate and they are called to the meeting by the Chairman in the terms required.

Honorary Directors shall have the right to receive compensation for their condition as such and, as the case may be, for advising the Board, to the extent determined by the Board of Directors itself by virtue of the relevant resolution and, as the case may be, execution of the relevant contractual advising relationship."

Furthermore, in accordance with the provisions of Article 14.2.(c) and (d) of the Board Regulations it should be noted that the Appointments and Compensation and Sustainability Committee is the body in charge of, on the one hand, bringing proposals for the appointment of independent directors to the Board of Directors for appointment by co-optation or decision of the General Shareholders Meeting, as well as for proposals for the reappointment or removal of said directors by the General Shareholders Meeting and, on the other hand, submitting proposals for the appointment of the remaining directors for appointment by co-optation or decision of the General Shareholders Meeting, as well as for proposals for their reappointment or removal by the General Shareholders Meeting.

As relates to the removal of directors, Article 19 of the Board of Directors Regulations provides as follows:

"1. The Directors shall be removed when the period for which they were appointed has elapsed and was not renewed as well as when determined by the General Meeting.

2. The Directors shall tender their resignation to the Board of Directors and formalize the pertinent resignation, if deemed appropriate by the Board, in the following cases:

- (a) If they are involved in any circumstance of incompatibility or prohibition provided by law, the Corporate Bylaws or these Regulations.
- (b) If situations arise that affect them, whether or not they are related to their actions in the Company itself, as a result of which their continued membership on the Board of Directors could put at risk or harm the Company's interests, credit or reputation.
- (c) When they no longer hold an executive position to which their appointment was linked or, in general, when the reasons for their appointment no longer exist (e.g. when the shareholder represented by a Director disposes of its shareholding in the Company that motivated the Director's appointment).
- (d) When the Director has missed four consecutive Board meetings without granting a proxy to another Board member.

The Board of Directors may only propose the removal of an Independent Director to the General Shareholders Meeting before the period provided for in the Bylaws has lapsed and when the Director has not tendered his or her resignation after having met any of the said circumstances referred to in this article or when any other just cause as determined by the Board exists, following a report of the Appointments and Compensation and Sustainability Committee. In particular, just cause shall be deemed to exist when the Director accepts additional obligations that prevent said Director from dedicating the required time to the performance of its duties, breaches any duties inherent in its position or otherwise is in any circumstances that prevent its independence. The Board of Directors may also propose the removal of Independent Directors as a result of public offers of acquisition, merger or other similar corporate transactions that entail a change to the Company's capital structure, provided such structural changes to the Board of Directors are a result of application of the proportionality criteria set forth in corporate governance recommendations for listed companies in Spain.

3. The Appointments and Compensation and Sustainability Committee may make a proposal to the Board of Directors for submission to the General Shareholders Meeting on the removal of Directors when their behavior could negatively affect the functioning of the Board or the credit and reputation of the Company.

4. Having been informed of or otherwise become aware of any of the situations mentioned in paragraph 2 above, the Board of Directors will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Appointments and Compensation and Sustainability Committee, whether or not to adopt any measure, such as opening an internal investigation, requesting the resignation of the Director or proposing his or her removal, reporting on this in the Annual Corporate Governance Report, unless there are special circumstances that justify it, which must be recorded in the minutes.

5. When a Director resigns or is removed by resolution of the General Meeting before the end of his or her term, he or she shall provide a sufficient explanation of the reasons for said resignation or, in the case of non-executive directors, his or her opinion on the reasons for the dismissal by the General Meeting, in a letter to be issued to all members of the Board of Directors.

6. Insofar as it is relevant for investors, the Company shall publish as soon as possible the termination of the Director's employment, including sufficient reference to the reasons or circumstances provided by the Director."

As a supplement to section C.1.39, it is worth noting that the General Meeting is informed through the Annual Compensation Report –which was submitted to an advisory vote– and the Annual Corporate Governance Report –which forms part of the Annual Financial Statements– of the primary conditions of the agreements (including severance pay for termination of the agreement) with the managing directors or other individuals who are granted executive duties by virtue of any other means. As regards the Company's officers that report directly to the board or to any of its members, information is provided on their overall compensation as well as on the existence, as the case may be, of agreements for severance pay, guarantee clauses or "golden parachutes." As of 31 December 2020, there were no agreements between Pharma Mar, S.A. and its directors, officers or employees providing for severance payments in case of resignation, wrongful dismissal (in this case, beyond that legally provided) or termination of the labor relationship by virtue of a public tender offer, excluding as provided in section C.1.39.

As a supplement to section C.2.1:

- As regards the rules on organization and functioning of the Audit Committee, Article 13.1 of the Board Regulations states that it shall be comprised of a minimum of three and maximum of five Directors appointed by the Board and that its members shall exclusively include Non-Executive Directors, with a majority of its members being Independent Directors. The members of this Committee, and especially its Chairman, shall be appointed in consideration of his or her knowledge and experience in the area of accounting, auditing and risk management, both financial and non-financial, and so that, as a whole, they have the relevant technical expertise in relation to the sector of the activity in which the Company operates. The position of Secretary shall be held by one of the Directors on the Committee, the Board Secretary, the Vice Secretary, or the Legal Counsel of that body, as determined by the Board. Its meetings may be attended by, whenever deemed convenient by its Chairman, in addition to the external auditor and the Company's internal auditor, any employee of the Company whose activity may be related to the duties performed by the Committee.

The Chairman of the Committee shall be appointed by the Board from among the Independent Directors on the Committee and shall be replaced every four years but may be reappointed one year after removal thereof has lapsed, regardless of his or continued membership or reappointment as a member of the aforesaid Committee. In the absence or inability of the Chairman to perform his or her duties, the Independent Director on the Committee, as temporarily designated for such purpose by the Board of Directors or, otherwise, the oldest Committee member, shall replace the Chairman.

The Committee shall meet as often as the Chairman calls a meeting, when so resolved by at least two of its members or at the request of the Board. The meetings shall be held at the registered offices or any other location designated by the Chairman and indicated in the meeting notice. The necessary quorum shall be met when the majority of its members attend, in person or by proxy, adopting resolutions by the favorable vote of the majority of its members in attendance at the meeting. In the event of a tie, the Chairman or Acting Chairman shall have the casting vote.

The Audit Committee held seven meetings in 2020, in which among other matters it, (i) proposed reappointment of the external auditors for fiscal year 2020, including the proposal of the fees for said auditors, to the Board of Directors for submission to the General Meeting; (ii) received an independence statement from the external auditors as well as information on the additional services provided and issued the auditor independence report as required under Art. 529 quaterdecies.4 e) LSC;

(iii) monitored the preparation and presentation of all required financial information; (iv) held several meetings with the Company's auditors in which the auditors provided information on, *inter alia*, the audit plan for fiscal year 2020; (v) oversaw the effectiveness of the Company's internal controls and risk management systems and, in particular, of the internal financial reporting control system (SCIIF), through the internal auditor, approving the Pharma Mar Group's Internal Auditing Plan and related budget; and (vi) held meetings with the officers from the various Group companies, receiving financial information for the current year as well as information on risks and outlook.

It should also be noted that ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L. resigned as a member of the Audit Committee on 11 December 2020.

- As regards the rules on organization and functioning of the Appointments and Compensation and Sustainability Committee, Article 14.1 states that it shall be comprised of a minimum of three and a maximum of five Non-Executive Directors appointed by the Board, at least two of which shall be Independent Directors. This Article further states that the Board shall be responsible for appointing the Chairman from among the Independent Directors on the Committee and that Committee meetings may, as the case may be, be attended by the party responsible for implementing the Company's compensation policy or by any other Company employee, as deemed appropriate by the Committee. The position of Secretary of the Committee shall be held by one of the Committee members, the Board Secretary, the Vice Secretary or the Legal Counsel of that body, as determined by the Board of Directors, who shall draft minutes for all resolutions adopted.

The Committee shall analyze all suggestions submitted thereto by the Chairman, Committee members, officers or shareholders of the Company and shall meet whenever the Board or its Chairman requests that a report be issued or a proposal be adopted and, in any case, whenever convenient for the proper performance of its duties and, in any case, shall monitor the information on the compensation of the Board of Directors.

The Committee held eight meetings in 2020, in which it carried out, *inter alia*, the following tasks:

- (i) proposed modification to the Board of Directors of the fixed compensation of the Executive Chairman and Vice-Chairman for 2020;
- (ii) proposed assessment of compliance with the targets for the variable compensation of the Executive Chairman in 2019 to the Board of Directors and proposed the calculation of said variable compensation based on said assessment;
- (iii) proposed modification, as the case may be, to the Board of Directors, of the amount of the director compensation provided for in the Bylaws for belonging to the Board and its Committees, as well as the amount of the attendance allowances for fiscal year 2020;
- (iv) evaluated a selective special bonus for a license agreement;
- (v) proposed 2020 targets to the Board of Directors for the regulated variable compensation tranche for the Company's Executive Chairman;
- (vi) proposed 2020 salary adjustments for certain senior managers to the Board of Directors;
- (vii) verified the information included in the 2019 Annual Report on Compensation of Directors for submission to the Board of Directors;
- (viii) submitted to the Board of Directors the annual report on the independent directors of Pharma Mar, assessing compliance of the independent directors with the independence criteria set forth in the Spanish Capital Corporations Law;
- (ix) proposed an amendment to the contract for the provision of executive services, for submission to the Board;
- (x) analyzed and proposed the Directors Compensation Policy for 2020-2022, for submission to the Board, together with the justifying report in accordance with Article 529 novodecies LSC;
- (xi) annual report on compliance with the Director Selection Policy;
- (xii) submitted a report to the Board of Directors on the functioning, composition and performance of the Appointments and Compensation Committee during 2019 to enable the Board to assess such performance;
- (xiii) submitted a Stock Ownership Plan to the Board of Directors, for approval by the General Meeting, applicable to employees and officers of the Group as relates to variable compensation for meeting targets in 2020 (to be implemented in fiscal year 2021);
- (xiv) analyzed and proposed the Sustainability Policy to the Board;
- (xv) modified the Director Selection Policy;
- (xvi) pre-reported to the Board of Directors regarding related-party transactions required to be submitted for Board approval.

In relation to section E.3, it is worth noting that:

#### A. Business Risks Competition

The pharmaceutical market is extremely competitive. Multinational companies, small and medium sized domestic companies and generic drug manufacturers participate in this market.

The profits of the Pharma Mar Group may be affected by the launch of new or innovative products, technical and technological advances or launches of generic brands by competitors.

#### Industrial Property. Patents.

Industrial property is a key asset for the Pharma Mar Group. Effective protection of it is critical when it comes to ensuring a reasonable return on investment in R&D. Industrial property can be protected by patents, trademarks, registrations of names and domains, etc.

In most countries –including in the United States and EU member states–, patent rights are granted for a period of 20 years. The effective time of protection ultimately depends on the length of the development period for the medication before its launch. In order to compensate in some way for this long development period and the need to obtain authorization prior to commercializing medications, some markets, including the United States and the European Union, allow the extension of patents, under certain circumstances, for up to five years.

An invention that is not sufficiently protected or extremely long development periods that limit the useful life of the patent are inherent risks in the pharmaceutical industry.

#### Regulation

The pharmaceutical sector is a highly regulated industry. The requirements related to research, clinical trials, registration and manufacturing of the medication, technical validation of production standards and even the commercialization of the medications are all regulated. These requirements have increased in recent years and this trend is expected to continue.

The prices of pharmaceutical products are controlled and regulated by the government in most countries, and it is the government that has the authority to approve, deny or even preclude the reimbursement of the product cost. In recent years, price reductions have been applied, benchmark prices have been approved, and the marketing and prescribing of generic and biosimilar drugs has been promoted.

#### Availability of capital

Markets are not always open and the strong investment made by the Pharma Mar Group in R&D each year requires that the company turn to different financing sources, credit markets or capital markets to finance its growth, implement its strategy and generate future financial results.

#### Shareholders

As with any listed company, there is a risk that any given shareholder could consider that a decision made by the Board of Directors or officers of the Group has harmed its interests as a shareholder and file a claim to such effect.

#### B. Operational Risks

##### Prices of key materials

Deviations from expected prices, as well as the company's strategy for purchasing and stocking key materials, expose the company to excessive production costs or losses for keeping materials in stock.

##### Health and Safety

Not providing a safe workplace for the workers would expose the Group to significant costs, loss of reputation and other expenses.

Health and safety controls are comprehensive, continually seeking to make improvements.

Direct exposure of the employees working in the laboratories to new natural or synthetic compounds –the potential adverse effects of which are unknown– generates theoretical health and safety risks in addition to the regular risks inherent in managing chemical products.

##### Environmental

Environmental risks could expose the companies to potentially significant liabilities. Elevated risk exposure derives from potential third party claims for damage or loss to persons, property and/or the environment caused by different types of pollution.

The Company's production processes in general have a very low risk as regards environmental impact (noise, smoke, spills, etc.) and are regularly revised both internally and by external inspection bodies.

##### Product development

The Group applies a significant amount of its resources to research and development of new pharmaceutical products. As a result of the length of the development processes, technological challenges, regulatory requirements and intense competition, it cannot be guaranteed that all of the compounds currently in development as well as those that may be developed in the future will reach the market and have commercial success.

#### C. Reporting Risks

If the internal flow of information within the Group does not function properly, there could be risk of misalignment with the strategies and risk of making incorrect or untimely decisions.

#### Market Communications

PharmaMar, as a company issuing securities, is required to notify the CNMV as soon as possible of any insider information directly related thereto as referred to in Article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014, on market abuse ("Market Abuse Regulation"), as well as any other financial or corporate information related to the company or its securities and which are required to be made public in Spain by law or regulation or which are required to be disclosed to the investors given their special interest. The members of the Board of Directors of PharmaMar, senior management and certain officers and employees of the company designated by the Monitoring Committee for the Internal Regulations on Conduct (RIC) in Securities Markets of PharmaMar have or may have regular and recurring access to insider information.

The Market Abuse Regulation provides a tool for investigation by the regulatory authority of any potential market abuse relating to insider information, the so-called insider lists, which the Company is required to draft and update, including all persons who have access to insider information. The Monitoring Committee for the Internal Regulations on Conduct in Securities Markets, comprised of five members appointed by the Board of Directors, ensures its proper implementation. Violations resulting from a breach of the market transparency and integrity obligations are classified in accordance with current legislation as serious or very serious and will be sanctioned in accordance with the provisions of the amended and restated text of the Securities Market Law, which could result in reputational damage to the Company and/or loss of credibility among investors.

#### Information Systems

If the company's information systems did not work properly or were not sufficiently robust, this could adversely affect the continuity of the organization's critical processes and operations.

If the computer security systems and access control systems do not function properly, this could result in unauthorized release, unauthorized access to or mistaken delivery of the information and improper use of confidential information.

#### D. Financial Risks

##### a) Market Risk Price

###### Risk

The Group is exposed to price risk in relation to the equity instruments recognized as available for sale, as well as in relation to the price of interests in listed investment funds, the changes in the fair value of which are recognized in the income statement.

Investments in equity instruments available for sale refer to interests in foreign companies of the biopharmaceutical industry. Nevertheless, the volume of the Group's investments in this type of investment is of limited relevance in the context of the Group's operations.

###### Interest rate risk for cash flows and fair value

The Group's interest rate risk stems from its financial investments in convertible interest bearing financial assets. Investments in interest bearing financial assets include government bonds and interest bearing deposits at a variable interest rate, linked to the Euribor.

Funds not linked to variable interest rates expose the Group to interest rate risk over the cash flows. Funds not linked to fixed interest rates expose the Group to interest rate risk over the fair market value.

###### Exchange rate risk

Exchange rate risk arises in future commercial transactions, recognized assets and liabilities and net investments in foreign transactions. The Company is exposed to exchange rate risk in its foreign exchange transactions, in particular in U.S. Dollars.

##### b) Credit Risk

Credit risk arises from financial investments with banks; mostly deposits.

##### c) Liquidity Risk

The risk of not obtaining the funds needed to meet all payment obligations at the time they fall due.

#### E. Tax Risks

The existence of tax risks is inherent to the Company's activity and is influenced by the uniqueness of our tax regime, the complexity and presence of areas of uncertainty that may lead to non-compliance or discrepancies in the application of the regulations with the Tax Administration. The Group has to meet a series of tax obligations both material (self-assessments) and formal, presenting a series of informational statements without the need to pay any tax liability. The Group tries to identify risks and subsequently minimize them.

#### F. Corruption risks

The Group considers that corruption risks (as defined under the scope of Royal Decree-Law 18/2017, of 24 November) are not significant within its organization.

In relation to section E.6, it is worth noting that:

##### A. Industrial Property Risks. Patents.

The Pharma Mar Group has a rigorous patent policy that seeks to protect new inventions arrived at through R&D activities. In addition to the protection that can be obtained for the new active ingredients discovered, the Group also works to actively protect new formulations, manufacturing processes, medical uses and new methods for administering the medication.

The Group has a system for managing the life cycle of the patents, including patent departments that regularly review the status of the patents in coordination with the regulatory affairs department. Furthermore, the Group looks out for potential violations of our patents by other companies in order to initiate legal proceedings, as necessary.

#### Regulation

In order to offset the risks arising from ongoing and new legal requirements and regulations, the Group makes its decisions and designs its business processes based on the development of innovative therapeutic products in areas where treatments are very limited. In parallel, the Group completes an ongoing exhaustive analysis of these matters, provided by our own experts and by reputable external specialists, as deemed necessary.

#### Availability of capital

The Group has significantly fractioned the risk across different credit institutions, which provides the Company with greater flexibility and limits the impact in the event that any of its credits are not renewed.

Furthermore, the Group has issued long-term debt to diversify its financing sources.

#### Shareholders

The Group has contracted a liability policy for its directors and officers, which covers the risk of any given shareholder considering that a decision made by the Board of Directors or officers of the Group has harmed its interests as a shareholder and thus filing a claim.

### B. Operational Risks

#### Prices of key materials

The Group carries out a detailed analysis of the prices at the beginning of the year, working with our suppliers in order to establish a closed price for the whole year. Based on this, the cost price of the products is calculated. These prices are monitored on a monthly basis in case any amendment is required.

#### Health and Safety

The Group has implemented an Occupational Risk Prevention System, compliance with which is regularly audited.

The Company holds accident and civil liability insurance policies.

The parent company of the Group, whose workforce represents more than 70% of total Group employees, has obtained the OHSAS 18001 Certification for occupational health and safety management. Additionally, in 2020, it obtained the ISO 45001 certification for occupational health and safety systems, which represents a new approach based on the internal and external context of the organization.

#### Environmental

Waste is managed through companies authorized and deemed competent by the environmental authorities for recycling and waste management. Regular verifications of legal compliance are completed and, where necessary, atmospheric emissions control systems are in place. The company also has water purification systems and clean points for proper waste separation.

One company within the Group holds ISO 14001 Certification, i.e. a management tool for systematic control over interactions between the environment and the activities and processes of the company, all with a view to improving environmental performance and minimizing impact. This environmental management system is audited annually by independent certifying companies.

#### Product development

In order to provide maximum assurance of the effective and efficient use of our resources, the Group has implemented a transversal work structure among the different departments, project teams and reporting systems in order to internally monitor research and development projects.

### C. Reporting Risks Market

#### Communications

Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse provides a tool for investigation by the regulatory authority of any potential market abuse relating to insider information, the so-called insider lists, which the Company is required to draft and update, including all persons who have access to insider information. The Monitoring Committee for the Internal Regulations on Conduct in Securities Markets, comprised of five members appointed by the Board of Directors, ensures its proper implementation.

#### Information Systems

The PharmaMar Group is aware of the importance of computer systems as a means to support its main business processes, which is why it makes continuing investments to maintain the infrastructure and information systems and maintains physical and legal security policies aligned with technological advances.

The PharmaMar Group has a strategic information systems plan with the primary goal of bringing its IT strategies in line with the company's strategic targets, ensuring strict compliance with the regulatory framework, as well as the effectiveness, security and resilience of the information systems supporting the company's business processes.

The strategic information systems plan covers key aspects to achieve these goals, including:

- Organization, roles and responsibilities within the IT unit
- Architecture and corporate IT infrastructure.

- Catalog of corporate services for the IT unit
- Quality assurance commitments and compliance with applicable regulations.
- Policies, general procedures for the IT unit.
- Information security policies, procedures and infrastructure.

If third-party technological infrastructure or IT solutions are used, service level agreements are available to ensure that any potential impairments in service have a minimum impact on transactions.

#### D. Financial Risks

The Group is exposed to a wide array of risks. The finance department is responsible for managing risks in accordance with the policies approved by the Board of Directors. This department identifies, assesses and hedges financial risks. The Board provides steps for the management of overall risk, as well as for specific areas such as interest rate risk, liquidity risk, use of derivatives and non-derivatives and investment of excess liquidity.

##### a) Market Risk

##### b) Price Risk

As regards financial assets, the Group's policy involves placing treasury stock in low risk and high liquidity financial assets in order to ensure the availability of funds. For this purpose, these financial assets are comprised practically entirely of public debt and deposits in credit institutions with high credit quality and as such fluctuations in their value are immaterial.

##### Interest rate risk for cash flows and fair value

Based on the different scenarios, on some occasions the Group manages the interest rate risk of cash flows through interest rate swaps, from variable to fixed interest rates. The economic effect of these interest rate swaps is to convert outside funds with variable interest rates to fixed interest rates. Under these interest rate swaps, the Group undertakes to exchange the difference, on a regular basis, between the fixed and variable interest rates, as calculated based on the notional principals contracted.

##### Exchange rate risk

Management did not consider it necessary to establish any foreign exchange risk hedging policy against the functional currency.

##### c) Credit Risk

The banks and financial institutions with which the Group collaborates are considered independent. When the Group acquires additional financial investments other than public debt, it shall follow the below stated policies in making such investments:

- Acquisition of fixed income funds invested in public or private debt equity (bonds, letters of credit, promissory notes of the company), insurance, in general, which provide for periodic interest payments.
- Acquisition of monetary funds that include short-term fixed income (max. 18 months), in which security is prioritized in exchange for generally lower returns as compared to other investments.

##### d) Liquidity Risk

Prudent management of liquidity risk requires that enough cash and tradable securities be held, that enough financing be available through committed credit facilities and that the company have the ability to liquidate market positions. The finance department of the Group has the objective of maintaining flexibility in financing through availability of credit lines, as well as sufficient funds in financial assets in order to meet their obligations.

#### E. Tax Risks

The Group does not use structures outside the Group's own activities in order to reduce its tax burden, nor does it carry out transactions with related companies for the sole purpose of eroding the tax bases or to transfer profits to territories with low taxation.

The Group does not have structures of an opaque nature for tax purposes nor does it set up or acquire companies in countries or territories that Spanish regulations consider tax havens or are included in the blacklists of non-cooperative jurisdictions of the European Union.

The Group has external advisors who help it to analyze continuously legislative, case-law and doctrinal changes in tax matters and quantify the impact resulting from this.

In some specific issues such as transfer price, external advisors are used for its correct documentation. In the odd individual transfer price case, a prior valuation agreement has been formalized with the Administration.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on:



[ 26/02/2021 ]

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

- Yes
- No