



ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES

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ISSUER IDENTIFICATION DETAILS

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Year end-date:

[ 31/12/2022 ]

Tax ID (CIF):

[ A-78267176 ]

Company name:

[ PHARMA MAR, S.A. ]

Registered office:

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

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

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

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

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

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

Pharma Mar's Directors Compensation Policy for 2022-2025 (hereinafter, the "Compensation Policy") was approved by the Company's General Shareholders' Meeting held on 29 June 2022 under agenda item Ten, replacing the one approved for 2020-2022 by the General Shareholders' Meeting held on 18 June 2020 and amended by the General Shareholders' Meeting held on 15 April 2021.

The Compensation Policy is a continuation of the previous policy, although it introduces elements that bring it more closely into line with current legislation and with the obligations arising from the new wording of the Capital Corporations Law as a result of Law 5/2021 and market practices and is in keeping with the most recent good corporate governance recommendations on director compensation.

The Compensation Policy seeks to bring the policy into line with the interests of its shareholders, prudent risk management, and moderation and balance, taking into account at all times that the quality and commitment of its Board members is essential in order to successfully implement the Company's strategy. In this regard, compensation should incentivize dedication without compromising independence.

The Compensation Policy makes a distinction between the compensation system for directors in their condition as such and the compensation system for executive directors performing executive duties. Compensation of directors for their condition as such is compatible with all other professional or labor compensation items to which the Directors may be entitled by virtue of other executive or advising duties that, as the case may be, they perform for the Company and which are separate from the supervisory and collective decision-making duties inherent in their position as Directors.

The general principles of the compensation policy for directors in their position as such are as follows:

- External competitiveness, moderation and alignment with best market practices: motivating, competitive compensation aligned with best market practices that helps attract and retain directors while simultaneously ensuring their independence.
- Non-discrimination: based on gender, age, culture, religion and/or race, etc., recognizing equal pay for positions with equal value.
- Internal fairness: compensation that appropriately rewards directors for their background, qualification, level of responsibility and effective dedication.
- Independence: Absence of variable compensation components, thus encouraging unbiased decision-making.

- Transparency: in line with the best corporate governance practices in relation with all stakeholders.

The principles applied in the compensation policy for executive directors, for performance of their executive duties, are as follows:

- Connection to the business strategy, interests and long-term sustainability: with the aim of creating sustainable value over time, avoiding excessive assumption of risks or rewarding unfavorable results.
- Balance between fixed and variable compensation: the various compensation components have been defined in such a way that the fixed components represent a significant portion of the total compensation, reflecting an adequate risk-taking combined with the achievement of the defined targets.
- Pay for performance: variable compensation is directly linked to achievement of the strategic targets of the Company and its dependent group companies, focusing on the creation of sustainable value.

The aforementioned compensation principles comply with the provisions established generally for capital corporations in Article 217.4 of the Spanish Capital Corporations Law (*Ley de Sociedades de Capital - LSC*) on the reasonableness of the compensation of board members and the adequacy of compensation in light of the Company's size, relevance and financial position. Furthermore, these principles, as provided, are also aimed at promoting the Company's long-term profitability and sustainability while simultaneously preventing excessive assumption of risk and compensation for unfavorable results.

The current Compensation Policy establishes that directors shall be compensated for their condition as such (i) by virtue of fixed annual compensation and (ii) through allowances for attendance at the meetings of the Board of Directors and its Committees. In this regard, Article 37 of the Company's Bylaws establishes the following:

"The compensation system for Directors in their condition as such shall include fixed annual compensation and attendance allowances for attending the meetings of the Board of Directors or its Committees. The Board of Directors shall set annual fixed compensation for each Director, within the framework established by the Company's Bylaws and the Compensation Policy, following a report from the Appointments and Compensation and Sustainability Committee, taking into account for such purpose the Director's respective duties and responsibilities, including as the chairperson or as a member of any Committees, or as the Coordinating Director, as well as all other objective circumstances deemed relevant. The Board shall also set the amount of attendance allowances for attending the meetings of the Board and its Committees."

CONTINUED IN SECTION D ("OTHER INFORMATION OF INTEREST")

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

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

In accordance with the Compensation Policy, compensation for directors in their position as such does not include any variable compensation (for these purposes, the payment of attendance allowances to the Board and its Committees is not considered variable compensation).

Furthermore, the compensation system applicable to Pharma Mar's executive directors for the performance of their executive duties was developed in compliance with the commercial law in force and with the Bylaws. Only the Executive Chairman's compensation has a variable component in accordance with the Contract for the Provision of Executive Services and as provided in the Compensation Policy, thus linking a part of their compensation to the Company's performance and strengthening control over the risk associated with compensation. This policy allows the Company to base compensation of the top executive on the performance of the Company, as some of the objectives on which variable compensation is based are economic/financial.

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Thus, in accordance with the Contract for the Provision of Executive Services and the Addendum thereto executed on 28 February 2022, the variable compensation applicable to the Executive Chairman in 2023 may reach a maximum of 100% of the fixed compensation established for said fiscal year (i.e. a potential maximum of 1,207 thousand euros). Said annual variable compensation includes two tranches. The first tranche is regulated and, in accordance with provisions of the Contract for the Provision of Executive Services, shall be comprised of quantitative targets related primarily to sales and revenue figures, and which, in 2023, could reach a maximum amount of 40% of the gross fixed annual compensation for said fiscal year.

As of the date of the approval of this Report by the Board of Directors, the Appointments and Compensation and Sustainability Committee has not yet proposed to the Board of Directors the quantitative targets for 2023 for the regulated tranche of the Executive Chairman's variable compensation. The second tranche of the Executive Chairman's variable compensation is discretionary and, in accordance with the aforementioned contract, shall be determined by the Board of Directors in view of criteria related to strategic momentum, focus of R&D investments, attendance at international conferences, presentations and roadshows, creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. In 2023, this second discretionary tranche of the Executive Chairman's variable compensation could reach a maximum amount of 60% of the fixed gross annual compensation for said fiscal year.

The principles that regulate the Compensation Policy take into consideration the interests of the shareholders, with the compensation system being aimed at promoting the profitability and long-term sustainability of the Company, incorporating the necessary precautions to avoid the excessive assumption of risk and the rewarding of unfavorable results. The Company, through the Board of Directors and the Appointments and Compensation and Sustainability Committee, continuously monitors and reviews its directors compensation policy.

As a result, compensation systems for Pharma Mar, S.A.'s directors implicitly include in their design the following risk control measures:

- Directors' compensation in their position as such is limited to a fixed compensation, and the receiving of cash allowances, within the limits established by the General Meeting and the Board of Directors.
- No Company Director receives shares or stock options as part of their compensation.
- Variable compensation is limited to the Executive Chairman, who receives it for their non-director executive duties and irrespective of their compensation as a member of the Board of Directors.
- Variable compensation is related to meeting corporate business targets and specific quantitative and qualitative targets, and is only intended for the Executive Chairman. The Company understands that the fixed compensation of directors who perform executive duties makes up a sufficiently high proportion, allowing the withholding of variable compensation if the established criteria are not met. Although "malus" clauses in relation to any variable compensation not yet vested or the clawback thereof have not been expressly included in the Contract for the Provision of Executive Services, the ACSC has addressed this matter in several of its meetings, concluding that a malus or clawback clause would be established, where appropriate, at the time of incorporating long-term incentives as part of the variable compensation of the executive directors.
- The Executive Directors and directors related to them abstain from participating in the discussion and voting of resolutions on their compensation for the performance of their executive duties. In relation to their compensation for 2023, those directors abstained from participating in the discussion and voting of the resolution adopted by the Board of Directors in its meeting of 31 January 2022, in which the fixed compensations of executive directors and the Executive Chairman's variable compensation for 2023 were established.

#### **A1.3. Amount and nature of fixed components that are due to be accrued during the year by directors in their capacity as such.**

For 2023, the maximum amount of the compensation of all the directors in their position as such is set at 2,500,000 euros, which will remain in force until the General Shareholders' Meeting approves, as the case may be, a new amount.

On 31 January 2023, following a proposal from the ACSC, the Board of Directors decided not to increase the compensation directors will receive in 2023 in their capacity as such, and thus to maintain the same amounts of both fixed compensation and attendance allowances as in 2022. The breakdown of fixed compensation by position and duties of the Board members in their capacity as such for 2023 is as follows:

- Fixed compensation per Director for fiscal year 2023 for membership on the Board of Directors and its Committees:
  - Board of Directors: Chairman, Vice Chairman and Members: €71,450 per Director
  - Executive Committee: Chairman and Members: €140,582 per Director
  - Audit Committee and Appointments and Compensation and Sustainability Committee; Chairman: €24,257 per Director
  - Audit Committee and Appointments and Compensation and Sustainability Committee; Members: €18,624 per Director
  - Coordinating Director: €18,624.
- Allowances per Director for fiscal year 2023 for attending Board and Committee meetings:
  - Board of Directors: €4,093 per meeting attended by the Director.
  - Executive Committee; Audit Committee and Appointments and Compensation and Sustainability Committee: €1,857 per meeting attended by the Director.

It is worth noting, on the other hand, that the Company has taken out a civil liability insurance policy for its directors and executives that covers all such individuals within the Corporate Group, and for which a total premium of 505 thousand euros was paid for the period between July 2022 and July 2023. As of the date of preparation of this Report, no significant changes are planned to the clauses of the policy taken out, however, it is still unknown whether

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market conditions will allow for the premium paid in 2022 to be maintained at a similar level for the current fiscal year.

**A1.4.** Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

The Company has two executive directors (Chairman and Vice Chairman) that receive specific compensation for carrying out their executive duties (compensation is independent from any compensation applicable thereto by virtue of their general monitoring and group decision making duties arising from their status as directors -including compensation for serving as the Chairman of the Board of Directors, or as a member or any other officer on any of its committees- of the Company or any Group company).

As regards the Executive Chairman, for fiscal year 2023, the Company's Board of Directors resolved at its meeting on 31 January 2023, at the proposal of the ACSC, to increase fixed compensation of the Executive Chairman for the performance of executive duties in 2023 by 2% as compared to fixed compensation in 2022 (1,184 thousand euros), resulting in fixed compensation in 2023 totaling 1,207 thousand euros. The increase approved by the Board of Directors had been proposed by the Appointments and Compensation and Sustainability Committee, in order to link compensation for the Executive Chairman's executive functions to the wage increase of Pharma Mar Group's employees, in accordance with the Chemical Industry Collective Agreement, which will be 2% in 2023.

Section 5.2 of the Directors' Compensation Policy for 2022-2025, as approved by the General Shareholders' Meeting of 29 June 2022, provides as follows: "In any case, any changes approved, as the case may be, by the Board of Directors to the fixed compensation of the Executive Director for such fiscal years shall not exceed, in total, 15% of his annual gross fixed compensation from the previous year."

As regards the Executive Vice Chairman, in accordance with the Compensation Policy, the Board of Directors resolved at its meeting on 31 January 2023, to set fixed compensation for the performance of his executive duties in fiscal year 2023 at 300 thousand euros (284 thousand euros in 2022), reflecting a 5.7% increase, equivalent to the percentage change in the Consumer Price Index during 2022.

**A1.5.** Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

The Executive Chairman and Executive Vice Chairman are the beneficiaries of a defined contribution life insurance-savings insurance scheme. The Company makes an annual contribution of €12 thousand to said savings scheme for each one of the Executive Directors. The contingencies covered include retirement and death. Furthermore, the Executive Chairman and Executive Vice Chairman received the following benefits as welfare compensation:

- Accident insurance, under a collective policy for the Company's employees (it is estimated that the amounts that will be paid for this item in 2023 will not differ significantly to those paid in 2022, i.e. Executive Chairman: 1.1 thousand euros; Executive Vice Chairman: 0.3 thousand euros).
- Health insurance, under a collective policy for the Company's employees (it is estimated that the amounts that will be paid for this item in 2023 will not differ significantly to those paid in 2022, i.e. Executive Chairman: 4.2 thousand euros; Executive Vice Chairman: 4.2 thousand euros).
- Full annual medical check-up (only for the Executive Chairman).

On the other hand, the Company provides the Executive Chairman with a representative office at the operating headquarters, communications equipment, payment instruments, support staff, security systems and staff and a company vehicle sufficient for the duties performed thereby. The annual total for these items in 2022 was 345 thousand euros, and it is estimated that it will be a similar amount in 2023.

On the other hand, the Company's Bylaws expressly state that compensation of directors, including executive directors, may include the delivery of shares in the Company or of share option rights, or may be linked to share value, if so determined by the General Meeting, which shall set the maximum number of shares that may be allocated to this scheme in each fiscal year; the exercise price or method for calculating the exercise price of the share options; the share value that, as the case may be, is used as a benchmark; and the term of the plan.

It is worth noting that the Compensation Policy does not provide for the application to any executive director of a compensation system linked to share value or that involves the delivery of shares or share option rights.

**A1.6.** Amount and nature of variable components, differentiating between those established in the short and long terms. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration for the current year, explaining the extent to which these parameters are related to performance, both of the director and of the company, and to its risk profile, and the methodology, necessary period and techniques envisaged to be able to determine the effective degree of compliance, at the end of the year, with the parameters used in the design of the variable remuneration, explaining the criteria and factors applied in regard to the time required and methods of verifying that the performance or any other conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.



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

A) Variable compensation components for Directors in their mere condition as such for 2023:

In accordance with the Compensation Policy, compensation for directors in their position as such does not include any variable compensation (for these purposes, the payment of attendance allowances to the Board and its committees is not considered variable compensation).

B) Variable compensation components for Executive Directors for performing executive duties in 2023:

In fiscal year 2023, only the Executive Chairman has a variable (short-term) compensation component, as provided for in the Contract for the Provision of Executive Services.

Thus, in accordance with the aforesaid contract, the variable compensation applicable to the Executive Director in 2023 may reach a maximum of 100% of the fixed compensation established for said fiscal year for the performance of executive duties (i.e. a potential maximum of 1,207 thousand euros).

Said annual variable compensation includes two tranches:

- The first tranche is regulated and in accordance with the provisions of the contract for the provision of executive services executed between the Company and the Executive Chairman, shall be comprised of quantitative targets related to sales and revenue figures. As of the date of the approval of this Report by the Board of Directors, the ACSC has not yet proposed to the Board of Directors the quantitative targets for 2023 for the regulated tranche of the Executive Chairman's maximum variable compensation, which could reach a maximum amount of 40% of the fixed gross annual compensation for said fiscal year for the performance of executive duties.

- The second tranche of the Executive Chairman's variable compensation is discretionary and, in accordance with the contract for the provision of executive services executed by the Company and the Executive Chairman, shall be determined by the Board of Directors in view of criteria related to strategic momentum, focus of R&D investments, attendance at international conferences, presentations and roadshows, creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. In 2023, this discretionary tranche of the Executive Chairman's variable compensation could reach a maximum amount of 60% of the fixed gross annual compensation for said fiscal year for the performance of executive duties, as set forth in the aforementioned contract.

The ACSC drafts a Report at the end of each fiscal year assessing achievement of the variable compensation targets for the Executive Chairman, to be submitted to the approval of the Board of Directors. In this report, the Committee analyzes the degree to which the established targets were met and makes a proposal to the Board of Directors on the variable compensation to be paid out for meeting the targets. The report is drafted by the Committee after it has received the necessary information from the different departments in order to complete its assessment, including in particular, financial information. Effective achievement of the targets under the regulated tranche, which are mainly financial (sales and other revenue), will be verified following the relevant external audit.

**A1.7.** Main characteristics of long-term savings schemes. Among other information, indicate the contingencies covered by the scheme, whether it is a defined contribution or a defined benefit scheme, the annual contribution that has to be made to defined contribution schemes, the benefits to which directors are entitled in the case of defined benefit schemes, the vesting conditions of the economic rights of directors and their compatibility with any other type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director.

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

The Executive Chairman and Executive Vice Chairman are the beneficiaries of a life insurance-savings insurance policy. This involves a defined contribution. The Company makes an annual contribution of €12 thousand to said savings scheme for each one of the two Executive Directors. The contingencies covered include retirement and death.

As regards the Executive Chairman, the Company undertakes, during the validity of its Contract for the Provision of Executive Services, to make an annual contribution of €12 thousand. Upon termination of the aforementioned contract, the Company will stop making such contributions, although accumulated capital will be held in favor of the Executive Chairman until such time as an insured event occurs (death or retirement), unless the termination thereof was a result of (a) the unilateral voluntary withdrawal of the Executive Chairman, not followed by the immediate retirement thereof, or (b) a serious breach of the Executive Chairman's obligations that has been legally declared as such, in which cases the accumulated capital shall pertain to the Company rather than the insured. Receipt of accumulated capital is compatible with the severance pay referred to in section A.1.8 below.

As regards the Executive Vice Chairman, the Company shall continue to make annual contributions as long as said Executive Vice Chairman continues to provide the services to the Company (excluding those services provided in their position as a director) or to its subsidiaries and up until their retirement, regardless of the director's age at the time of retirement. The accumulated capital pertaining to the insured shall be held to its benefit until such time as an insured event occurs (retirement or death), regardless of whether the Company has stopped making contributions to the benefit of the insured at any given time, with the exception of legally mandated removals or voluntary resignation, not including retirement, in which case, the accumulated capital shall pertain to the Company rather than the insured.

**A1.8.** Any type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director, whether at the company's or the director's initiative, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, minimum contract term or loyalty, that entitles the director to any kind of remuneration.

As of the date of this Report, there are no "golden parachute" or other severance payments agreed by the Company in the case of termination of the duties of the Company's Directors in their position as such.

In relation to the Executive Chairman and his compensation for the performance of executive duties, his Contract for the Provision of Executive Services provides that he will be entitled to an indemnity equal to 1.5 times the gross Regulatory Compensation (defined as the arithmetic mean of the total amount accrued during the two full fiscal years immediately preceding the contract termination date for fixed annual compensation, annual variable compensation and attendance allowances) if his contract as the top executive is terminated for any of the following causes:

(1) By unilateral will of the Company: (a) expressed by resolution of the Board of Directors; (b) in the event of the removal or non-renewal of the Executive Chairman as a director by the General Shareholders' Meeting; or (c) in the event of total or partial revocation, as the case may be, of the duties delegated thereto by the Board of Directors or of the powers granted thereto by the Company.

(2) In the cases of (a) the substantial amendment of duties or conditions for providing the services by the Executive Chairman with respect to those provided for in the contract or when his duties as top executive are materially devoid or if, for any other cause, his dignity is impaired or the provisions of the contract are breached; or (b) if there is a business transfer or a significant change in ownership of the company that has the effect of changing the composition of its governing bodies or the content and focus of its primary activity.

As regards the Executive Vice Chairman and with respect to their compensation for the performance of their executive duties, it should be pointed out that their relationship with the Company as of the date of approval by the Board of Directors of this Report is an employment relationship entered into for an indefinite term, such that the indemnities and notice periods applicable in the event of termination of said employment relationship are as provided in applicable employment regulations.

**A1.9.** Indicate the conditions that the contracts of executive directors performing senior management functions should contain. Among other things, information must be provided on the duration, limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as compensation or golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on non-competition, exclusivity, minimum contract terms and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.

As regards the Executive Chairman, the Contract for the Provision of Executive Services shall remain in force for as long as the Executive Chairman continues to hold such position on the Board of Directors and to serve as the top executive of the Company, bearing in mind that the contract may be terminated by mutual agreement of the parties, by unilateral voluntary resignation of the Executive Chairman, for causes attributable to the Company and finally due to death, legal incapacity, total permanent or other significant incapacity of the Executive Chairman, or temporary inability to perform his duties for a period longer than one year.

The Executive Chairman shall be entitled to receive an indemnity equal to 1.5 times the annual gross Regulatory Compensation (defined as the arithmetic mean of the total amount accrued during the two fiscal years immediately preceding the contract termination date for fixed annual compensation, annual variable compensation and attendance allowances) if his contract as the top executive is terminated for any of the following causes:

(1) By unilateral will of the Company: (a) expressed by resolution of the Board of Directors; (b) in the event of the removal or non-renewal of the Executive Chairman as a director by the General Shareholders' Meeting; or (c) in the event of total or partial revocation of the duties delegated thereto by the Board of Directors or of the powers granted thereto by the Company.

(2) In the cases of (a) the substantial amendment of duties or conditions for providing the services by the Executive Chairman with respect to those provided for in the contract or when his duties as top executive are materially devoid or if, for any other cause, his dignity is impaired or the provisions of the contract are breached; or (b) if there is a business transfer or a significant change in ownership of the company that has the effect of changing the composition of its governing bodies or the content and focus of its primary activity.

In the event of termination of the contract by the sole will of the Company, as expressed by a resolution of the Board of Directors or by the total or partial revocation of powers or duties delegated to the Executive Chairman, advance notice of three months shall be required and the Company may release the Executive Chairman from carrying out its duties during said period, although it shall continue to pay the pertinent compensation. In the event of termination of the contract by the voluntary unilateral resignation of the Executive Chairman, advance notice of three months shall be required, which if not complied with shall give way to an indemnity payable to the Company in the proportional amount of the Regulated Compensation -as defined herein above- applicable at the time of termination of the aforesaid contract applicable to the advance notice period that was breached.

As regards exclusivity agreements, in accordance with the aforementioned contract, the Executive Chairman shall devote their full professional activity to the Company and its Group companies and, therefore -unless granted prior, express consent by the Board of Directors, following a report from the ACSC-, the Executive Chairman shall refrain from carrying out any professional activity beyond the Pharma Mar Group, whether directly or indirectly, for third parties or on their own behalf, even if the relevant activity is not in competition with the business of any Group company. By way of exception, the Executive Chairman may carry out those other professional activities that are compatible with his/her commitment to full availability to provide services to the Company, dedicating the time and effort necessary for the effective and diligent performance of his/her duties. Notwithstanding the above, the Executive Chairman may, whether remunerated or not, perform teaching and research activities at Universities and public or private schools, carry out positions in foundations or business/professional associations or associations related to the area where the Company operates, or carry out positions as an independent director in other companies, provided the provision of this activity has been previously notified to the ACSC and does not have a material effect on the full dedication of the Executive Director nor interferes with the performance of their duties to the Company or, in any other case, that has been authorized by the Board of Directors.

As regards the Executive Vice Chairman, their relationship with the Company as of the date of this Report is an employment relationship entered into for an indefinite term, such that the indemnities and advance notice requirements applicable in the event of termination of said employment relationship shall be as provided in applicable employment regulations.

On the other hand, it should be noted that the non-competition obligations of the directors are regulated in general by Art. 229 et. seq. of the Capital Corporations Law.

**Al.10.** The nature and estimated amount of any other supplementary remuneration that will be accrued by directors in the current year in consideration for services rendered other than those inherent in their position.

As at the date of the Board of Directors' approval of this report, no supplementary compensation is foreseen for the directors for the current year as consideration for services other than those inherent in their position. Nor has any related-party transaction with the directors been approved, although it goes without saying that later on the year they may receive supplementary compensation or one or more related-party transactions may be approved for services other than those inherent in the position of director.

**Al.11.** Other items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration.

Not applicable

**Al.12.** The nature and estimated amount of any other planned supplementary remuneration to be accrued by directors in the current year that is not included in the foregoing sections, whether paid by the company or by another group company.

See previous sections

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

- a) A new policy or an amendment to a policy already approved by the General Meeting.
- b) Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.
- c) Proposals that the Board of Directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and for which it is proposed that they be applicable to the current year.

Not applicable

**A.3.** Identify the direct link to the document containing the company's current remuneration policy, which must be available on the company's website.

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

**A.4.** Explain, taking into account the data provided in Section B.4, how account has been taken of the voting of shareholders at the General Shareholders' Meeting to which the annual report on remuneration for the previous year was submitted on a consultative basis.

The Annual Report on Compensation of Directors for fiscal year 2021, was approved, on a consultative basis, by the General Shareholders' Meeting of 29 June 2022 with the favorable vote of 75.0317% the votes cast, under the terms set forth in section B.4. The Board of Directors considers that the compensation practices contained in that report are supported by a significant majority of the shareholders and are in accordance with the practices of companies in the sector in which the company operates, so it has decided to adopt a line of continuity with them.

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

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

Until 29 June 2022, the compensation policy applied was the Compensation Policy approved for 2020-2022 by the General Shareholders' Meeting of 18 June 2020, as amended in certain provisions by the General Shareholders' Meeting held on 15 April 2021. On 29 June 2022, Pharma Mar's General Shareholders' Meeting approved the Compensation Policy currently in effect for 2022-2025. This policy was immediately applicable as soon as it was approved by the General Meeting, and it replaced and superseded the previous policy. In any event, the compensation to be received by the directors in 2022, both in their capacity as such and in their capacity as executive directors, did not change with respect to the Compensation Policy applicable until the holding of the 2022 General Shareholders' Meeting.

With regard to the main actions followed by the ACSC and the Board of Directors in their duties of monitoring the application of the Compensation Policy during FY 2022, the main decisions adopted by both the ACSC and the Board in the performance of their duties are set out below:

- In fiscal year 2022, the ACSC proposed to the Board of Directors for their final approval: (i) the system and amount of the annual compensation of the directors in their position as such for 2022; (ii) the fixed individual compensation of the executive directors for 2022 for the performance of their executive duties and (iii) the targets for the regulated variable compensation tranche of the Executive Chairman in 2022.

As regards the compensation of directors in their mere capacity as such: the Board of Directors, at the proposal of the ACSC, approved at its meeting of 31 January 2022, the items and amounts assigned to each of the directors for fiscal year 2022 as compensation in their position as such, within the maximum amount established to that effect in the new Compensation Policy.

With respect to executive directors' compensation for performing their executive functions, the Board of Directors meeting of 31 January 2022, on a proposal from the ACSC, approved their fixed individual compensation. In addition, the ACSC reviewed all matters related to the Executive Chairman's variable compensation and referred them to the Board of Directors for final approval, namely: (i) the assessment and definitive setting of his variable compensation for 2021; and (ii) the definition of the targets of the regulated variable compensation tranche for 2022, which were approved by the Board at its meeting of 19 May 2022.

- It also verified the information on the compensation of Directors set forth in the Annual Report on Compensation of Directors for fiscal year 2021, a report which in accordance with Article 541 LSC was prepared by the Board of Directors and submitted to the consultative vote of the General Shareholders' Meeting of 29 June 2022.

- Additionally, it was responsible for checking compliance with the Compensation Policy applied to executive directors.

- Likewise, the ACSC submitted to the Board of Directors on 28 February 2022 a reasoned proposal for the amendment of the Company's Directors Compensation Policy for 2022-2025, for submission to the General Shareholders Meeting, together with the relevant justifying report. The General Shareholders Meeting of 29 June 2022 approved this Policy.

The ACSC held seven meetings in fiscal year 2022.

It should be pointed out that now in 2023, in its meeting of 31 January, the Board of Directors, at the proposal of the ACSC, has determined the amount of both the regulated (non-discretionary) and discretionary tranches of variable compensation of the Executive Chairman to be considered earned in 2022.

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

In fiscal year 2022, the compensation policy was applied following all established procedures.

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

No temporary exceptions to the compensation policy were applied in fiscal year 2022

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

In accordance with the Compensation Policy, compensation for directors in their position as such does not include any variable compensation (for these purposes, the payment of attendance allowances to the Board and its committees is not considered variable compensation).

Furthermore, the compensation system applicable to Pharma Mar's executive directors for the performance of their executive duties was developed in compliance with the commercial law in force and with the Bylaws. Only the Executive Chairman's compensation has a variable component in accordance with the Contract for the Provision of Executive Services. The Company's Compensation Policy includes a variable component as part of the compensation of the top executive for carrying out their executive duties, thus linking a part of their compensation to the Company's performance and strengthening control over the risk associated with compensation. This policy allows the Company to base compensation of the top executive on the performance of the Company, focusing on value creation, as some of the targets on which variable compensation is based are economic/financial.

Thus, in accordance with the aforesaid contract, the variable compensation applicable to the Executive Director in 2022 may reach a maximum of 100% of the fixed compensation established for said fiscal year for the performance of executive duties (100% in 2021). Said annual variable compensation includes two tranches. The first tranche is regulated and in accordance with the provisions of the contract for the provision of executive services executed between the Company and the Executive Chairman, shall be comprised of quantitative targets related to sales and revenue figures. This first regulated variable compensation tranche could reach a maximum amount of 40% of the fixed gross annual compensation for fiscal year 2022 for the performance of executive duties (40% in 2021). The second tranche of the Executive Chairman's variable compensation is discretionary and, in accordance with the contract for the provision of executive services executed by the Company and the Executive Chairman, shall be determined by the Board of Directors in view of criteria related to strategic momentum, focus of R&D investments, attendance at international conferences, presentations and roadshows, creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. In 2022, this second discretionary tranche of the Executive Chairman's variable compensation could reach a maximum amount of 60% of the fixed gross annual compensation for said fiscal year for the performance of executive duties, as set forth in the aforementioned contract (60% in 2021).

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

As a result, compensation systems for Company's directors implicitly include in their design the following risk control measures:

- Directors' compensation in their position as such is limited to a fixed compensation, and the receiving of cash allowances, within the limits established by the General Meeting and the Board.
- No Pharma Mar, S.A. Director receives shares or stock options as part of their compensation.
- Variable compensation is limited to the case of executive directors, and within them exclusively to the Executive Chairman, who receives it for their non-director executive duties and irrespective of their compensation as a member of the Board of Directors.
- Variable compensation is related to meeting corporate business targets and specific quantitative and qualitative targets, and is only intended for the Executive Chairman. The Company understands that the fixed compensation of directors who perform executive duties makes up a sufficiently high proportion, allowing the withholding of variable compensation if the established criteria are not met. Although "malus" clauses in relation to any variable compensation not yet vested or the clawback thereof have not been expressly included in the contract for the provision of executive services between the Company and the Executive Chairman, the ACSC has addressed this matter in several of its meetings, concluding that a malus or clawback clause would be established, where appropriate, at the time of incorporating long-term incentives as part of the variable compensation of the executive directors.

CONTINUED IN SECTION D ("OTHER INFORMATION OF INTEREST")

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

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

Total compensation earned during 2022 does not exceed the maximum figure established in the applicable Compensation Policy.

All the compensation items for which compensation has been earned by both the directors in their position as such and by the executive directors during fiscal year 2022 are expressly provided in the Policy, without any compensation having been earned or paid in the year for items not provided in the policy.

As previously indicated in this Report, only the Executive Chairman can receive variable compensation, which consists of two tranches, one regulated and the other discretionary.

- With regard to setting the targets for the regulated variable compensation tranche for the Executive Chairman in fiscal year 2022, the Board of Directors established measurable criteria such as adequate turnover, in light of the products' term of validity, obtaining income from strategic license or marketing agreements on Pharma Mar molecules or third-party molecules, and coordinating the efforts of our teams to identify new indications for our products even with transversality between pathologies and to promote the optimal use of our library of marine compounds. The ACSC proposed to the Board of Directors, for its final approval, the assessment of compliance with the targets for the regulated variable compensation tranche of the Executive Chairman in 2022, as well as the amount earned based on that assessment.

Based on this assessment, the ACSC proposed that 50% of the targets of the regulated or non-discretionary tranche were considered met (up to a maximum of 40% of annual gross compensation), and therefore proposed the granting of an amount equal to 20% of fixed compensation in 2022, i.e. 237 thousand euros. The Board of Directors, at its meeting on 31 January 2023, approved the aforementioned proposal.

Furthermore, the discretionary tranche of the Executive Chairman's variable compensation must be determined in accordance with the provisions of the aforementioned agreement executed between the Company and its top executive, in view of criteria such as the strategic momentum of the Group, the Group's product pipeline, the attendance of the top executive at conferences and roadshows, R&D investments, creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. In such regard, the ACSC proposed to the Board of Directors that when determining the discretionary tranche it should consider a series of milestones achieved in 2022 that reinforce and drive the Group's strategy, including the positive evolution and internationalization of the pipeline through strategic alliances, the presence of the Company in the world's most important scientific conventions on oncology, sector conferences and multiple roadshows with investors, etc. Based on the milestones achieved, the ACSC also proposed to the Board that compliance with the discretionary tranche is considered 100% and, therefore, proposed that the discretionary tranche of the variable compensation for 2022 be granted in its entirety, i.e., an amount equivalent to 60% of the fixed compensation of the top executive in 2022 for the performance of their executive duties, that is to say, 710 thousand euros. The aforementioned proposal of the ACSC was approved by the Board of Directors in its meeting of 31 January 2023.

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

	Number	% of total
Votes cast	6,856,611	37.36
	Number	% of votes cast
Votes against	1,610,885	23.49
Votes in favour	5,144,629	75.03
Blank ballots		0.00
Abstentions	101,097	1.47

#### Observations

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

The Board of Directors in its meeting of 31 January 2022, at the proposal of the Appointments and Compensation and Sustainability Committee, agreed to increase for fiscal year 2022 (effective 1 January) the compensation to directors for their position as such, both their fixed compensation for belonging to the Board and its committees and attendance allowances, by 2% with regard to those for 2021, also including the Coordinating Director's annual fixed compensation. In this way, in 2022:

- Each Director of Pharma Mar earned fixed compensation for membership on the Board of Directors of Pharma Mar in the amount of €71,450.
- Each Director of Pharma Mar received an attendance allowance of €4,093 for each meeting of the Board of Directors of Pharma Mar that they attended during 2022.
- The Directors of Pharma Mar that were members of the Company's Audit Committee or the ACSC received individual compensation of €18,624.
- The Directors of Pharma Mar that served as Chairmen of the Company's Audit Committee or of the ACSC received individual compensation of €24,257.
- The Directors of Pharma Mar that were members of the Company's Executive Committee (including the Chairman and its Members) received individual compensation of €140,582.
- Each Director of Pharma Mar that was a member of the Executive Committee, the Audit Committee or the ACSC received an attendance allowance of €1,857 for each meeting of these Committees that they attended.



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- The Coordinating Director of Pharma Mar received fixed compensation for holding such position in the amount of €18,624.

In addition, it is worth noting that the Pharma Mar Group has taken out a civil liability insurance policy for the directors and executives of the companies that form part of its Group, the premiums of which that were paid from July 2022 through July 2023 amounted to €505 thousand.

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

In 2022, no compensation system linked to share value or that involves the delivery of shares or share option rights was applied to any of the directors.

**B.6.** Explain how the salaries accrued and vested by each of the executive directors over the past financial year for the performance of management duties were determined, and how they changed with respect to the previous year.

In relation to the fixed compensation of Executive Directors for the performance of their executive duties in 2022, it should be pointed out that the Executive Chairman received a fixed compensation of 1,184 thousand euros (1,076 thousand euros in 2021), and the Executive Vice-Chairman received a fixed compensation of 284 thousand euros (266,9 thousand euros in 2021).

In the case of the Executive Chairman, the Board of Directors, at its meeting held on 31 January 2022, following a proposal from the ACSC, resolved that the Executive Chairman's compensation would increase by 10% over the amount set for 2021, within the limit set forth in the Compensation Policy. Accordingly, the fixed compensation of the Executive Chairman was increased from 1,076 thousand euros to 1,184 thousand euros in 2022.

In turn, the Executive Vice Chairman's fixed compensation increased in 2022 by 6.5%, equal to the increase in the 2021 Consumer Price Index.

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

In particular:

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

- d) Information is to be provided on any periods for accrual or deferment of payment applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.

Explain the short-term variable components of the remuneration systems

Only the Executive Chairman receives a variable compensation which, in accordance with the Contract for the Provision of Executive Services executed with the Company, could reach a maximum of 100% of the fixed annual gross compensation for performing executive duties, consisting of two tranches, one regulated (which could be up to 40% of the fixed compensation) and the other discretionary (which could be up to 60% of the fixed compensation).

With regard to setting the targets for the regulated variable compensation tranche for the performance of the Executive Chairman for 2022, the Board of Directors, at the proposal of the ACSC, established measurable criteria such as obtaining adequate turnover, obtaining income from strategic license or marketing agreements on Pharma Mar molecules or third-party molecules and coordinating the efforts of our teams to identify new indications for our products even with transversality between pathologies and to promote the optimal use of our library of marine compounds. The ACSC proposed to the Board of Directors, for its final approval, the assessment of compliance with the targets for the regulated variable compensation tranche of the Executive Chairman in 2022, as well as the amount earned based on that assessment. Based on this assessment, the ACSC proposed that 50% of the targets of the regulated or non-discretionary tranche were considered met (up to a maximum of 40% of annual gross compensation), and therefore proposed the granting of an amount equal to 20% of fixed compensation in 2021, i.e. 237 thousand euros. The Board of Directors, at its meeting on 31 January 2023, approved the aforementioned proposal. This variable compensation is based on conditions that have already been effectively met and which will not revert.

Furthermore, the discretionary tranche of the Executive Chairman's variable compensation must be determined in accordance with the provisions of the aforementioned agreement executed between the Company and its top executive, in view of criteria such as the strategic momentum of the Group, the Group's product pipeline, the attendance of the top executive at conferences and roadshows, R&D investments, creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. In such regard, the ACSC proposed to the Board of Directors that when determining the discretionary tranche it should consider a series of milestones achieved in 2022 that reinforce and drive the Group's strategy (e.g. the positive evolution of the pipeline, the internationalization of the Company through strategic alliances, the attendance of the Executive Chairman at the world's most important scientific congresses on oncology, sector conferences and multiple roadshows with investors, etc.). Based on the milestones achieved, the ACSC also proposed to the Board of Directors that it be estimated that compliance with the discretionary tranche was 100% and, therefore, proposed that the discretionary tranche of the variable compensation be granted in its entirety, i.e., an amount equivalent to 60% of the fixed compensation of the top executive in 2022, that is to say, 710 thousand euros. The aforementioned proposal of the ACSC was approved by the Board of Directors in its meeting of 31 January 2023.

It should be pointed out finally that in 2022 no compensation system linked to share value or that involves the delivery of shares or share option rights was applied, nor is this established in the Compensation Policy.

Explain the long-term variable components of the remuneration systems:

As already indicated in this Report, the only director that receives a variable compensation is the Executive Chairman. The Executive Chairman's variable compensation for fiscal year 2022 did not include long-term variable components

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

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

- B.9.** Explain the main characteristics of the long-term savings schemes where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit, whether financed in whole or in part by the company or through internal or external contributions, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the contingencies covered, the conditions on which the economic rights vest in favour of the directors and their compatibility with any type of indemnification for early termination or cessation of the contractual relationship between the company and the director.

The Executive Chairman and Executive Vice Chairman are the beneficiaries of a life insurance-savings insurance policy. This involves a defined contribution. The Company makes an annual contribution of €12 thousand to said savings scheme for each one of the Executive Directors. The contingencies covered include retirement and death.

As regards the Executive Chairman, the Company undertakes, during the validity of its contract for the provision of executive services, to make an annual contribution of €12 thousand. Upon termination of the aforementioned contract, the Company will stop making such contributions, although accumulated capital will be held in favor of the Executive Chairman until such time as an insured event occurs (death or retirement), unless the termination thereof was a result of (a) the unilateral voluntary withdrawal of the Executive Chairman, not followed by the immediate retirement thereof, or (b) a serious breach of the Executive Chairman's obligations that has been legally declared as such, in which cases the accumulated capital shall pertain to the Company rather than the insured. Receipt of accumulated capital is compatible with the severance pay referred to in section A.1.

As regards the Executive Vice Chairman, the Company shall continue to make annual contributions as long as said Executive Vice Chairman continues to provide the services to the Company (excluding those services provided in their position as a director) or to its subsidiaries and up until their retirement, regardless of the director's age at the time of retirement. The accumulated capital pertaining to the insured shall be held to its benefit until such time as an insured event occurs (retirement or death), regardless of whether the Company has stopped making contributions to the benefit of the insured at any given time, with the exception of legally mandated removals or voluntary resignation, not including retirement, in which case, the accumulated capital shall pertain to the Company rather than the insured. Receipt of accumulated capital is compatible with receiving any severance pay to which the Director, due to their dismissal, would be entitled under employment regulations that govern their relationship with the Company.

**B.10.** Explain, where applicable, the indemnification or any other type of payment deriving from the early cessation, whether at the company's or the director's initiative, or from the termination of the contract in the terms provided therein, accrued and/or received by directors during the year last ended.

In fiscal year 2022 no severance payments or any other type of payment resulting from the early termination or termination of the contract with the directors were made thereto.

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

The Contract for the Provision of Executive Services signed between Pharma Mar and the Executive Chairman on 26 February 2015 was amended by an Addendum thereto dated 28 February 2022, in relation to both fixed compensation and variable compensation.

As relates to fixed compensation, the Addendum dated 28 February 2022 provides for a 10% increase in fixed compensation for 2022. Additionally, and in accordance with the provisions of the Directors' Compensation Policy, any change approved, as the case may be, by the Board of Directors to the fixed compensation of the Executive Chairman for fiscal year 2022 shall not exceed 15% of his annual gross fixed compensation from the previous year.

The change in the Executive Chairman's variable compensation consists of increasing the variable components that may be received by the Executive Chairman given that the policy establishes the possibility of him participating in multi-annual variable compensation systems approved by the Board of Directors and, as the case may be, by the General Shareholders' Meeting.

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

See the reply to section B.16 of this report

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

Not applicable

**B.14.** Itemise the remuneration in kind accrued by the directors during the year, briefly explaining the nature of the various salary components.

In 2022, the Executive Directors received welfare compensation (whether by virtue of a contract for the provision of executive services or of an employment relationship), including the following benefits:

- Life and retirement insurance (life insurance-savings insurance). In 2022, the Company made an annual contribution of €12 thousand for each of the Executive Directors.

- Accident insurance, under a collective policy for the Company's employees or under equivalent conditions, plus health insurance, under a collective policy for the Company's employees or under equivalent conditions, and a full annual medical check-up (only for the Executive Chairman), totaling in 2022 an annual cumulative contribution of €5.3 thousand for the Executive Chairman and €4.5 thousand for the Vice Chairman.

On the other hand, the Company provides the Executive Chairman with a representative office at the operating headquarters, communications equipment, payment instruments, support staff, security systems and staff and a company vehicle sufficient for the duties performed thereby. The total value of these elements provided to the executive chairman in 2022 can be estimated or quantified at 345 thousand euros.

In addition, it is worth noting that the Pharma Mar Group has taken out a civil liability insurance policy for the directors and executives of the companies that form part of its Group, the premiums of which that were paid from July 2022 through July 2023 amounted to €505 thousand.

**B.15.** Explain the remuneration accrued by any director by virtue of payments made by the listed company to a third company in which the director provides services when these payments seek to remunerate the director's services to the company.

Not applicable

**B.16.** Explain and detail the amounts accrued in the year in relation to any other remuneration concept other than that set forth above, whatever its nature or the group entity that pays it, including all benefits in any form, such as when it is considered a related-party transaction or, especially, when it significantly affects the true image of the total remuneration accrued by the director. Explain the amount granted or pending payment, the nature of the consideration received and the reasons for those that would have been considered, if applicable, that do not constitute remuneration to the director or in consideration for the performance of their executive functions and whether or not has been considered appropriate to be included among the amounts accrued under the "Other concepts" heading in Section C.

Mr. José María Fernández Sousa-Faro and Mr. José Félix Pérez-Orive Carceller were Board members of Genómica, S.A.U. until 4 May 2022, date on which this company's sole shareholder resolved to replace the Board of Directors with a Sole Director. They were compensated for belonging to the Board of Directors of this company, a wholly owned subsidiary of Pharma Mar, S.A. From that date until 31 December 2022, none of the directors of Pharma Mar, S.A. also belonged to the Board of Directors of other Group companies receiving compensation.

The fixed compensation for belonging to the Board of Directors of Genómica, S.A.U. as well as the allowances for attending such Board were approved by the General Shareholders' Meeting of that company of 9 December 2020; in accordance with the aforementioned resolution, the fixed compensation for belonging to the governing body was 14,000 euros per Director, and the attendance allowance was 308 euros per meeting of the governing body of Genómica, S.A.U. (in no case could the total amount of the attendance allowances and the fixed compensation provided for in the Bylaws exceed 15,538 euros). In connection with the departure of the Board members of Genómica, S.A.U. when the governing body was modified, each Board member was paid the proportional amount of their annual fixed compensation (4,718 euros). In addition, they received the amount corresponding to the attendance allowances for one Board meeting (308 euros).



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It is also worth noting that the company Talleres Trébore, S.L., the sole director of which is Ms. María Sandra Ortega Mera, provided graphic design, layout, printing and merchandising services to Pharma Mar, S.A. in 2022, totaling 12 thousand euros.

C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Period of accrual in year 2022
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	Executive Chairman	From 01/01/2022 to 31/12/2022
PEDRO FRANCISCO FERNÁNDEZ PUENTES	Vice Executive Chairman	From 01/01/2022 to 31/12/2022
MONTSERRAT ANDRADE DETRELL	Shareholder-Appointed Director	From 01/01/2022 to 31/12/2022
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	Other External Director	From 01/01/2022 to 30/09/2022
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	Shareholder-Appointed Director	From 01/01/2022 to 29/06/2022
SANDRA ORTEGA MERA	Shareholder-Appointed Director	From 29/06/2022 to 31/12/2022
EDUARDO SERRA REXACH	Other External Director	From 01/01/2022 to 31/12/2022
CARLOS SOLCHAGA CATALÁN	Other External Director	From 01/01/2022 to 31/12/2022
BLANCA HERNÁNDEZ RODRÍGUEZ	Independent Director	From 01/01/2022 to 31/12/2022
CARLOS PAZOS CAMPOS	Independent Director	From 01/01/2022 to 31/12/2022
ROSA MARÍA SÁNCHEZ-YEBRA ALONSO	Independent Director	From 29/06/2022 to 31/12/2022
MARIANO ESTEBAN RODRÍGUEZ	Independent Director	From 29/06/2022 to 31/12/2022
EMILIANO CALVO ALLER	Independent Director	From 29/06/2022 to 31/12/2022
FERNANDO MARTÍN-DELGADO SANTOS	Other External Director	From 21/12/2022 to 31/12/2022
ANA PALACIO VALLELERSUNDI	Other External Director	From 01/01/2022 to 29/06/2022
VALENTÍN TORRES-SOLANOT DEL PINO	Independent Director	From 01/01/2022 to 29/06/2022

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

a) Remuneration from the reporting company:

i) Remuneration accruing in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total year 2022	Total year 2021
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	71	41	141	1,184	947				2,384	2,388
PEDRO FRANCISCO FERNÁNDEZ PUENTES	71	41	141	284					537	503
MONTSERRAT ANDRADE DETRELL	71	50	22						143	127
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	54	51	119						224	285
SANDRA ORTEGA MERA	71	37							108	98
EDUARDO SERRA REXACH	71	50	19						140	125
CARLOS SOLCHAGA CATALÁN	71	52	19						142	125
BLANCA HERNÁNDEZ RODRÍGUEZ	71	49	37						157	133
CARLOS PAZOS CAMPOS	71	58	31					19	179	148
ROSA MARÍA SÁNCHEZ-YEBRA ALONSO	36	28	12						76	
MARIANO ESTEBAN RODRÍGUEZ	36	20							56	
EMILIANO CALVO ALLER	36	16							52	
FERNANDO MARTÍN-DELGADO SANTOS	2		4						6	
ANA PALACIO VALLELERSUNDI	36	32	21						89	158
VALENTÍN TORRES-SOLANOT DEL PINO	36	24	12						72	131

Observations

As regards the tables in section C.1 of this Report, it is hereby stated that as regards the different compensation items and amounts earned during fiscal year 2022 by Ms. Sandra Ortega Mera, the compensation earned by ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L. as a director of Pharma Mar, S.A. through the Annual General Shareholders' Meeting of 29 June 2022, in which its term of office expired, were considered on a joint and aggregate basis.

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

Name	Name of plan	Financial instruments at start of year 2022		Financial instruments granted during year 2022		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2022	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent / vested shares	Price of vested shares	EBITDA from vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
No data												

Observations

iii) Long-term savings schemes

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

Name	Contribution for the year by the company (thousands of euros)				Amount of accrued funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with non-vested economic rights		Savings schemes with vested economic rights		Savings schemes with non-vested economic rights	
	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	12	12			355	342		
PEDRO FRANCISCO FERNÁNDEZ PUENTES	12	12			379	366		

Observations

[ ]

iv) Details of other items

Name	Concept	Amount of remuneration
CARLOS PAZOS CAMPOS	Coordinating Director Compensation	19

Observations

[ ]

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

i) Remuneration accruing in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total year 2022	Total year 2021
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	5								5	16
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	5								5	16

Observations

The above compensation includes the fixed compensation provided for in the Bylaws for membership on the Board of Directors of Genómica, S.A.U. (14,000 euros per director) and the allowances for attending the meetings of said Board (308 euros for attendance at each meeting) for fiscal year 2022.

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

Name	Name of plan	Financial instruments at start of year 2022		Financial instruments granted during year 2022		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2022	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent / vested shares	Price of vested shares	EBITDA from vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
No data												

Observations

iii) Long-term savings schemes

Name	Remuneration from vesting of rights to savings schemes
No data	

Name	Contribution for the year by the company (thousands of euros)				Amount of accrued funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with non-vested economic rights		Savings schemes with vested economic rights		Savings schemes with non-vested economic rights	
	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021
No data								

Observations

[ ]

iv) Details of other items

Name	Concept	Amount of remuneration
No data		

Observations

[ ]

c) Summary of remuneration (thousands of euros):

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

Name	Remuneration accruing in the Company					Remuneration accruing in group companies					Total in year 2022, company + group
	Total cash remuneration	Gross benefit of vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total in year 2022, company	Total cash remuneration	Gross benefit of vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total in year 2022, group	
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	2,384		12	351	2,747	5				5	2,752
PEDRO FRANCISCO FERNÁNDEZ PUENTES	537		12	5	554						554
MONTSERRAT ANDRADE DETRELL	143				143						143
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	224				224	5				5	229
SANDRA ORTEGA MERA	108				108						108
EDUARDO SERRA REXACH	140				140						140
CARLOS SOLCHAGA CATALÁN	142				142						142
BLANCA HERNÁNDEZ RODRÍGUEZ	157				157						157

Name	Remuneration accruing in the Company					Remuneration accruing in group companies					Total in year 2022, company + group
	Total cash remuneration	Gross benefit of vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total in year 2022, company	Total cash remuneration	Gross benefit of vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total in year 2022, group	
CARLOS PAZOS CAMPOS	179				179						179
ROSA MARÍA SÁNCHEZ-YEBRA ALONSO	76				76						76
MARIANO ESTEBAN RODRÍGUEZ	56				56						56
EMILIANO CALVO ALLER	52				52						52
FERNANDO MARTÍN-DELGADO SANTOS	6				6						6
ANA PALACIO VALLELERSUNDI	89				89						89
VALENTÍN TORRES-SOLANOT DEL PINO	72				72						72
<b>TOTAL</b>	<b>4,365</b>		<b>24</b>	<b>356</b>	<b>4,745</b>	<b>10</b>				<b>10</b>	<b>4,755</b>

Observations

[ ]

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

	Total amounts accrued and % annual variation								
	Year 2022	% Variation 2022/2021	Year 2021	% Variation 2021/2020	Year 2020	% Variation 2020/2019	Year 2019	% Variation 2019/2018	Year 2018
<b>Executive directors</b>									
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	2,752	0.11	2,749	-26.10	3,720	113.67	1,741	8.61	1,603
PEDRO FRANCISCO FERNÁNDEZ PUENTES	554	6.74	519	-0.38	521	1.36	514	-1.72	523
<b>External directors</b>									
MONTSERRAT ANDRADE DETRELL	148	16.54	127	-4.51	133	1.53	131	7.38	122
BLANCA HERNÁNDEZ RODRÍGUEZ	157	18.05	133	0.00	133	129.31	58	-	0
ANA PALACIO VALLELERSUNDI	89	-43.67	158	-4.82	166	2.47	162	8.00	150
CARLOS PAZOS CAMPOS	179	20.95	148	2.78	144	144.07	59	-	0
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	224	-25.58	301	0.00	301	1.35	297	-6.01	316
SANDRA ORTEGA MERA	108	10.20	98	-22.83	127	-3.05	131	-5.07	138
EDUARDO SERRA REXACH	140	12.00	125	-6.02	133	0.00	133	4.72	127
CARLOS SOLCHAGA CATALÁN	142	13.60	125	-6.02	133	-1.48	135	0.75	134

Total amounts accrued and % annual variation									
	Year 2022	% Variation 2022/2021	Year 2021	% Variation 2021/2020	Year 2020	% Variation 2020/2019	Year 2019	% Variation 2019/2018	Year 2018
VALENTÍN TORRES-SOLANOT DEL PINO	72	-45.04	131	-5.76	139	17.80	118	151.06	47
ROSA MARÍA SÁNCHEZ-YEBRA ALONSO	76	-	0	-	0	-	0	-	0
EMILIANO CALVO ALLER	52	-	0	-	0	-	0	-	0
MARIANO ESTEBAN RODRÍGUEZ	56	-	0	-	0	-	0	-	0
FERNANDO MARTÍN-DELGADO SANTOS	6	-	0	-	0	-	0	-	0
<b>Consolidated results of the company</b>									
	49,356	-46.85	92,859	-32.35	137,262	-	-23,871	-182.97	-8,436
<b>Average employee remuneration</b>									
	73	-2.67	75	1.35	74	-2.63	76	18.75	64

#### Observations

As relates to the table above in section C.2, the compensation accrued by the following individuals during fiscal years 2018-2022 are provided on a joint and aggregate basis:

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

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



## ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES

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(iii) by Sandra Ortega Mera, as an individual director and as a natural representative of ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L., until expiration of its mandate as a director of the Company on 29 June 2022.

#### D. OTHER INFORMATION OF INTEREST

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

CONTINUATION FROM SECTION A.1.1.

As compensation for their condition as Company Directors, each Board member shall receive fixed annual compensation aimed at sufficiently compensating them for the responsibility and dedication required in their position.

The Compensation Policy provides that those Directors who also serve as members of the various Committees (Executive Committee, Audit Committee and Appointments and Compensation and Sustainability Committee ("ACSC")) shall receive additional fixed compensation for their dedication to said Committees, with higher weightings for the Chairman of the Audit Committee and of the ACSC. Compensation received by members of the Executive Committee shall take into account the additional activities and duties undertaken by its members. The position of Coordinating Director shall also receive fixed annual compensation.

Directors shall receive an attendance allowance to compensate for their personal and effective attendance at the meetings of the Board of Directors and its Committees.

Moreover, it is recalled that, although the Compensation Policy breaks down, for 2022, the amounts of compensation for Directors in their capacity as such, based on each Director's functions and responsibilities as well as his/her position, as applicable, on the Board committees, it does not set out specific amounts of compensation to be received by directors in their mere capacity as such (fixed allocations and attendance allowances) for the successive periods during which the policy remains in effect. Hence, the Board of Directors is responsible, in accordance with Article 37 of the Bylaws and following a proposal of the ACSC, for setting such amounts, taking into consideration the duties and responsibilities entrusted to each Director, their membership on any Board Committees as well as any other objective circumstances deemed relevant, at all times complying with the compensation system provided for in the Bylaws and the maximum annual compensation limit for the Directors as a whole in their condition as such, as established in the Compensation Policy. It should be noted that the specific amounts of fixed compensation to be applied from 1 January 2023 for membership on the Board and its Committees, attendance allowances and compensation of the Coordinating Director were approved by the Board of Directors at its meeting on 31 January 2023, approving the proposal submitted in such regard by the ACSC.

As previously mentioned, the Compensation Policy also addresses the compensation system for Executive Directors for the performance of their executive duties, and includes both the fixed compensation of the Company's two Executive Directors for the term of validity of the Compensation Policy and the maximum annual amount of the Executive Chairman's variable compensation (the only director who receives variable compensation) which, in accordance with the contract for the provision of executive services dated 26 February 2015 (in which Pharma Mar succeeded Zeltia by operation of law as a result of the takeover merger between the aforementioned companies), amended by an Addendum thereto dated 28 February 2022, executed with the Executive Chairman (hereinafter, the "Contract for the Provision of Executive Services"), is equivalent to 100% of his gross fixed annual compensation. Said variable compensation is divided into two tranches, one regulated (which could be up to 40% of the fixed annual compensation) and the other discretionary (which could be up to 60% of the fixed annual compensation). Executive Directors may participate in any multi-annual variable compensation systems approved by the Board of Directors and, as the case may be, by the General Shareholders Meeting. At the date of preparation of this report, there is no multi-annual variable compensation system for Executive Directors. It should be pointed out that the Compensation Policy also includes other compensation items for the Executive Directors such as a Long-term savings scheme: "life insurance-savings insurance policy", as well as certain in-kind compensation items such as accident insurance and health insurance and also, in the case of the Executive Chairman only, an annual medical check-up, a representative office in the operating headquarters, communications equipment, payment instruments, support and security staff and a company vehicle. This compensation for the performance of executive duties is independent from compensation applicable to the Executive Directors by virtue of their general monitoring and group decision-making duties arising from their status as a director -including compensation received for serving as the Chairman of the Board of Directors, or as a member or other officer on any of its committees- of the Company or any Group company.

The Compensation Policy sets out the principles and foundations described. In accordance with the Policy, the maximum amount of the compensation of all the directors in their position as such is set at 2,500,000 euros, which will remain in force until the General Shareholders Meeting approves, as the case may be, a new amount.

Furthermore, it is worth noting that the Compensation Policy does not establish for any director a compensation system linked to share value or that involves the delivery of shares or share option rights.

The bodies involved in designing the Compensation Policy are the Board of Directors and the ACSC, while, in accordance with Article 14 of Pharma Mar's Bylaws, the General Shareholders Meeting is responsible for approving the Directors Compensation Policy, under the terms established by applicable law.

As set out in Article 31 of the Bylaws and Article 5 of the Board of Directors Regulations, in accordance with Articles 249, 249bis and 529 octodecies of the LSC, the Board of Directors is responsible for adopting decisions on director compensation, within the framework of the Bylaws and, as the case may be, on the compensation policy approved by the General Shareholders Meeting. In accordance with the provisions of Art. 21 of the Board of Directors Regulations of Pharma Mar, S.A., Directors shall have the right to the compensation established by the Board of Directors in accordance with the provisions of law and the bylaws and with the compensation policy approved by the General Meeting, following the proposal of the ACSC.

The Appointments and Compensation and Sustainability Committee (ACSC) is the body in charge of assisting the Board of Directors in compensation related matters. In accordance with Article 14.2 of the Board of Directors Regulations, the duties of this Committee as relates to the compensation policy are as follows: (i) to propose to the Board the compensation system and policy for Directors, general managers, managers that perform senior management duties and report directly to the board, executive committees or Managing Directors, as well as individual compensation and other contract conditions for executive directors; (ii) to verify annually the compliance of the director selection policy and report it in the Annual Corporate Governance Report; (iii) to verify compliance with the compensation policy established by the Company; (iv) regularly review the compensation policy applied to the directors and senior executives, including compensation systems using shares and the application thereof, as well as to ensure that individual compensation is proportionate to the amount paid to the other directors and senior executives of the Company; and (v) to verify information on the compensation of Directors and senior executives as provided in the various corporate documents, including the annual report on director compensation. The Appointments and Compensation Committee of Pharma Mar was established by resolution of the Board of Directors on 22 September 2015, although said establishment resolution did not enter into effect until the date on which the shares of Pharma Mar were admitted to trade on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (i.e. 2 November 2015). On 11 December 2020, the Board of Directors approved the amendment of the Board of Directors Regulations, attributing to this Committee certain duties relating to sustainability, and as from which date said Committee was renamed the "Appointments and Compensation and Sustainability Committee (ACSC)."

As of 31 December 2022, the ACSC was made up by the following directors:

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

On 29 June 2022, following the conclusion of the General Shareholders' Meeting, the term of the Company director Ana Palacio Vallelersundi ended, given that on 28 June the four-year term for which she was appointed expired, as a result of which she stepped down from her seat on the ACSC.

The current ACSC composition therefore complies with the requirement established in Article 529 quidecies of the Capital Corporations Law, which establishes that the appointments and compensation committee shall be comprised exclusively of non-executive directors appointed by the board of directors, at least two of which shall be independent directors, including its Chairman.

Pharma Mar's Compensation Policy must meet market criteria and be consistent with the trends and benchmarks on compensation followed in its sector or in companies with a comparable size, activity or structure, so that they are aligned with best market practices.

The determination of the composition and compensation amounts of the directors defined in the Compensation Policy relied on Spencer Stuart's study on compensation at listed companies and Instituto EY-Sagardoy Talento e Innovación's study on compensation of directors at listed companies. In addition, for the preparation of the Compensation Policy and the review of the contract conditions of the Executive Chairman, advice was received from the Garrigues law firm. The Board of Directors, following the proposal of the ACSC, may agree to apply temporary exceptions to the Directors' Compensation Policy, which shall in any case be limited to those exceptional situations in which non-application of the Policy is required to serve the long-term interests and sustainability of the Company as a whole or to ensure its viability.

Only the following compensation items of executive directors will be eligible for exceptions: fixed compensation, short-term variable compensation, multi-annual variable compensation, the long-term savings scheme, compensation in kind and the civil liability insurance policy, and in all events the Company will avoid allocating guaranteed extraordinary compensation.

The procedure to be followed in the event of any circumstance justifying the application of such temporary exceptions shall be as follows:

- The ACSC shall issue a report assessing the circumstances and specific compensation which would be subject to change.
- In preparing the report the ACSC may seek the advice of an external third party.
- Based on the report's conclusions, the ACSC would draft, where appropriate, the proposed exception to the Board of Directors.

If directors with executive duties join the Board of Directors during the term of the Compensation Policy, their compensation package (i.e. compensation items and their applicable minimum and maximum limits) will be determined in accordance with the principles of the Compensation Policy, notwithstanding the specifics of their respective contracts with the Company.

The contractual terms and conditions of the new executive director shall include clauses on payments for early termination of contract. The payments for contractual termination shall not exceed an amount equivalent to two times the total annual compensation, provided no other pre-established conditions are in place, in the case of Company executives who become executive directors.

In any case, the Company shall take into account the general principles of the Compensation Policy and shall duly report on the exceptional situation that led the Board of Directors to approve the application of such temporary exception as well as on the component(s) subject to said exception in the relevant Annual Directors' Compensation Report.

CONTINUATION FROM SECTION B.2

The Compensation Policy allows the Company to grant other special bonuses, to applying temporary exceptions to the aforementioned Policy, which shall in any case be limited to those exceptional situations in which non-application of the Policy is required to serve the long-term interests and sustainability of the Company as a whole or to ensure its viability.

In accordance with the provisions of Art. 228 LSC, the Directors of the Company shall abstain from deliberating and voting on resolutions or decisions regarding which they and/or a related person has a direct or indirect conflict of interest. Furthermore, Art. 229 LSC regulates the duty of the directors to avoid situations of conflict of interest and Art. 230 LSC further establishes the regime for enforceability and exceptions in relation to said duty. It is worth noting that the Executive Directors of the Company and the Directors related thereto abstained from participating in the discussion and voting on the resolutions adopted by the Board of Directors at its meetings referred to under section B.1 above, in which the fixed compensation of the two executive directors of the Company for fiscal year 2022 (in this case with the Executive Chairman and Vice Chairman and the Directors related thereto abstaining), the 2022 targets for the regulated variable compensation tranche of the Executive Chairman (in this case with the Executive Chairman and Directors related thereto abstaining) and the amount of the discretionary and regulated tranches of the Executive Chairman's variable compensation to be considered as accrued in 2022 (in this case with the Executive Chairman and Directors related thereto abstaining) were approved.

This annual remuneration report was approved by the Board of Directors of the company in its meeting of:

[ 27/02/2023 ]

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

[ ] Yes

[  ] No