



---

**ISSUER'S IDENTIFICATION**

---

Fiscal Year Closing Date:

[ 31/12/2019 ]

Tax ID (CIF):

[ A-78267176 ]

Company Name:

[ **PHARMA MAR, S.A.** ]

Registered Office:

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

**A CAPITAL STRUCTURE**

A.1. Please complete the table below with details on the company's share capital:

Date of Last Change	Share Capital (€)	Number of Shares	Number of Voting Rights
18/05/2017	11,132,464.35	222,649,287	222,649,887

Please specify whether there are different classes of shares with different associated rights:

- Yes  
 No

A.2. Please list all the significant direct and indirect shareholders at year end, excluding any board members:

Name of Shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		% total voting rights
	Direct	Indirect	Direct	Indirect	
SANDRA ORTEGA MERA	0.00	5.00	0.00	0.00	5.00
SAFOLES, S.A.	3.87	0.00	0.00	0.00	3.87

Breakdown of the indirect shareholding:

Name of the Indirect Shareholder	Name of the Direct Shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	% total voting rights
SANDRA ORTEGA MERA	ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	5.00	0.00	5.00

Please specify the most significant changes in the shareholding structure during the fiscal year:

A.3. Please complete the following tables with details on those board members with voting rights in the company:

Director name	% voting rights attributed to the shares		% voting rights through financial instruments		% total voting rights	% voting rights that <u>can be transferred</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
ANA PALACIO VALLELERSUNDI	0.01	0.00	0.00	0.00	0.01	0.00	0.00
JOSÉ MARÍA FERNÁNDEZ SOUSA- FARO	6.43	4.65	0.00	0.00	11.08	0.00	0.00
VALENTÍN DE TORRES-SOLANOT DEL PINO	0.52	0.00	0.00	0.00	0.52	0.00	0.00
CARLOS SOLCHAGA CATALÁN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PEDRO FERNÁNDEZ PUENTES	0.62	3.87	0.00	0.00	4.49	0.00	0.00
MONTSERRAT ANDRADE DETRELL	4.65	0.00	0.00	0.00	4.65	0.00	0.00
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	5.00	0.00	0.00	0.00	5.00	0.00	0.00
EDUARDO SERRA Y ASOCIADOS, S.L.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CARLOS PAZOS CAMPOS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BLANCA HERNÁNDEZ RODRÍGUEZ	0.01	0.00	0.00	0.00	0.01	0.00	0.00
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% of Voting Rights Held by the Board of Directors	21.12
---	-------

Breakdown of the indirect shareholding:

Director Name	Name of the Direct Shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	% total voting rights	% voting rights that <u>can be transferred</u> through financial instruments
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	MONTSERRAT ANDRADE DETRELL	4.65	0.00	4.65	0.00
PEDRO FERNÁNDEZ PUENTES	SAFOLES, S.A.	3.87	0.00	3.87	0.00

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

Name of Related Party	Type of Relation	Brief Description
DON JOSÉ MARÍA FERNÁNDEZ SOUSA- FARO, DOÑA MONTSERRAT ANDRADE DETRELL	Family	José María Fernández Sousa-Faro is in a community property marriage with Montserrat Andrade Detrell, who is also a significant shareholder of the Company.
DOÑA MONTSERRAT ANDRADE DETRELL, DON JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	Family	Montserrat Andrade Detrell is in a community property marriage with José María Fernández Sousa-Faro, who is also a significant shareholder of the Company.

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

Name of Related Party	Type of Relation	Brief Description
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	Contractual	José María Fernández Sousa-Faro is the Executive Chairman of Pharma Mar, S.A. and has signed an agreement with the company for the provision of executive services.

Name of Related Party	Type of Relation	Brief Description
		The Board of Directors of Zeltia, S.A. granted prior approval to his execution of said agreement in its meeting on 26 February 2015, at the proposal of its Appointments and Compensation Committee, as required by Article 249 of the Spanish Capital Corporations Law ( <i>Ley de Sociedades de Capital - LSC</i> ), by the majority required therein. Said agreement -in which Pharma Mar, S.A. succeeded Zeltia, S.A. in its contractual position as a result of the takeover merger of Zeltia, S.A. by Pharma Mar, S.A.- details those items for which the top executive may be compensated for performing his executive duties (fixed annual compensation, variable annual compensation, special bonuses, attendance allowances, severance pay for termination of the agreement based on causes attributable to the company).

- A.6. Please describe the relationships, unless they are not significant for both parties, that exist between the significant shareholders or those represented on the board and the directors, or their representatives, in the case of body corporate directors.

Please explain, where appropriate, how the significant shareholders are represented. Please indicate specifically those directors who had been appointed on behalf of significant shareholders, those whose appointment had been proposed by significant shareholders, or who were related to significant shareholders and/or their group companies, specifying the nature of their relationships. In particular, please mention, where appropriate, the existence, identity and position of board members, or directors' representatives, of the listed company, who are also members of the governing body, or their representatives, in companies that hold a significant interest in the listed company or in group companies of such significant shareholders:

Name of the Associated Director or Representative	Name of Significant Associated Shareholder	Name of the group company of the significant shareholder	Description of the Relationship/Position
PEDRO FERNÁNDEZ PUENTES	SAFOLES, S.A.	SAFOLES, S.A.	Pedro Fernández Puentes is the controlling shareholder and a joint director of SAFOLES, S.A., as well as an executive director and Vice Chairman of the Board of Directors of Pharma Mar, S.A., also forming part of its employee workforce.

**A.7.** Please specify whether the company has been notified of any shareholder agreements that may affect it, in accordance with Articles 530 and 531 of the Spanish Capital Corporations Law. If so, please provide a brief description of such agreements and list the shareholders they bind:

Yes  
 No

Parties to the Shareholder	% Share Capital Affected	Brief Description of the Agreement	Expiration Date of the Agreement, if any
PHARMA MAR, S.A., SPECIALISED THERAPEUTICS INVESTMENTS PTY LET ATF THE SPECIALISED THERAPEUTICS UNIT TRUST	0.20	See section H.1	17/05/2021

Please specify whether the company is aware of any existing initiatives agreed by and among its shareholders. If so, please provide a brief description:

Yes  
 No

If any of the aforementioned agreements or agreed initiatives have been modified or terminated during the year, please expressly indicate such circumstances below:

**A.8.** Please specify whether any natural or legal person exercises or may exercise control over the company in accordance with Article 5 of the Spanish Securities Market Law (*Ley del Mercado de Valores*). If so, please provide details:

Yes  
 No

**A.9.** Please complete the following tables on the company's own shares:

At year end:

Number of Direct Shares	Number of Indirect Shares (*)	Total Percentage of Share Capital
691,988	869	0.31

(\*) Via:

Name of Direct Shareholder	Number of Direct Shares
GENOMICA, S.A. SOCIEDAD UNIPERSONAL	97
SYLENTIS, S.A. SOCIEDAD UNIPERSONAL	772
<b>Total</b>	<b>869</b>

**A.10.** Please describe the conditions and term of the current mandates in force made by the general shareholders meeting to the board of directors to issue, repurchase or transfer own shares:

See section H.1

**A.11.** Estimated Floating Capital:

	%
Estimated Floating Capital	78.57

**A.12.** Please identify any restrictions (according to the company's bylaws, the law in force or otherwise) on the transfer of securities and/or any other restrictions on voting rights. In particular, please describe the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market, as well as those authorization or prior notice systems that are applicable by sectoral legislation to the acquisitions or transfers of financial instruments of the company.

Yes  
 No

#### Description of the restrictions

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

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

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

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

- This restriction shall also apply to: (i) the maximum number of votes that may be cast –jointly or separately– by two or more corporate shareholders belonging to the same corporate groups; and (ii) the maximum number of votes that may be cast by a natural person shareholder and the company or companies, also shareholder(s), which are controlled by said natural person, whether cast jointly or separately.
- Those shares that belong to one holder, to a group of entities or to a natural or legal person, and the companies controlled by said natural or legal person, as well as all individuals or entities acting collectively with the aforementioned, shall be fully accounted for among the shares attending the Shareholders Meeting to obtain the necessary quorum in terms of capital required to hold the meeting, but at the time of voting, the aforementioned limit on the number of votes (25%) shall apply.
- Article 25.3 of the Bylaws states that the limit established in this section shall cover any material subject to a decision of the General Shareholders Meeting, including the appointment of directors by the proportional system, but excluding amendment of its Article 25, which shall in any case require the approval of a qualified majority of 75% of the capital present in person or by proxy, in first and second call.
- The limit shall be null and void when, following a public tender offer, the offeror has reached a percentage equal to or greater than 70% of the voting capital, unless said offeror was not subject to equivalent neutralization measures, or if such measures were not adopted, as provided in Article 527 of the Spanish Capital Corporations Law. The removal of the aforesaid limits shall be effective as of the date on which the settlement results of the offer are published in the Quotation Bulletin of the Madrid Stock Exchange.

**A.13.** Please indicate whether the general shareholders meeting has resolved to adopt measures to neutralize a takeover bid pursuant to the provisions of Law 6/2007.

- Yes  
 No

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

**A.14.** Please specify whether the company has issued securities that were not traded on a regulated market within the European Union.

- Yes  
 No

If so, identify the different share classes and list the rights and obligations inherent in each class:

#### Different Classes of Shares

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

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

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



**B. GENERAL SHAREHOLDERS MEETING**

**B.1.** Please identify any differences from the minimums provided for in the Spanish Capital Corporations Law (LSC) as regards the quorum for holding the general shareholders meeting and, if any, please provide details:

Yes  
 No

	% quorum different from that established in Art. 193 LSC for general matters	% quorum different from that established in Art. 194 LSC for special cases under Article 194 LSC
Quorum required in 1st call	50.00	50.00
Quorum required in 2nd call	0.00	25.00

**Description of differences**

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

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

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

**B.2.** Please specify and, where appropriate, provide details on any differences from the system set out in the Spanish Capital Corporations Law (LSC) for adopting corporate resolutions.

Yes  
 No

	Reinforced majority difference from that established in Article 201.2 LSC for cases provided in Art. 194.1 LSC	Other cases of reinforced majority
% established by the company for adopting resolutions	75.00	0.00

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

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

**B.3.** Please list the rules applicable to the amendment of the company's bylaws: In particular, describe the majorities required to amend the bylaws and, as the case may be, the rules established to protect shareholders' rights in the amendment of the bylaws.

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

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

1. The directors or, as the case may be, the shareholders issuing the proposal shall draft the full contents of the proposed amendment and shall issue a written report justifying said amendment.
2. The proposed amendments shall be clearly stated in the meeting notice, which shall also specify the shareholders' right to inspect, at the registered offices, the full text of the proposed amendment and the report on said amendment, as well as to request that said documents be delivered or sent to them free of charge.
3. The resolution shall be adopted by the General Shareholders Meeting in compliance with the quorums established by law and these Bylaws for holding the Meeting and adopting resolutions.
4. In any case, the resolution shall be drawn up as a public deed and registered in the Mercantile Registry and published in the Official Mercantile Registry Bulletin."

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

**B.4.** Please provide details on attendance at the general shareholders meetings held during the year reported on in this report and during the two preceding fiscal years:

Attendance Information

General Meeting Date	% Physical Attendance	% by Proxy	Electronic Vote	Other	Total
29/06/2017	22.99	15.77	0.00	0.00	38.76
Of which, Floating Capital	2.61	15.77	0.00	0.00	18.38
28/06/2018	23.14	10.21	0.00	0.00	33.35
Of which, Floating Capital	2.76	10.21	0.00	0.00	12.97
26/06/2019	18.83	13.51	0.02	0.10	32.46
Of which, Floating Capital	2.26	13.51	0.02	0.10	15.89

**B.5.** Please specify whether at the general shareholders meetings held during the year there was any item on the agenda which, for any reason whatsoever, was not approved by the shareholders:

- Yes  
 No

**B.6.** Please specify whether the bylaws establish any restrictions on the minimum number of shares required to attend the general shareholders meeting or on distance voting:

- Yes  
 No

Number of shares required to attend the general meeting	100
Number of shares required for distance voting	100

**B.7.** Please indicate whether it has been established that certain decisions, other than those laid down by law, involving an acquisition, transfer, contribution to another company of core assets or other similar corporate transactions, should be submitted for approval by the general shareholders meeting:

- Yes  
 No

**B.8.** Please provide the URL and access route for the information on corporate governance and the general shareholders meeting on the company's website, as required to be made available to shareholders through the Company's website:

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

Furthermore, information on the company's General Shareholders Meetings held by virtue of its status as a listed company can be accessed through Pharma Mar, S.A.'s website ([www.pharmamar.com](http://www.pharmamar.com)) by clicking on the "Shareholders and Investors" heading on the main page and under that heading, within the section titled "General Shareholders Meeting."

**C. COMPANY'S ADMINISTRATION STRUCTURE**

**C.1. Board of Directors**

C.1.1 Maximum and minimum number of directors provided for in the corporate bylaws and the number set by the general shareholders meeting:

Maximum Number of Directors	15
Minimum Number of Directors	3
Number of directors set by the meeting	11

C.1.2 Please complete the following table with details on the board members:

Director Name	Representative	Director Category	Position on the Board	Date of First Appointment	Date of Most Recent Appointment	Appointment Procedure
ANA PALACIO VALLELERSUNDI		Independent	DIRECTOR	28/07/2009	28/06/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO		Executive	CHAIRMAN	30/04/1986	28/06/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION
VALENTÍN DE TORRES- SOLANOT DEL PINO		Independent	DIRECTOR	28/06/2018	28/06/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION
CARLOS SOLCHAGA CATALÁN		Independent	DIRECTOR	30/06/2015	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION
PEDRO FERNÁNDEZ PUENTES		Executive	VICE CHAIRMAN	30/04/1986	28/06/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION
MONTserrat ANDRADE DETRELL		Shareholder-Appointed	DIRECTOR	30/06/2015	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION
ROSP CORUNNA	JOSÉ FRANCISCO	Shareholder-Appointed	DIRECTOR	16/07/2013	28/06/2018	GENERAL SHAREHOLDERS

Director name	Representative	Director Category	Position on the Board	Date of First Appointment	Date of Most Recent Appointment	Appointment Procedure
PARTICIPACIONES EMPRESARIALES, S.L.	LEYTE VERDEJO					MEETING RESOLUTION
EDUARDO SERRA Y ASOCIADOS, S.L.	EDUARDO SERRA REXACH	Other External	DIRECTOR	30/06/2015	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION
CARLOS PAZOS CAMPOS		Independent	INDEPENDENT COORDINATING DIRECTOR	26/06/2019	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION
BLANCA HERNÁNDEZ RODRÍGUEZ		Independent	DIRECTOR	26/06/2019	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER		Other External	DIRECTOR	26/06/2019	26/06/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION

Total Number of Directors	11
---------------------------	----

Please specify any departures, whether due to resignation, dismissal or for any other reason, from the Board of Directors during the reporting period:

Director name	Category of the director at the time of their removal	Date of Most Recent Appointment	Leaving date	Specialized committees of which they were a member	Please indicate whether the departure occurred before the end of the director's term of office
JAIME ZURITA SAÉNZ DE NAVARRETE	Independent	28/04/2015	26/06/2019	Audit Committee Appointments and Compensation Committee	NO
JEFPO, S.L.	Other External	30/06/2015	26/06/2019	Executive Committee Audit Committee	NO

C.1.3 Please complete the following tables with information on the board members and their respective categories:

EXECUTIVE DIRECTORS		
Director name	Position in the Company	Profile
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	CHAIRMAN	Bachelor's Degree in Chemical Sciences (1967) and PhD in Biochemistry (1971) from the Complutense University of Madrid. Between 1971 and 1979 he was associate professor and adjunct professor before later Professor of Biochemistry at the University of Santiago de Compostela. MBA from the I.E.S.E. Business School (University of Navarra) of Madrid. In 2009 he was awarded an honorary doctorate by the Antonio de Nebrija University and received the National Biotechnology Award in 2009. Career Path: Between 1967 and 1979 he worked at the following institutions: Institut für Physikalische Chemie of the University of Basel (Switzerland), Department of Molecular Biochemistry at the Washington University of St. Louis, Missouri (United States of America), and L'institut de biologie physico-chimique de la Fondation Edmond de Rothschild in France, ICI Pharmaceuticals Division, Alderley Edge Research Laboratories and Shell-Research Laboratories in Sittingbourne. He also has around 100 publications and patents in the biochemistry, molecular biology, anti-infective and anti-tumor areas. From 1979 to 1985 he was Research Director of Antibiotics, S.A. He has been part of the Boards of Directors of the following companies: Antibióticos, S.A.; ICI-Farma, S.A., Transportes Ferroviarios Especiales, S.A. (Transfesa), Pescanova, S.A., Cooper Zeltia, S.A., Biolys, S.A., ICI-Zeltia, S.A., Penibérica; S.A., Banco Guipuzcoano, S.A. and Zeltia, S.A. Current Occupation: Chairman of the Boards of Directors of Pharma Mar, S.A., Genomica, S.A. and Sylentis, S.A., all of them belonging to the Pharma Mar Group. Other Positions: Chairman of the Bankinter Foundation for Innovation.
PEDRO FERNÁNDEZ PUENTES	VICE CHAIRMAN	Bachelor's Degree in Chemical Sciences from the University of Santiago de Compostela. Career Path: Between 1965 and 1971 he worked as a laboratory manager for the development of new products at Cooper Zeltia, S.A, a company that he went on to head until it split into Cooper Zeltia Veterinaria, S.A. and Consumption Zeltia, S.A. (today Zelnova Zeltia, S.A.). Between 1995 and 1997 he was the Chairman of Xylazel S.A. He has been a member of the Boards of Directors of ICI Farma, S.A.; ICI- Zeltia, S.A.; Corporación Noroeste, S.A. and its main subsidiaries for approximately twenty years; and Zeltia since 1971. Current Occupation: Director and Vice-Chairman of Pharma Mar, S.A. and director of Sylentis, S.A.U.

Total Number of Executive Directors	2
% of Total Board	18.18

SHAREHOLDER-APPOINTED EXTERNAL DIRECTORS		
Director name	Name of significant shareholder represented by the director or who proposed the director's appointment	Profile
MONTSERRAT ANDRADE DETRELL	MONTSERRAT ANDRADE DETRELL	Bachelor's Degree in Biological Sciences (1975), in Medicine and Surgery (1983) and diploma in Family and Community Medicine (1983) from the Complutense University of Madrid. She obtained a Master's degree in Pathologie du Sein from the University of Strasbourg in France (1991), a postgraduate diploma in Mammary Pathology from the University of Barcelona (1992), a year later a Master's degree in the same specialty, and in 1996 the qualification of specialist in Senology and Breast Pathology from the Complutense University of Madrid She is a qualified supervisor of X-ray facilities for medical diagnosis from the Center for Energy and Environmental and Technological Research of the Ministry of Industry and Energy (1991). She also trained as a medical intern at the San Carlos University Hospital in Madrid (1985-1988). PhD from the San Carlos University of Madrid and Thesis from the Complutense University of Madrid with the Summa Cum Laude honor. She served as Director of Institutional Relations at Zeltia, S.A. from 2007 to 2012. Current Occupation: Current member of Pharma Mar, S.A.'s Board of Directors.
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	SANDRA ORTEGA MERA	Mr. Leyte Verdejo, the director's representative, has a Bachelor's Degree in Law and a Diploma in Economic and Business Sciences from the Pontifical University of Comillas (ICADE). Career Path: After completing his studies, Mr. Leyte Verdejo worked for four years at Arthur Andersen Asesores Legales y Tributarios. He then joined Barclays Bank and was appointed head of Deutsche Bank Private Banking for Galicia and Asturias. Before taking up his current position, he managed the Private Banking Division of Caixa Galicia. Current Occupation: Since 2000, he has headed up Rosp Corunna Participaciones Empresariales, S.L., the holding company set up by the family office of Rosalía Mera and now that of her daughter Sandra Ortega. Mr. Leyte Verdejo also collaborates with various academic institutions giving postgraduate courses. He has been an advisor to Zeltia, S.A. and is currently on the Board of Directors of Pharma Mar, S.A. representing Rosp Corunna Participaciones Empresariales, S.L.
Total Number of Shareholder-Appointed Directors		2
% of Total Board		18.18

INDEPENDENT EXTERNAL DIRECTORS	
Director name	Profile
ANA PALACIO VALLELERSUNDI	<p>B.A. in Law, Sociology and Political Science (Award for Academic Achievement). She holds an Honorary Doctorate Degree from Georgetown University and, in 2016, she was granted the O'Connor Justice Prize. Career Path: As a lawyer specializing in International and European Union Law, Arbitration and Mediation, she founded the law firm Palacio y Asociados. Member of the European Parliament (1994–2002), where she presided over the Legal Affairs and Internal Market Committee, the Justice and Home Affairs Committee and the Conference of Committee Chairs. Spanish Minister of External Affairs (2002–2004). Spanish Parliament Member in its 8th Term, during which time she chaired the Mixed Party Committee in the Spanish Parliament and in the Senate of the European Union (2004-2006). First Vice President – General Counsel of the World Bank Group (2006-2008). Secretary General of the International Centre for Settlement of Investment Disputes (ICSID) (2006-2008). Executive Vice President in charge of the International Department of Areva (2008-2009). In March 2012, she was appointed as the Elected Director of the State Council, a position which she held until October 2018. Other Boards of Directors: Independent Coordinating Director of Enagás; Director AEE Power. Other Positions: She is also a member of the Advisory Committees of INVESTCORP and OCP, and of the Boards of various research centers and international and foreign public institutions, including: - Energy Future initiative - MD Anderson Cancer Center - Atlantic Council of the United States - Conseil d'Orientation et de Réflexion de l'Assurance (CORA) - Advisory board of Sandra Day O'Connor Justice Prize - Global Leadership Foundation - Institute for Human Sciences - RAND EUROPE - ELN (European Leadership Network) - The Tocqueville Foundation. In Spain she is a member of the Scientific Board of the Elcano Institute, of the Board of Trustees of the Foundation for Social Studies and Analysis (FAES), member of the Governing Board of the Business Institute, European Council on Foreign Relations (ECFR) and US-Spain Council Foundation. Visiting professor at the Edmund E. Walsh School of Foreign Service at Georgetown University since 2014.</p>
VALENTÍN DE TORRES- SOLANOT DEL PINO	<p>Mr. Valentín de Torres-Solanot del Pino is a Spanish businessman and entrepreneur, and holds a Degree in Public Works Engineering from Madrid Polytechnic University and a Degree in Civil Engineering from the UCAM (Catholic University of Murcia). He has been a non-formal education lecturer at the EUITOP (Faculty of Civil Engineering) of the UPM and a formal education lecturer at the ETSECCP (Faculty of Civil Engineering) of the Polytechnic University of Catalonia (UPC). Career Path: His professional career started more than 30 years ago in different entrepreneurial projects, most of which he spearheaded himself, in different sectors (education, auxiliary construction, engineering), and in all of them he has been committed to sharing and transferring know-how, always demonstrating his concern with the environment, equal opportunities and the removal of barriers of all types. Current Occupation: He is the owner and Managing Director of Copredije S.A., a company that provides Coordination Engineering services, celebrated its 20th anniversary on 13 March 2018 and was the first Spanish engineering company to subscribe to the 10 principles of the Global Compact. As the owner, Mr. Valentín de Torres-Solanot del Pino delegates day-to-day management duties to his team of collaborators. He has knowledge of accounting and people, resources and business management. As a long-term investor, he supports initiatives in various fields, which include his time at the Zeltia Group company Noscira (formerly Neuropharma), where he was non-executive Vice-President and member of its Board of Directors. He is acquainted with the world of biopharmaceutical —specifically, oncology— research. He has made multiple investments in Spanish startups and some from other countries, contributing his experience and eclectic character as an added value. He is a founding member of E2IN2 S.A. and at present is coordinating Project CIVIE, which fully identifies with his concerns in different fields.</p>



INDEPENDENT EXTERNAL DIRECTORS	
Director name	Profile
CARLOS SOLCHAGA CATALÁN	<p>B.A. in Economic and Business Sciences from the Complutense University (1966). Completed graduate studies at the Alfred P. Sloan School of Business of the Massachusetts Institute of Technology (MIT) (1971). Career Path: He started his professional career at the Bank of Spain, moving on to work with the National Institute of Industry and the Vizcaya Bank, where he was appointed as director of the research department and adviser to the chairman Minister of Industry and Energy (1982–1985) and subsequently as the Minister of Economy and Taxation (1985–1993). From 1991 to 1993, he served as the Chairman of the Internal Committee of the International Monetary Fund (IMF). He also worked in the House of Representatives (1980–1994) and served as the Chairman of the socialist parliament group in 1993 and 1994. Current Occupation: Chairman of Solchaga Recio &amp; Asociados. Honorary Chairman of the Euroamerica Foundation. Honorary member of the Royal Board of Trustees of the Reina Sofia Museum. Chairman of the Architectural and Societal Foundation. Chairman of the Advisory Board of the law firm Roca &amp; Junyent. Member of the Scientific Board of the Royal Elcano Institute. Other Boards of Directors: Director of Cie Automotive, S.A.</p>
BLANCA HERNÁNDEZ RODRÍGUEZ	<p>Blanca Hernández Rodríguez has a Bachelor's Degree in Business and Economic Sciences from the University of Seville. She also has a Bachelor's Degree in Humanities from the European University of Madrid and a Master's Degree in Finance from the University College of Financial Studies (CUNEF). She is a member of the Board of Directors and of the Appointments and Compensation Committee and of the Audit Committee of Ebro Foods. Since 2006, she has served as the President of the Ebro Foods Foundation and has supported the company's Corporate Social Responsibility activities. She has in-depth knowledge in the areas of investment and stock markets, with over 20 years of experience in the financial sector. She started her professional career with the Arcalia Group and subsequently started up and managed a family office (Hisparroz Group). She is currently the Managing Director of Grupo Tradifín, S.L., a reference shareholder of Ebro Foods, and is the Managing Director and founder of Magallanes Value Investors, SGIC, S.A., an asset management company operating under a long-term value investment philosophy, with approximately €2,000m in assets under management in various collective investment undertakings. She is a member of the management board of IEAF. She is a trustee in several organizations including but not limited to the Capacis Foundation, Proyecto Hombre Association (Seville) and the Virgen de los Reyes Family Development Center (Seville). She is a member of the Advisory Board of Balía.</p>
CARLOS PAZOS CAMPOS	<p>Founding partner of King &amp; Wood Mallesons Spain. Lawyer with 30 years experience, specializing in domestic and international transactions. Throughout his professional career he has advised on all types of corporate transactions including acquisitions, transfers, venture capital investments and divestments, transactions in secondary markets (Takeovers and Public Stock Offers) and corporate restructuring. He has participated as a legal advisor in several of the country's most important M&amp;A transactions, some with a high international component (United States, France, United Kingdom, Portugal, Brazil, China, etc.). He is currently one of the coordinators advising foreign companies on their investments in Spain and Latin America and advising Spanish companies on their business in the Asia-Pacific region. He is currently responsible for the global strategy of King &amp; Wood Mallesons for Latin America. In recent years, he has held positions on the boards of directors of several companies, among the most significant are: • Director of Hidroeléctrica del Cantábrico S.A. (2001 - 2002) • Legal Counsel to the Board of Hidroeléctrica del Cantábrico S.A. (2002 - 2004) • Director of EDP Energía Ibérica S.A. (2004 - 2005) • Chairman and Managing Director of King &amp; Wood Mallesons S.A.P. (1999 - present).</p>

INDEPENDENT EXTERNAL DIRECTORS	
Director name	Profile
	Non-Director Secretary and Legal Counsel of Vocento S.A. (2013 - present) Education: • Bachelor's Degree in Law from the Complutense University of Madrid (1987) • LLM in High European Studies from College of Europe (Belgium) (1988) • LLM in International Business Law from the London School of Economics (United Kingdom) (honorable mention) (1989) Awards and distinctions: • PWC Award to the best paper in International Tax Law from London University (1989) Publications: • Current Legal Perspectives (Editorial Centro de Estudios Ramón Areces, 1995) • Spanish Commercial Law (Telecommunications) (Butterworths, 1992) • The Legal System of the Private European Unit Account (Instituto de Estudios Económicos, 1990) • Founder and Associate Editor of the magazine <i>Derecho de los Negocios</i> (Wolters Kluwer) Languages: Galician (bilingual), English (bilingual), French (bilingual), Portuguese (bilingual), Italian (intermediate level)

Total Number of Independent Directors	5
% of Total Board	45.45

Please indicate whether any independent director receives any amount or benefit beyond its compensation as a director from the company or any group company or whether any independent director holds or held a business relation during the last fiscal year with the company or any group company, whether on its own behalf or as a significant shareholder, director or senior executive of the entity that holds or held said relation.

If applicable, please include a reasoned statement from the board on the reasons they believe such director is able to perform his/her duties as an independent director.

Director name	Description of Relationship	Reasoned Statement
No data		

OTHER EXTERNAL DIRECTORS			
Please list other external directors and discuss the reasons they could not be considered shareholder-appointed or independent directors as well as any connections they may have with the company, its officers or its shareholders:			
Director name	Rationale	Related company, officer or shareholder	Profile
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	José Félix Pérez-Orive Carceller served, in his individual capacity, as a director of Pharma Mar since he was first appointed on 9 June 1993 up until 30 June 2015, on which date JEFPO, S.L. was appointed as a director and it designated José Félix Pérez-Orive Carceller to serve as its natural representative	PHARMA MAR, S.A.	Bachelor's Degree in Pharmacy from the University of Navarra and with a B.A. in Law, he completed an MBA in 1971 at the I.E.S.E. Business School in Barcelona, and an MSc in 1978 at Harvard Business School.

OTHER EXTERNAL DIRECTORS			
Please list other external directors and discuss the reasons they could not be considered shareholder-appointed or independent directors as well as any connections they may have with the company, its officers or its shareholders:			
Director name	Rationale	Related company, officer or shareholder	Profile
	<p>to exercise the duties inherent in its position as a member of the Board of Directors. It is worth noting that on 5 May 2014, Zeltia, S.A. and JEFPO, S.L. executed an agreement for the provision of consulting and mediation services in which Pharma Mar, S.A. succeeded Zeltia, S.A. in its contractual position as a result of the takeover merger of Zeltia, S.A. by Pharma Mar, S.A. Furthermore, and in accordance with the information included in the official registers of the CNMV, JEFPO, S.L. does not hold any ownership interest in the Company, although José Félix Pérez-Orive Carceller holds 2684 shares (representing 0.001%), according to the information he reported to the CNMV. Based on all of the above and on the provisions of Article 529 duodecies 4 LSC (in particular, the requirement that directors who have served for 12 consecutive years cannot be deemed independent), the Appointments and Compensation Committee classified JEFPO, S.L. as an external director of the Company.</p>		<p>Career Path: From 1979 to 1984 he was director of Antibióticos, S.A. in the U.S. and from 1984 to 1987 he was general manager in Spain. He has sat on around thirty boards of directors and has given around one hundred lectures for major institutions. He has been a member of the Board of Directors of Zeltia, S.A. since June 1990. Current Occupation: Since 1987 he has been in charge of Pérez-Orive &amp; Asociados, a company specialized in mergers and acquisitions. Director of Pharma Mar, S.A. and Director of Genomica, S.A., a Pharma Mar Group company.</p>
EDUARDO SERRA Y ASOCIADOS, S.L.	<p>EDUARDO SERRA Y ASOCIADOS, S.L., as represented by Mr. Eduardo Serra Rexach, has served as director of Pharma Mar, S.A. since it was first appointed on 30 June 2015.</p>	PHARMA MAR, S.A.	<p>B.A. in law from the Complutense University of Madrid. In 1974, he was registered as a Spanish State Attorney under qualification no. 1. Career Path:</p>

OTHER EXTERNAL DIRECTORS

Please list other external directors and discuss the reasons they could not be considered shareholder-appointed or independent directors as well as any connections they may have with the company, its officers or its shareholders:

Director name	Rationale	Related company, officer or shareholder	Profile
	<p>It should be noted that EDUARDO SERRA Y ASOCIADOS, S.L. previously served as director of Zeltia, S.A. from 27 June 2007 until its extinction, effective 30 October 2015, as a result of the takeover merger of Zeltia, S.A. by Pharma Mar, S.A. According to the provisions of Article 529 duodecies 4 LSC (in particular, the requirement that directors who have served for 12 consecutive years cannot be deemed independent), the Appointments and Compensation Committee considered that EDUARDO SERRA Y ASOCIADOS, S.L. had exceeded the applicable 12-year term and could not be deemed independent, so it was classified as an external director of the Company.</p>		<p>He has held various positions in the public sector: head of department of the Ministry of Industry and Energy (1977–1979); General and Board Secretary of the National Institute of Industry (1979–1982); Director of the Bank of Industrial Credit (1979–1982); Director of Butano (1979–1982); Vice Chairman of Astilleros Españoles (1979–1982); Chairman of Auxina (1979–1982); Deputy Secretary of Defense (1982–1984); State Secretary of Defense (1984–1987); Director of the National Institute of Industry (1984–1987); and Director of the National Institute of Hydrocarbons (1984–1987). Minister of Defense from 1996 to 2000. In the private sector, from 1987 to 1996, he was appointed as the Chairman of Telettra España; Vice Chairman and Chairman of Cubiertas Mzov; Chairman of Peugeot-Talbot Spain; and Chairman of Airtel. From 2000-2006, he served as the Chairman of UBS España. He has served as a member on the Board of Directors of Zeltia, S.A.</p> <p>During his professional career he also served as the Vice Chairman and Chairman of the National International Affairs and Foreign Policy Institute (INCIPE) (1989–1996),</p>

**OTHER EXTERNAL DIRECTORS**

Please list other external directors and discuss the reasons they could not be considered shareholder-appointed or independent directors as well as any connections they may have with the company, its officers or its shareholders:

Director name	Rationale	Related company, officer or shareholder	Profile
			General Manager, Vice Chairman and Chairman of the Foundation for Aid for Drug Users ( <i>Fundación de Ayuda contra la Drogadicción</i> ) (1987-1996), Chairman of the Royal Board of Trustees of the Prado Museum (2000–2004), Founding Chairman of the Royal Elcano Institute (2001–2005) and Chairman of the Everis Foundation (2005–2014). Current Occupation: Chairman of EVERIS. Chairman of the consulting firm Eduardo Serra y Asociados, S.L.; director of Pharma Mar, S.A.; and director, adviser and trustee in various non-profit organizations.

Total Number of Other External Directors	2
% of Total Board	18.18

Please specify any variations, if any, that have occurred in each director category during the year:

Director name	Date of change	Previous category	Current category
EDUARDO SERRA Y ASOCIADOS, S.L.	26/06/2019	Independent	Other External

C.1.4 Complete the following table with information on the number of female directors at closing of the last 4 fiscal years (including their category):

	Number of Female Directors				% of Total Directors of Each Category			
	Fiscal Year 2019	2018	2017	2016	2019	2018	2017	2016
Executive					0.00	0.00	0.00	0.00
Shareholder-Appointed	1	1	1	1	9.09	10.00	11.11	11.11
Independent	2	1	1	1	18.18	10.00	11.11	11.11
Other External					0.00	0.00	0.00	0.00
Total	3	2	2	2	27.27	20.00	22.22	22.22

C.1.5 Please indicate whether the company has diversity policies in relation to the board of directors of the company covering issues such as age, gender, disability, or professional training and experience. Small and medium-sized enterprises, in accordance with the definition contained in the Statutory Audit Law, will have to at least report the policy they have established on gender diversity.

- Yes  
 No  
 Partial policies

If yes, please describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results during the year. Please also explain specific measures adopted by the Board of Directors and the appointments and compensation committee to ensure a balanced and diverse representation of directors.

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

Description of the policies, objectives, measures and way in which they have been applied, as well as the results obtained.

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

In this regard, Article 14.2.b) of the Board of Directors Regulations establishes the duty of the Appointments and Compensation Committee to set representation goals for the least-represented gender on the Board of Directors and to develop guidelines on how to reach such objective.

Likewise, the Company has a director selection policy approved by its Board of Directors, which establishes that in the process of selecting candidates for the position of director, it will be based on an analysis of the needs of the Company and the Group companies, with any director able to suggest candidates provided they meet the requirements established in said policy. This policy provides that in the director selection process, the aim will be to identify candidates that offer diversity of knowledge, experiences and gender, that bring enlightening and pluralistic points of view to debates and decision-making. The process of selecting or reappointing directors is aimed at achieving a properly balanced Board of Directors, favoring diversity of knowledge, experiences, origins, nationalities and gender. In particular, the company's director selection policy aims to have female directors account for at least thirty percent of the total number of Board members by 2020.

As of 31 December 2019, the Board of Directors of Pharma Mar had three women among its eleven members (27.27% women), provided, however, that two out of the current eleven directors are body corporate directors (with the presence on the Board through their natural representatives designated by such corporate directors), so the percentage of female directors out of the overall number of individual directors (that is to say excluding the body corporate directors) is 33.33%. Furthermore, it should be noted that, as of the same date, 75% of the members of the Company's Appointments and Compensation Committee were women.

C.1.6 Please explain any measures followed by the appointments committee to ensure that the selection procedures did not have any implicit flaws that would prevent the selection of female directors and to ensure that the company specifically seeks out and includes women with the desired professional profile among the potential candidates and achieves a balance between male and female directors:

Explanation of measures

The Company does not have any requirement for membership on the Board which could constitute an implicit flaw preventing the selection of female directors. In this regard, Article 8.4 of the Board of Directors Regulations states that the Board of Directors shall aim to develop a Director selection policy and procedures that favor diversity as regards gender, experience and knowledge, ensuring that there are no implicit flaws that could result in any type of discrimination and, in particular, that promote the selection of female Directors. In particular, in accordance with the director selection policy approved by the Company's Board of Directors, the Company shall promote the objective of having female directors account for at least thirty percent of the total number of board members by 2020.

As set forth in the director selection policy approved by the Company's Board of Directors, candidates meeting the conditions set forth in section 4 of said policy will be identified, i.e. qualified professionals of good repute with recognized abilities, experience and proper training and whose appointment would contribute to diversity within the Board of Directors as regards knowledge, experience, origins, nationalities and gender.

During fiscal year 2019, the General Shareholders Meeting of 26 June 2019 reappointed Montserrat Andrade Detrell as shareholder-appointed director of the Company (in accordance with the proposal submitted by the Appointments and Compensation Committee), as well as Carlos Solchaga Catalán, as independent director, and EDUARDO SERRA Y ASOCIADOS, S.L. as an external director. The General Meeting also appointed Carlos Pazos Campos and Blanca Hernández Rodríguez as new independent directors of the Company, as proposed by the Appointments and Compensation Committee, and appointed José Félix Pérez-Orive Carcelleras (who previously served as the natural representative of JEFPO, S.L. on the Board of Directors) as a new external director. The Appointments and Compensation Committee has verified the fulfillment in 2019 of the director selection policy, concluding that the current composition of the Board of Directors, in terms of number of members, structure and professional competences of its members, meets the present needs of the Company.

If despite the measures taken, as the case may be, there are few or no female directors, please explain the reasons that justify such circumstances:

#### Explanation of the reasons

As of 31 December 2019, the Board of Directors of Pharma Mar had three women among its eleven members, a number that cannot be considered insignificant or non-existent, bearing in mind that it represents 27.27% of the total members of the Board of Directors. Furthermore, two out of the eleven directors of Pharma Mar, S.A. are body corporate directors (with the presence on the Board through their natural representatives designated by such corporate directors), so the percentage of female directors out of the overall number of individual directors (that is to say excluding the body corporate directors) is 33.33%. Additionally, it should be noted that, as of the same date, 75% of the members of the Company's Appointments and Compensation Committee were women.

There are no requirements to act as a Board member which could constitute an implicit flaw preventing women from forming part of such body. Including women on the Company's Board of Directors and looking for women to carry out the position of directors of the Company is a reality, as evidenced by the established Director selection policy, and there are no obstacles that would prevent women from becoming directors of the Company. The Company's Board of Directors, following the advice and report of the Appointments and Compensation Committee, shall analyze the needs of the Company and its Group companies when covering vacancies in director positions. Any director may suggest candidates for the position of director, provided said candidates meet the requirements set forth in the selection policy, and the selection process shall not suffer from any implicit biases that could result in any type of discrimination.

In any case, candidates whose appointment would contribute to diversity within the Board of Directors as regards knowledge, experience, origins, nationalities and gender will be promoted. The Pharma Mar Group shows a continuing concern for the participation of women in management positions at all levels, as evidenced by the fact that there are currently three women on the Board of Directors.

Furthermore, in 2019, the Pharma Mar Group's workforce comprised 58% women and women accounted for 37.2% of executive positions.

**C.1.7 Please explain the conclusions made by the appointments committee as regards verification of compliance with the director selection policy. And, in particular, explain how said policy promotes the objective of having female directors account for at least 30% of the total number of board members by 2020.**

The Appointments and Compensation Committee has verified the fulfillment in 2019 of the director selection policy, concluding that the current composition of the Board of Directors, in terms of number of members, structure and professional competences of its members, meets the present needs of the Company.

In 2019, Carlos Pazos Campos, Blanca Hernández Rodríguez and José Félix Pérez-Orive Carceller were appointed as members of the Board of Directors of the Company, following the provisions of the director selection policy. The application of said Policy on the selection procedure for the new Directors took into account, among other things, the criterion of possessing adequate professional knowledge and experience, considering that only persons with experience and proper training should be appointed who could show the right degree of commitment to the demands of their position and be willing, based on their personal circumstances, to devote sufficient time to the proper performance of their tasks, and who had the appropriate professional knowledge and experience to perform their duties.

Furthermore, the General Shareholders Meeting of 26 June 2019 reappointed Carlos Solchaga Catalán as Independent Director of the Company (in accordance with the proposal submitted by the Appointments and Compensation Committee), as well as Montserrat Andrade Detrell, as shareholder-appointed director, and EDUARDO SERRA Y ASOCIADOS, S.L. (represented by Mr. Eduardo Serra Rexach) as an external director.

The proposals and reports for the appointment and reappointment of directors that the company has published on its website, which were submitted to the Annual General Shareholders Meeting held on 26 June 2019, based on the criteria that define the profile and requirements considered appropriate to carry out the position of director, have established the qualities, duties and experience that should be met by the appropriate directors to hold the position and have assessed and applied them in the directors appointment and reappointment process. These proposals and reports for the appointment and reappointment of directors, that were submitted to the Annual General Shareholders Meeting for approval, are available on the company's corporate website.

It is worth noting that the company's director selection policy aims to have female directors account for at least thirty percent of the total number of Board members by 2020. As of 31 December 2019, the Board of Directors of Pharma Mar had three women among its eleven members (27.27% women). It should be noted that two out of the eleven directors of Pharma Mar, S.A. are body corporate directors (with the presence on the Board through their natural representatives designated by such corporate directors), so the percentage of female directors out of the overall number of individual directors (that is to say excluding the body corporate directors) is 33.33%. Furthermore, as of the same date, 75% of the members of the Appointments and Compensation Committee and half of the significant shareholders of the Company were women (Montserrat Andrade Detrell and Sandra Ortega Mera, the latter through Rosp Corunna Participaciones Empresariales S.L., company that is also a director of Pharma Mar).

C.1.8 If applicable, please explain the reasons for the appointment of any shareholder-appointed directors at the request of shareholders with less than 3% of share capital:

Name of Shareholder	Rationale
No data	

Please specify whether formal requests from shareholders for membership on the board were not honored when their ownership interest is equal to or exceeds that of other shareholders whose proposal for shareholder-appointed directors was honored. If so, please explain why the aforementioned requests were not met:

Yes  
 No

C.1.9 Please specify, if applicable, the powers and authorities delegated by the Board of Directors to directors or to Board committees:

Name of the Director or Committee	Brief Description
JOSÉ MARÍA FERNÁNDEZ SOUSA- FARO	José María Fernández Sousa-Faro holds a power of attorney by virtue of a deed granted on 13 November 1992 before the Madrid Notary Public, Antonio de la Esperanza Martínez-Radio, under number 3694 of his official records, and may act for and on behalf of the company with the powers granted to him, including but not limited to the following: (i) use of the corporate signature and representation of the Company in its transactions with the Bank of Spain or with any other banking or credit institution; (ii) resolve upon the execution of all types of deeds or agreements deemed necessary or convenient for the performance of the corporate purpose and, in general, adopt resolutions on all types of transactions and business that may be performed by the Company in accordance with the Bylaws; and (iii) request and obtain for the Company, and acquire, dispose of and use patents, privileges, licenses and any other rights related to the corporate purpose. José María Fernández Sousa-Faro also currently provides executive services to the company by virtue of an agreement executed on 26 February 2015 with Zeltia, S.A., in which Pharma Mar succeeded Zeltia by operation of law as a result of the merger between the aforementioned companies in October 2015.



Name of the Director or Committee	Brief Description
EXECUTIVE COMMITTEE	It has been delegated all the powers corresponding to the Board of Directors, except matters that, according to the bylaws or the law in force, must be reserved for the knowledge of the Board itself.

C.1.10 Please identify any board members who assume positions as directors, director proxies or officers in other companies in the group of which the listed company is the parent:

Director name	Name of group company	Position	Executive Duties?
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	GENOMICA, S.A. SOCIEDAD UNIPERSONAL	CHAIRMAN OF THE BOARD OF DIRECTORS	YES
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	SYLENTIS, S.A. SOCIEDAD UNIPERSONAL	CHAIRMAN OF THE BOARD OF DIRECTORS	YES
PEDRO FERNÁNDEZ PUENTES	SYLENTIS, S.A. SOCIEDAD UNIPERSONAL	DIRECTOR	NO
JOSÉ FÉLIX PÉREZ- ORIVE CARCELLER	GENOMICA, S.A. SOCIEDAD UNIPERSONAL	DIRECTOR	NO

It should also be noted that Pedro Fernández Puentes, José María Fernández Sousa-Faro and ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L. also served as directors of Zelnova Zeltia, S.A. until 28 June 2019, on which date the effective sale and transfer by Pharma Mar, S.A. of the shares of its subsidiary, Zelnova Zeltia, S.A., was executed in favor of the companies Allentia Invest, S.L. and Safoles, S.A., at which time the above-named directors resigned from their position in Zelnova Zeltia, S.A.

C.1.11 Please specify the directors natural representatives of corporate directors of the company, if any, that have notified the company of their membership, as directors or representatives of corporate directors, on the board of directors of other companies (excluding of other group companies) listed on official securities markets in Spain:

Director Name	Name of Listed Company	Position
ANA PALACIO VALLELERSUNDI	ENAGAS, S.A.	INDEPENDENT COORDINATING DIRECTOR
CARLOS SOLCHAGA CATALÁN	CIE AUTOMOTIVE, S.A.	DIRECTOR
PEDRO FERNÁNDEZ PUENTES	INGERCOVER, S.A. SICAV	CHAIRMAN
BLANCA HERNÁNDEZ RODRÍGUEZ	EBRO FOODS, S.A.	DIRECTOR

C.1.12 Please specify whether the company has established any rules on the maximum number of corporate boards on which its directors can hold seats, providing details, if applicable, of where this is regulated:

Yes

No

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

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

C.1.13 Please specify the amounts of the following items related to the total compensation of the board of directors:

Compensation earned during the year in favor of the Board of Directors (in thousands of euros)	3,566
Amount of accumulated pension rights of current directors (in thousands of euros)	660
Amount of accumulated pension rights of former directors (in thousands of euros)	

C.1.14 Please identify senior managers that do not also serve as executive directors and indicate the total compensation earned thereby during the year:

Name	Position(s)
MARÍA LUISA DE FRANCIA CABALLERO	CHIEF FINANCIAL OFFICER
BELÉN SOPESÉN VERAMENDI	DIRECTOR OF MARKET RESEARCH
JOSÉ LUIS MORENO MARTÍNEZ- LOSA	DIRECTOR, INVESTOR RELATIONS AND CAPITAL MARKETS
JUAN CARLOS VILLALÓN GÓMEZ	INTERNAL AUDITOR
LUIS MORA CAPITÁN	MANAGING DIRECTOR, ONCOLOGY BUSINESS UNIT
JUAN GÓMEZ PULIDO	GENERAL AND BOARD SECRETARY
MARIA CONCEPCIÓN SANZ LÓPEZ	GENERAL COUNSEL TO BUSINESS
Total senior management remuneration (in thousands of Euros)	
	2,130

Sebastián Cuenca Miranda served as the General and Board Secretary of Pharma Mar until 26 July 2019 when he tendered his resignation.

C.1.15 Please specify whether the board of directors regulations were amended during the year:

- Yes  
 No

C.1.16 Please specify the procedures for the appointment, reappointment and removal of Directors:  
Provide details on the competent bodies, steps to follow and criteria applied in each procedure.

See section H.1

**C.1.17** Please explain to what extent the annual assessment of the Board of Directors led to significant changes in the internal organization and procedures applicable to its activities:

**Description of changes**

The outcomes of the annual assessment of the Board of Directors and its Committees during fiscal year 2019 has not led to changes in the internal organization of the Board or its committees, nor to the procedures applicable to its activities.

Please describe the assessment process and the areas assessed by the Board of Directors with the assistance, as the case may be, of an external consultant, as regards the functioning and the composition of the Board and its committees and any other area or aspect that has undergone assessment.

**Description of the assessment process and assessed areas**

In accordance with Article 17 bis of the Company's Board of Directors Regulations, the Board is required to annually assess work quality, conduct of its Chairman based on the report drafted for such purpose by the Appointments and Compensation Committee, and the functioning of its Committees, following which the Board proposes an action plan to correct any deficiencies identified. The Chairman of the Board of Directors is in charge of organizing and coordinating the aforementioned assessment process with the Chairmen of the Committees. Assessment of the Executive Chairman's performance is directed by the Coordinating Director.

With a view to bringing the Company's practices in line with best international practices, the Board of Directors, at the proposal of the Appointments and Compensation Committee, hired Mercer Consulting, S.L.U. as an external consultant to assist with the assessment process in fiscal year 2019. The assessment for this fiscal year was completed based on an analysis of the Company's corporate governance information, a questionnaire submitted to all of the directors, and personal interviews with the Chairman of the Audit Committee and of the Appointments and Compensation Committee, as well as with the Coordinating Director.

The assessment process focused on the following aspects: structure, composition and functioning of the Board and its Committees during fiscal year 2019. The results of the assessment process are comprised of three different aspects:

- monitoring of the 2017 Action Plan
- analysis of the aspects and actions proposed based on the assessment of the Board of Directors
- conclusions and Action Plan for improving operations of the Board and its committees

The findings report was submitted to the Board of Directors at its meeting on 26 February 2020.

Furthermore, the Board of Directors, following the proposal and report of the Appointments and Compensation Committee, performed the assessment of the Executive Chairman for fiscal year 2019.

**C.1.18** Please detail those years in which the assessment was assisted by an external consultant, the business relationships that the consultant or any group company maintains with the company or any group company.

The company's Appointments and Compensation Committee verified the independence of the external consultant (Mercer Consulting, S.L.U.), who maintains no business relationship with Pharma Mar or any of its group companies.

**C.1.19** Please specify the situations in which the board members are required to resign.

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

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

- (a) If they are involved in any circumstance of incompatibility or prohibition provided by law, the Corporate Bylaws or these Regulations.
- (b) If their continued membership on the Board could put at risk or harm the Company's interests, credit or reputation.
- (c) When they no longer hold an executive position to which their appointment was linked or, in general, when the reasons for their appointment no longer exist (e.g. when the shareholder represented by a Director disposes of its shareholding in the Company that motivated the Director's appointment).
- (d) When the Director has missed four consecutive Board meetings without granting a proxy to another Board member.

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

**C.1.20 Are qualified majorities other than those established by law required for any specific type of decision?**

Yes

No

If so, please describe the differences:

Description of differences
----------------------------

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

**C.1.21 Please state whether there are any specific requirements, other than those relating to directors, for appointment as chairman of the board of directors.**

Yes

No

**C.1.22 Please specify whether the bylaws or board regulations establish any limit as to the age of the directors:**

Yes

No

The Board Regulations, the amended and restated text of which was approved by the Board of Directors at its meeting on 26 February 2020, have eliminated the age limit of 75 at which age directors were required to tender their resignation to the Board of Directors.

**C.1.23 Please specify whether the bylaws or the board regulations establish any limit or other additional requirements more stringent than those legally provided for to the mandate of independent directors, beyond that provided by law:**

Yes

No

**C.1.24 Please specify whether the bylaws or the board of directors regulations establish specific rules for granting proxies on the board of directors in favor of other directors, including as regards the manner for granting proxies and, in particular, the maximum number of proxies that any single director may hold, as well as whether they establish any restrictions on the category of director to which they can be granted, beyond those legally mandated restrictions. If so, please briefly describe the rules.**

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

As regards any restrictions on the category of directory to which proxies may be granted, the aforesaid Bylaw provision (and Article 17.1 of the Board Regulations) states that, in accordance with Article 529 quater 2 LSC, Non-Executive Directors may only grant proxies to other Non-Executive Directors.

C.1.25 Please specify the number of meetings held by the board of directors during the year.

In addition, please identify the number of times the board met, if any, without the attendance of the chairman. Proxies granted with specific instructions shall be considered in attendance for calculation purposes.

Number of Board Meetings	11
Number of Board Meetings without Attendance of the Chairman	0

Please specify the number of meetings held by the coordinating director with the rest of the directors, without the attendance or representation of any executive director:

Number of Meetings	2
--------------------	---

Please specify the number of meetings held by the different board committees during the year:

Number of Meetings of the AUDIT COMMITTEE	8
Number of Meetings of the APPOINTMENTS AND COMPENSATION COMMITTEE	7
Number of Meetings of the EXECUTIVE COMMITTEE	5

One of the eight meetings of the Audit Committee was held in writing in lieu of a meeting.

The Coordinating Director through 26 June 2019, Jaime Zurita Sáenz de Navarrete, held two informal meetings with different members of the Board without executive duties.

C.1.26 Please specify the number of meetings held by the board of directors during the year and attendance information for their members:

Number of meetings with the physical attendance of at least 80% of the directors	11
Physical Attendance as a Percentage of Total Votes During the Year	97.41
Number of meetings with physical attendance, or proxies granted with specific instructions, of all the directors	11
% of votes cast with physical attendance and proxies granted with specific instructions, of total votes during the year	100.00

C.1.27 Please specify whether the annual individual and consolidated financial statements presented to the board for approval were previously certified:

- Yes  
 No

Please specify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for their preparation by the board:

C.1.28 Please explain any mechanisms established by the board of directors to prevent the individual and consolidated financial statements prepared by the board from being submitted to the general meeting with a qualified audit opinion.

It is worth noting, first, that the audit reports on the individual and consolidated financial statements for fiscal year 2019 did not include any reservations.

The mechanisms established by the Board of Directors are derived from the powers assigned to the Audit Committee which, in accordance with Article 13.2 of the Board Regulations, include, *inter alia*: (i) the duty to oversee the effectiveness of the Company's internal controls, internal audit and risk management systems, as well as to discuss any significant weaknesses identified in the internal control system during the audit with the statutory auditor, all without compromising the independence thereof; (ii) monitoring the process for drafting and presenting the required financial information and submitting recommendations or proposals to the management body with a view to ensuring the integrity of such information; and (iii) ensuring that the Board of Directors presents the financial statements to the General Shareholders Meeting without giving rise to any restriction or reservation whatsoever in the audit report.

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

C.1.29 Is the secretary of the board a director?

- Yes  
 No

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

Name of Secretary	Representative
JUAN GÓMEZ PULIDO	

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

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

- To refer proposals for the selection, appointment, reappointment and removal of the statutory auditor, taking responsibility for the selection process in accordance with the provisions of applicable regulations, as well as for the hiring conditions thereof, to the Board of Directors, and regularly gather information from the external auditor on the auditing plan and execution thereof, in addition to maintaining its independence in carrying out its duties.
- To establish the relevant relationships with the external auditor in order to receive information on all matters which may threaten their independence, to be examined by the Committee, as well as on any other matters related to the auditing of the accounts, and, as applicable, on the authorization of services other than those services prohibited under the terms set forth in applicable regulations on the independence regime, including all communications as provided for by statutory auditing legislation and standards.

In any event, the Committee shall receive an annual statement from the external auditors on their independence in relation to the company or any of its directly or indirectly related entities. This report shall include detailed and personalized information on additional services of any nature that were provided together with the applicable fees received from such entities by either the external auditor or other persons or entities related thereto, in accordance with the applicable regulations governing statutory auditing.

- To issue an annual report, prior to issuance of the audit report, expressing an opinion on whether the independence of the statutory auditors or audit firms is compromised. This report shall, in any event, include a reasoned assessment of the value of each of the additional non-auditing services referred to in the preceding paragraph, accounted for both individually and collectively, in relation to independence requirements or statutory auditing regulations.
- To ensure that compensation of the external auditor does not compromise quality or independence.
- To ensure that the external auditor holds an annual meeting with a plenary session of the Board of Directors in order to inform them of the work performed and the financial position of and risks faced by the Company.
- To ensure that the Company and the external auditor respect rules in force on the provision of non-auditing services, limits on the concentration of the auditor's business and, in general, any other rules on the independence of the auditors.

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

On the other hand, the Investor Relations and Capital Markets Department is tasked with maintaining communications with institutional shareholders and financial analysts that cover the shares of Pharma Mar, making sure not to provide them with any insider information as regards the rest of the shareholders, in accordance with Article 30 of the Board of Directors Regulations and with the Company's policy on communication and relationships with shareholders, institutional investors and voting advisors, as approved by the Board of Directors and published on the Company's website.

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

- Yes  
 No

If there were any disagreements with the outgoing auditor, please provide an explanation:

- Yes  
 No

C.1.32 Please specify whether the audit firm provides any non-audit services to the company and/or its group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or group:

- Yes  
 No

	Company	Group Companies	Total
Amount for Non-Audit Services (in thousands of euros)	436	0	436
Amount for Non-Audit Services / Amount for Audit Services (%)	75.90	0.00	75.90

C.1.33 Please specify whether the audit report on the annual financial statements for the preceding fiscal year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to the shareholders in the General Meeting to explain the content and scope of the aforementioned qualified opinion or reservations.

Yes  
 No

C.1.34 Please provide details on the number of consecutive years for which the current audit firm has been auditing the individual and/or consolidated annual financial statements of the company. Furthermore, please specify the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of Consecutive Years	24	24

	Individual	Consolidated
Number of Years Audited by the Current Audit Firm / Number of Years the Company or its Group have been Audited (%)	80.00	80.00

C.1.35 Please specify whether there is a procedure for providing information to directors to allow them to prepare for meetings of management bodies with sufficient notice. If so, explain the procedure:

Yes  
 No

#### Explanation of procedure

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

Article 16.2 of the Regulations states that the annual meetings shall be called by letter or e-mail issued by the Secretary at the demand of the Chairman or the Acting Chairman. The meeting notice shall be made at least five days in advance, except as provided in Article 3.3 of the Regulations, and shall include the agenda for the meeting, which shall clearly list the agenda items on which the Board must make a decision or pass a resolution. Thus, and in accordance with regulatory provisions, to ensure that meetings are properly prepared and with a view to ensuring that the Directors have all necessary information, the Chairman shall establish an agenda for all Board meetings. This agenda, together with all documents related thereto, is sent by the Board Secretary, usually by e-mail, at least five days before the date set for the meeting.

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

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

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

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



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

C.1.36 Please specify whether the company has established any rules that require directors to report on and, if applicable, resign in any circumstances that may harm the company's credit and reputation. If so, provide details:

Yes  
 No

Explanation of rules

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

Furthermore, Article 19.2 of the Board Regulations provides that the Directors shall tender their resignation to the Board of Directors and formalize said resignation, if deemed appropriate, when they are involved in any circumstance of incompatibility or prohibition provided by law, the Bylaws or the Regulations.

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

C.1.37 Please specify whether any member of the board of directors has notified the company that he or she has been tried, or notified that judiciary proceedings have been filed, for any offenses established in Article 213 of the Spanish Capital Corporations Law.

Yes  
 No

C.1.38 Please give details on any significant agreements entered into by the company that would enter into force, be amended or concluded in the event of a change in control of the company as a consequence of a public tender offer, and the effects thereof.

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

C.1.39 Please identify individually and in detail, when referring to directors, and on an aggregate basis in all other cases, the agreements between the company and its executive and management positions or employees who benefit from indemnities, or guarantee or golden parachute clauses, upon their resignation or wrongful dismissal, or if the contractual relationship comes to an end due to a public tender offer or any other type of transaction.

Number of Beneficiaries	1
Type of Beneficiary	Description of Agreement
Executive Chairman	As regards the Executive Chairman, the contract for the provision of executive services between the Company and the Chairman shall remain in force for as long as the Executive Chairman continues to hold such position on the Board of Directors and to serve as the top executive of the Company, bearing in mind that the contract may be terminated by mutual agreement of the parties, by unilateral voluntary resignation of the Executive Chairman, for causes attributable to the Company and due to death, legal incapacity, total permanent or other significant incapacity of the Executive Chairman, or temporary incapacity or inability to perform his duties for a period longer than twelve months.

Type of Beneficiary	Description of Agreement
	The Executive Chairman shall have the right to receive a severance payment equivalent to 1.5 times the gross annual Regulated Compensation (defined as the arithmetic mean of the total amount of annual fixed compensation, annual variable compensation and attendance allowances accrued during each of the two full fiscal years immediately preceding the contract termination date) if his contract as the top executive is terminated for any cause attributable to the Company (whether by unilateral voluntary termination by the Company –e.g. removal or non-reappointment of the director or revocation of authorities or powers without subsequently and immediately appointing, delegating or granting analogous authorities or powers in the Company or, in the case of an intragroup merger, in the absorbing company–, or by significant amendment to the duties or conditions for providing services, including the succession of the Company or a significant change in ownership thereof that has the effect of changing the composition of its governing bodies or the content and focus of its primary activity, unless the contract is assigned by the Company to any other Group company).

Please specify beyond the cases provided by law whether the governing bodies of the company or its group must be notified of and/or approve these agreements. If so, please specify the procedures, cases contemplated and the nature of the bodies responsible for their approval or reporting:

	Board of Directors	General Meeting
Body Authorizing the Clauses	√	
	Ye	No
Are the clauses reported to the general shareholders meeting?	√	

## C.2. Board Committees

C.2.1 Please provide details on all board committees, their members and the proportion of executive, shareholder-appointed, independent and other external directors on the committees:

AUDIT COMMITTEE		
Name	Position	Category
ANA PALACIO VALLELERSUNDI	MEMBER	Independent

AUDIT COMMITTEE		
Name	Position	Category
CARLOS SOLCHAGA CATALÁN	MEMBER	Independent
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	MEMBER	Shareholder-Appointed
JOSÉ FÉLIX PÉREZ-ORIVE CARCELLER	MEMBER	Other External
VALENTÍN DE TORRES-SOLANOT DEL PINO	CHAIRMAN	Independent

% executive directors	0.00
% shareholder-appointed directors	20.00
% independent directors	60.00
% other external directors	20.00

Please explain the duties, including, where appropriate, those additional to those provided by law, attributed to this committee, and describe the procedures and rules followed regarding its organization and operation. Please indicate for each of these duties the most important actions during the year and how it has exercised in practice each of the duties attributed to it, whether by the law or by the bylaws or other corporate resolutions.

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

- (a) To notify the General Shareholders Meeting regarding matters arising within the scope of the Committee's competencies.
  - (b) To supervise the effectiveness of the company's internal controls, internal auditing and risk management systems, including tax systems, as well as discuss with auditors any significant weaknesses in the internal control system detected during the audit.
  - (c) To monitor the preparation and presentation of all required financial information.
  - (d) To refer proposals for the selection, appointment, reappointment and removal of the external auditor, as well as on the hiring conditions thereof, to the Board of Directors, and regularly gather information from the external auditor on the auditing plan and execution thereof, in addition to maintaining its independence in carrying out its functions.
  - (e) To establish the relevant relationships with the external auditor in order to receive information on all matters which may place their independence at risk, to be examined by the Committee, as well as on any other matters related to the auditing of the accounts, including all communications as provided for by accounting and auditing legislation and standards. In any event, the external auditors shall issue an annual statement on their independence in relation to the company or any of its directly or indirectly related entities, including information on additional services of any nature that were provided together with the applicable fees received from such entities by either the external auditor or other persons or entities related thereto, as set forth in applicable legislation on the auditing of accounts.
  - (f) To issue an annual report, prior to issuance of the auditors' report, expressing an opinion on the independence of the statutory auditor. This report shall, in any event, include an assessment of the value of the additional non-auditing services referred to in the preceding paragraph, accounted for both individually and collectively, in relation to independence requirements or auditing regulations.
  - (g) To provide the Board of Directors with advance notice regarding all matters provided for by law, the Bylaws and these Regulations and in particular, regarding:
    1. All financial information that the Company must periodically make public.
    2. The creation or acquisition of shares in special purpose vehicles or companies incorporated in foreign countries or territories that are considered tax havens.
  - (h) To ensure that the Board of Directors works to present the financial statements to the General Shareholders Meeting without any restriction or reservation in the audit report.
- Furthermore, the Committee shall exercise duties related to the reporting and internal control systems and to the external auditor, including:
- (a) To supervise the preparation process and the integrity of the financial information relating to the company and, as the case may be, to the group, reviewing compliance with regulatory requirements, the proper scope of the consolidated group and the correct application of accounting principles.
  - (b) To ensure the independence of the internal auditing unit; propose the selection, appointment, reappointment and removal of the party responsible for the internal auditing services; propose the budget for such service; approve the direction and plans for its services to ensure that the activity focuses primarily on relevant risks for the company; receive regular reports on its activities; and verify that Senior Management takes the conclusions and recommendations of such reports into account.
  - (c) To establish and monitor a mechanism that allows employees to communicate, confidentially, any potential significant irregularities, in particular financial and accounting irregularities, observed from within the company.
  - (d) To examine the circumstances leading to any resignation of the external auditor.

(e) To ensure that compensation of the external auditor does not compromise quality or independence.

(f) To oversee that the company reports the change of auditor as a material event to the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores - CNMV*), which shall be accompanied by a statement on any potential disagreements with the outgoing auditor and, if any, the content thereof.

(g) To ensure that the external auditor holds an annual meeting with a plenary session of the board of directors in order to inform them of the work performed and the financial position of and risks faced by the company.

(h) To ensure that the company and the external auditor respect rules in force on the provision of non-auditing services, limits on the concentration of the auditor's business and, in general, any other rules on the independence of the auditors.

(continued in section H.1)

Please identify all the directors on the audit committee whose appointments were made based on their knowledge and experience in the areas of accounting, auditing or both and state the appointment date of the Chairman of this committee to this position.

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

APPOINTMENTS AND COMPENSATION COMMITTEE		
Name	Position	Category
ANA PALACIO VALLELERSUNDI	CHAIRMAN	Independent
MONTSERRAT ANDRADE DETRELL	MEMBER	Shareholder-Appointed
EDUARDO SERRA Y ASOCIADOS, S.L.	MEMBER	Independent
BLANCA HERNÁNDEZ RODRÍGUEZ	MEMBER	Independent

% executive directors	0.00
% shareholder-appointed directors	25.00
% independent directors	75.00
% other external directors	0.00

Please explain the duties, including, where appropriate, those additional to those provided by law, attributed to this committee, and describe the procedures and rules followed regarding its organization and operation. Please indicate for each of these duties the most important actions during the year and how it has exercised in practice each of the duties attributed to it, whether by the law or by the bylaws or other corporate resolutions.

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

- To assess the skills, knowledge and experience needed on the Board of Directors. For such purpose, the Committee shall define the functions and skills necessary in the candidates to cover each vacancy and evaluate the time and dedication required in order that they may properly perform their mandate.
- To establish a representation goal for the least-represented gender on the Board of Directors and develop guidelines on how to reach such objective.
- To raise all proposals for the appointment of Independent Directors to the Board of Directors for their appointment by co-optation or by submission to the decision of the General Shareholders Meeting, as well as all proposals for the reappointment or removal of said Directors by the General Shareholders Meeting.
- To report on all proposals for the appointment of the remaining Directors by co-optation or by submission to the decision of the General Shareholders Meeting, as well as on all proposals for their reappointment or removal by the General Shareholders Meeting.
- To report on proposals for the appointment or removal of senior executives as well as to report on or propose the basic terms of their contracts.
- To assess and coordinate the succession of the Chairman of the Board of Directors and of the Company's top executive and, as the case may be, develop proposals for the Board of Directors such that said succession may be completed as smoothly and orderly as possible.

- To propose a policy to the Board of Directors for the compensation of Directors and general managers or other individuals carrying out senior management duties under the direct supervision of the board, the executive committees or the Managing Directors, as well as for individual compensation and other contractual terms of the Executive Directors, ensuring that such terms are complied with.
- To ensure compliance with and periodically review the compensation policy for the Directors and senior executives, including share compensation systems and their implementation, as well as to ensure that individual compensation is proportionate to the amounts paid to the other Directors and senior executives of the Company.
- To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the Committee.
- To verify information regarding compensation of Directors and senior executives provided in various corporate documents, including the annual report on Directors' compensation.
- To report to the Board of Directors in advance regarding proposed resolutions for related-party transactions. As regards the rules on organization and functioning, Article 14.1 states that it shall be comprised of a minimum of three and a maximum of four Non-Executive Directors appointed by the Board, at least two of which shall be Independent Directors. This Article further states that the Board shall be responsible for appointing the Chairman from among the Independent Directors on the Committee and that Committee meetings may, as the case may be, be attended by the party responsible for implementing the Company's compensation policy or by any other Company employee, as deemed appropriate by the Committee. The position of Secretary of the Committee shall be held by one of the Committee members, the Board Secretary, the Vice Secretary or the Legal Counsel of that body, as determined by the Board of Directors, who shall draft minutes for all resolutions adopted.

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

(continued in section H.1)

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

% executive directors	66.67
% shareholder-appointed directors	0.00
% independent directors	0.00
% other external directors	33.33

Please explain the duties attributed to this committee, describe the procedures and rules followed regarding its organization and functioning. Please indicate for each of these duties the most important actions during the year and how it has exercised in practice each of the duties attributed to it, whether by the law or by the bylaws or other corporate resolutions.

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

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

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

It shall perform the duties delegated by the Board of Directors in relation to the day-to-day management, administration and representation of the Company in conformity with the principles governing conduct as established in the Bylaws and in these Regulations in relation to the Board of Directors.

Notwithstanding the Executive Committee's decision-making autonomy in relation to the delegated powers, and its resolutions being valid and effective without any requirement of ratification by the Board, in those cases in which, in the opinion of the Chairman, the circumstances so require, the resolutions passed by the Executive Committee shall be submitted to the ratification of the Board, following the same regime as applicable to those matters for which the Board has delegated their analysis to the Committee but reserving the final decision thereon to the Board, in the latter case which the Executive Committee shall be limited to submitting the relevant proposal to the Board.

Information will be provided in the Board meetings on the main decisions adopted, as the case may be, in the meeting(s) of the Executive Committee that were held after the most-recent Board meeting, and all minutes for such meetings shall be made available to the directors for their evaluation.

Any member of the management team or other Company employee as required for such purpose may attend its meetings and provide their assistance.

The Executive Committee held five meetings in 2019, addressing various issues related to the Group's strategy.

**C.2.2** Please complete the following table with information on the number of female directors on the board committees at closing of the last four fiscal years:

	Number of Female Directors							
	FY 2019		FY 2018		FY 2017		FY 2016	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	20.00	1	20.00	1	20.00	1	25.00
APPOINTMENTS AND COMPENSATION COMMITTEE	3	75.00	2	50.00	2	50.00	2	50.00
EXECUTIVE COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

**C.2.3** Please indicate, where applicable, if there are any regulations governing the board committees, where these regulations may be consulted and any amendments thereto made during the year. Please also state whether any annual reports on the activities of each committee have been voluntarily prepared.

There are no specific regulations applicable to the Board committees, which are regulated under Articles 12–15 of the Board Regulations.

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

**D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS**

**D.1. Please explain, as the case may be, the procedures and competent bodies for approving related-party and intragroup transactions.**

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

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

**D.2. Please describe any transactions for significant amounts or relating to significant issues between the company or group companies and the company's significant shareholders:**

Name of Significant Shareholder	Name of Company or Group Company	Nature of Relationship	Type of Transaction	Amount (in thousands of euros)
SAFOLES, S.A.	PHARMA MAR, S.A.	Contractual	Other	33,417

On 23 May 2019, the Board of Directors of Pharma Mar, S.A. approved the execution of a sale and purchase agreement for 100% of the shares of its subsidiary Zelnova Zeltia, S.A. to the companies Allentia Invest, S.L. and Safoles, S.A. (the latter of which is a significant shareholder of Pharma Mar, S.A.), companies held directly or indirectly by, *inter alia*, Pedro Fernández Puentes, director of Pharma Mar, and by parties related thereto. The Board resolved to present authorization of this transaction to the General Shareholders Meeting with a view to complying with the provisions of Article 230 LSC, as relates to waiver by the Shareholders Meeting of the prohibition on directors against carrying out transactions with the Company, and to the extent applicable, with Article 160 f) LSC, as relates to approval by the Shareholders Meeting of the disposal of assets considered to be core assets. The conclusion of the transaction and, consequently, the Company's commitment to completing the sale and transfer of the shares of Zelnova Zeltia, S.A. to the Buyer was conditioned on the above-mentioned authorization by the General Shareholders Meeting. Authorization for the sale of Zelnova Zeltia, S.A. was approved under Agenda Item Seven of the Annual General Shareholders Meeting held on 26 June 2019, with 61,228,522 votes in favor, representing 98.5189% of the voting capital present, in person or by proxy. The transaction was closed on 28 June 2019.

**D.3. Please describe any transactions for significant amounts or relating to significant issues between the company or group companies and the company's directors or officers:**

Name of director or executive	Name of related party	Relation	Nature of Transaction	Amount (in thousands of euros)
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	PHARMA MAR, S.A.	Commercial	Provision of services	9

Talleres Trébore, S.L., the sole shareholder of which is Sandra Ortega Mera, who is the controlling shareholder of Rosp Corunna Participaciones Empresariales, S.L., provided services of graphic design, layout and creation of customized USB sticks to Pharma Mar, S.A. in 2019, totaling €9 thousand.

- D.4.** Please describe significant transactions carried out by the company with other companies belonging to the same group, to the extent they are not removed for the purposes of preparing the company's consolidated financial statements and do not (in terms of their purpose and conditions) form part of the company's ordinary business activities.

In any case, any intragroup transaction carried out with organizations established in countries or territories deemed to be tax havens shall be reported:

Name of group company	Brief description of the transaction	Amount (in thousands of euros)
No data		N/A

- D.5.** Please describe any significant transactions made between the company or group companies and with other related parties that have not been reported in the previous sections:

Name of Related Party	Brief description of the transaction	Amount (in thousands of euros)
No data		N/A

- D.6.** Please describe the mechanisms established to detect, assess and resolve potential conflicts of interests between the company and/or its group and its directors, officers or significant shareholders.

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

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

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

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

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

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

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



Article 25 of said Regulations provides that Directors may not use the assets of the Company or its subsidiaries for private purposes or for persons related thereto and may not use their position in the Company or its subsidiaries to obtain a financial advantage unless sufficient consideration is paid. Waiver of this requirement shall require a prior report from the Appointments and Compensation Committee. If the benefit is attained in their condition as a partner, the principle of equal treatment of shareholders must be followed.

Article 27 states that Directors may not take advantage, whether directly or on behalf of a related party thereto, of any potential business investments or transactions, or of any other nature, of which they became aware in the performance of their position, using the information means of the Company or of its investee companies or in such circumstances that could give rise to an assumption that the action was actually led by the Company. This prohibition shall not govern when the Board has previously offered the business opportunity to the Company or when authorized by the Board by prior report of the Appointments and Compensation Committee, whenever the Company has not dismissed said investment or transaction through the influence of the Director.

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

1. Whenever a significant shareholder or Director of the Company wishes to carry out a transaction with the Company, it shall provide prior and immediate notice to the Board of Directors, through the Chairman, unless the transaction relates to ordinary transactions that are made under standard conditions for all clients and are immaterial, understood as those for which information is not required to express a true and fair view of the Company's equity, financial position and profits.
2. The Company may authorize performance by any Director or any related party thereto of a certain transaction with the Company. The authorization shall necessarily be granted by the General Shareholders Meeting when it relates to a transaction whose value exceeds ten percent of corporate assets. In all other cases, the authorization may also be granted by the Board of Directors, following a report from the Appointments and Compensation Committee, provided that independence of the members granting the authorization is guaranteed as regards the excepted Director or executive. In addition, it shall also be required to show that the transaction authorized will be harmless to the company's equity or, as the case may be, that it is being carried out under arm's length conditions and through a transparent process.

**D.7. Is there more than one Group company listed in Spain?**

- Yes  
 No

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

### **E.1. Please explain the scope of the company's Risk Management and Control System, including as regards tax risks:**

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

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

### **E.2. Please identify the bodies of the company that are responsible for developing and implementing the Risk Management and Control System, including as regards tax risks:**

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

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

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

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

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

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

### **E.3. Please identify the primary risks, including tax risks and, insofar as they are significant, those arising from corruption (with the latter understood under the scope of Royal Decree Law 18/2017), which may affect attainment of the business objectives:**

See section H.1

**E.4. Please identify whether the company has established risk tolerance levels, including as regards tax risks:**

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

**E.5. Please identify the risks, including tax risks, that arose during the fiscal year:**

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

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

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

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

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

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

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

See section H.1

**F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (SCIIF)**

Describe the mechanisms included in your company's internal control and risk management systems in relation to the financial reporting process (SCIIF - *Sistema de Control Interno de la Información Financiera*).

**F.1. Company's control environment.**

Please provide information on the primary characteristics of at least:

**F.1.1** What bodies and/or duties are responsible for: (i) the existence and maintenance of a proper and effective SCIIF; (ii) its implementation; and (iii) monitoring of the SCIIF.

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

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

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

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

**F.1.2** If any, please identify the following elements, in particular as regards the process for drawing up financial information:

- Departments and/or mechanisms responsible for: (i) designing and revising the organizational structure; (ii) clearly defining the lines of responsibility and authority, ensuring proper distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures in place for its proper dissemination within the company:

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

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

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

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

- Code of conduct, authorizing body, degree of publication and reporting, principles and values included (identifying whether there is any specific mention to the registration of transactions and drafting of financial information), body tasked with assessing non-compliance and proposing corrective actions and sanctions:

The Company's Board of Directors unanimously resolved on the approval of the Pharma Mar Group's Code of Conduct at its meeting held on 22 December 2015, which entered into effect on 1 February 2016. The Code of Conduct has been sent to all employees of the Pharma Mar Group and is aimed at, in accordance with Article 1 thereof, formalizing the principles and values that should guide the conduct of everyone forming part of the companies of the Pharma Mar Group, both internally and with clients, partners, suppliers and in general, with all public and private individuals and entities with which they liaise in the performance of their professional activity.

Article 3.15 of the Code states that the management bodies of the Pharma Mar Group and its companies undertake to ensure regular monitoring of the effectiveness of the internal control system in relation to financial reporting to the markets. Any doubts that may arise in the interpretation of the Code of Conduct shall be discussed with the hierarchical superior or, as the case may be, with the Group's Conduct Committee, which shall be in charge of analyzing non-compliance and proposing corrective actions.

- Complaints channel that enables the reporting of financial and accounting irregularities to the audit committee, as well as for reporting potential breaches of the code of conduct and other irregular activities within the organization. Please indicate whether this channel is confidential.

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

In accordance with the Regulations governing the Complaints Channel, the Conduct Committee, the composition of which was resolved on by the Board of Directors on 26 January 2016, ensures that all complaints received through the Complaints Channel are addressed and managed properly and fully and are analyzed on an unbiased and confidential basis. Furthermore, the Conduct Committee guarantees the confidentiality of the identity of the reporting party or parties, as well as of the party or parties being reported, notifying only those people as strictly necessary for the investigation and resolution process.

- Training programs and regular ongoing training programs for staff involved in preparing and reviewing financial information, as well as on assessment of the SCIIF, which shall cover, at least, accounting, auditing, internal control and risk management rules.

Staff involved in the preparation and review of financial information regularly attend external continuing education programs on applicable regulations. In 2019, the total number of hours spent on training in this area was 162 hours.

## **F.2. Assessment of financial reporting risk.**

Report on at least the following:

### **F.2.1 What are the main characteristics of the process for identifying risks, including the risk of error or fraud, in relation to:**

- Whether the process exists and is documented:

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

- Whether the process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation; allocation and comparability; and rights and obligations) and whether it is updated, and with what frequency:

The process analyzes the five objectives for reliable financial reporting: (i) existence and occurrence; (ii) completeness, (iii) valuation, (iv) allocation, classification and comparability, and (v) rights and obligations. Those risks that could result in material misstatements in the financial information are identified and assessed through this process.

For such purpose, both quantitative criteria based on materiality and qualitative criteria based on risk factors are used. Based on the results obtained, the key processes associated with those accounts showing significant and/or specific risks are identified. The results of this process form the basis for the procedures for documenting and assessing the SCIIF. The risks associated with fulfilling the financial reporting objectives are annually identified and assessed as the basis for establishing the controls to be implemented.

- Whether the company has a process for identifying the perimeter of consolidation, taking into account, *inter alia*, the potential existence of complex corporate structures, instrumental entities or special purpose vehicles:

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

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

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

- Whether the process considers the effects of other types of risks (operating, technological, financial, legal, tax, reputation, environmental, etc.) to the extent they affect the financial statements:

The risk management procedures for financial reporting form part of the Pharma Mar Group's comprehensive risk management system, exclusively covering those risks that threaten the financial reporting objectives (existence and occurrence; completeness; valuation; allocation, classification and comparability; and rights and obligations). The procedures are applicable to all financial reporting risks that affect or may affect the Pharma Mar Group in any of its entities or areas or that arise in its environment or activities. Therefore, the process considers the effects of other types of risks covered by the comprehensive risk system of the Pharma Mar Group (operating, technological, financial, legal, reputation, environmental, etc.), to the extent they affect the financial statements.

- Which governing body of the company oversees the process:

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

### **F.3. Control Activities.**

Please provide information on the primary characteristics of at least, if any:

- F.3.1 Processes for reviewing and authorizing financial reporting and the establishment of the SCIIF, to be published in securities markets, identifying the responsible parties, as well any processes for the descriptive documentation of operation flows and controls (including as regards fraud risk) for the different types of transactions that could materially affect the financial statements, including the procedures for closing the accounts and specifically reviewing the relevant opinions, estimates, valuations and projections

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

Prior to identifying the financial risks and developing the pertinent risk map, critical activities were identified (totaling 61), enabling identification of the key processes to be documented (totaling 22). These 22 processes are duly described and documented, including flowcharts and a description of the activity. The significant risks identified at each stage of the process are assigned an applicable key control, which is also described in the processes. A total of 141 controls have been identified.

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

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

**F.3.2 Internal control policies and procedures for reporting systems (including but not limited to for access security, control of changes, operation thereof, operational continuity and separation of duties) that support the relevant processes of the company as regards the development and publication of financial information.**

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

**F.3.3 Internal control policies and procedures aimed at monitoring the management of activities sub-contracted to third parties, as well as of the assessment, calculation or valuation activities outsourced to independent experts, which could have a material effect on the financial statements.**

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

**F.4. Reporting and communication.**

Please provide information on the primary characteristics of at least, if any:

**F.4.1 A specific department responsible for defining and updating the accounting policies (accounting policies area or department); resolving doubts or conflicts arising from the interpretation thereof; maintaining close communications with the parties responsible for the operations of the organization; maintaining an up-to-date accounting policies manual, which shall be communicated to the different units through which the company operates.**

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

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

**F.4.2 Mechanisms for capturing and preparing financial information, with standardized formats, which apply to and are used by all units of the company or its group and that support the main financial statements and notes thereto, as well as the information on the SCIIF.**

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

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

Please provide information on the primary characteristics of at least:

**F.5.1 Monitoring activities carried out by the audit committee in relation to the SCIIF as well as whether the company has an internal audit department charged with the duty of supporting the committee in its monitoring activities of the internal control system, including the SCIIF. Please also include information on the scope of the assessment of the SCIIF completed during the fiscal year, as well as on the procedures followed by the party responsible for the assessment to report his or her results, whether the company has an action plan detailing the potential corrective measures, and whether its impact on financial information has been considered.**

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

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

**F.5.2 Whether the company has a discussion procedure through which the statutory auditor (in accordance with the provisions of the Spanish Auditing Technical Standards - NTA), the internal audit department and other experts can communicate with senior management, the audit committee or directors of the company regarding significant weaknesses in internal controls identified during the processes for reviewing the annual financial statements or during other processes entrusted thereto. Please also provide information on whether an action plan exists to correct or mitigate the identified weaknesses.**

The external auditor met with the Audit Committee six times during fiscal year 2019. The audit work completed in relation to the individual and consolidated Financial Statements for fiscal year ended 31 December 2018 was presented at a meeting held on 28 February 2019 together with the Additional Report to the Audit Committee for fiscal year ended 31 December 2018, which contained the areas of risk and attention, the result of the audit with its most significant aspects and accounting policies, including an annex with the summary of internal control weaknesses. In the meeting held on 17 December 2019, the external auditor presented the audit procedures carried out on 30 September during the preliminary review of fiscal year 2019, as well as the subsequent steps to take and key information to check in the final visit and the Audit Work Plan for fiscal year 2019.

The financial managers of the Group Companies attend to report to the Audit Committee on the business performance of their respective companies/units throughout 2019 and on key events during the fiscal year, as well as to present a list of the primary risks faced by the different companies and the measures taken to mitigate such risks.

The corporate Financial Managers attend the meetings whenever so required.



The internal auditor, by delegation of the Audit Committee, monitors the proper operation of the SCIIF and assesses its design and effectiveness. The assessment plan for the SCIIF for the upcoming year shall be presented to the Audit Committee on an annual basis, which shall address risks identified by the financial managers of the Group companies. This Committee shall be responsible for approving this plan. The Audit Committee shall be regularly notified of any potential weaknesses identified during the work carried out by the audit department. In this regard, the internal auditor attended the meeting of the Audit Committee on 29 July 2019, in which it presented on the implementation of the Audit Plan during the first half of 2019. This Plan was approved by the Committee itself at the end of 2018. Details on the processes analyzed were provided at this meeting and, in the case of weaknesses identified in the controls by the internal auditor, the recommendations to be implemented by the Group companies in order to mitigate such weaknesses were reported to the Audit Committee. Supplementary information was also sent to the members of said Committee via e-mail. The Internal Audit Plan for 2020 was presented to the Committee and approved at the same meeting held on 17 December 2019.

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

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

N/A

**F.7. External audit report.**

Please report on:

F.7.1 Whether the information on the SCIIF released to the markets was submitted to a review by the external auditor, in which case the company should attach the relevant report as an annex hereto. If not, please provide the reasons.

In fiscal year 2019, SCIIF information reported to the markets was not submitted to a review by the external auditor.

**G. COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Please specify the company's level of compliance with recommendations from the Unified Corporate Governance Code.

If any recommendation was not followed, or was only partially followed, please include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to evaluate the company's conduct. General explanations will not be accepted.

1. That the bylaws of listed companies should not limit the maximum number of votes that may be cast by any single shareholder and should not contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies [  ]

Explain [  ]

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

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

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

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

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

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

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

The limit established in this section 3 shall cover any material subject to a decision of the General Shareholders Meeting, including the appointment of directors by the proportional system, but excluding amendment of this article, which shall in any case require the approval of a qualified majority of 75% of the capital present in person or by proxy, both in first and second call. The limit established in this section 3 shall be null and void when, following a public tender offer, the offeror has reached a percentage equal to or greater than 70% of the voting capital, unless said offeror was not subject to equivalent neutralization measures, or if such measures were not adopted. The removal of the aforesaid limits shall be effective as of the date on which the settlement results of the offer are published in the Quotation Bulletin of the Madrid Stock Exchange."

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

2. That when the parent company and a subsidiary are listed on the stock exchange both should publicly and specifically define:

- a) The respective areas of activity and potential business relationships between them, as well as those of the listed subsidiary with other group companies.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies [ ]      Partially Complies [ ]      Explain [ ]      Not Applicable [ X ]

3. That during the annual general shareholders meeting, as a supplement to the publication in writing of the annual corporate governance report, the chairman of the board of directors should verbally report to the shareholders, in sufficient detail, regarding the most relevant aspects of the company's corporate governance and, in particular:

- a) On the changes occurring since the previous annual general shareholders meeting.
- b) On the specific reasons for which the company is not in compliance with any of the recommendations of the Corporate Governance Code and, if any, the alternative rules applied in this regard.

Complies [ X ]      Partially Complies [ ]      Explain [ ]

4. That the company should define and promote a policy on communication and relationships with shareholders, institutional investors and voting advisors that is fully compliant with regulations against market abuse and that provides similar treatment to shareholders in identical circumstances.

And that the company should make said policy public on its website, including information on the manner in which it is implemented and identifying the partners or responsible parties for its implementation.

Complies [ X ]      Partially Complies [ ]      Explain [ ]

5. That the board of directors should not make proposals to the general shareholders meeting for the delegation of powers to issue shares or convertible securities without preemptive rights, for an amount greater than 20% of the capital at the time of the delegation.

And that when the board of directors approves any issue of shares or convertible securities without preemptive rights, the company should immediately publish on its website those reports addressing the lack of preemptive rights as required by applicable mercantile legislation.

Complies [ X ]      Partially Complies [ ]      Explain [ ]

6. That the listed companies that draft the reports referred to herein below, whether on a mandatory or voluntary basis, should publish them on their website sufficiently in advance of the annual general shareholders meeting, although dissemination is not mandatory:

- a) Report on the independence of the auditor.
- b) Reports on the functioning of the audit committee and appointments and compensation committee.
- c) Report on the audit committee in relation to related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies [  ]      Partially Complies [  ]      Explain [  ]

Prior to the Annual General Shareholders Meeting held on Wednesday, 26 June 2019, the Company published a report on independence of the auditor, the reports on the functioning of the Audit Committee and the Appointments and Compensation Committee, at which time the Company did not consider necessary the release of a report on the functioning of the Appointments and Compensation Committee on related-party transactions, as such report may potentially contain confidential information and, therefore, publication thereof could harm the legitimate interests of third parties (e.g. employees, providers), taking into account that such report would contain the economic conditions of the offers made by third parties in their proposals in competition with those of the related party.

7. That the company should hold a live broadcast of the general shareholders meetings on its website.

Complies [  ]      Explain [  ]

8. That the audit committee should ensure that the board of directors submits the financial statements to the general shareholders meeting without any qualifications or reservations in the audit report and, in the exceptional circumstance that it fails to do so, the chairman of the audit committee and the auditors should clearly explain the content and scope of the qualifications or reservations to the shareholders.

Complies [  ]      Partially Complies [  ]      Explain [  ]

9. That the company should publish on its website, on a permanent basis, the requirements and procedures to be followed in order to accredit ownership of shares, the right to attend the general shareholders meeting and exercise or delegation of the right to vote.

And that said requirements and procedures shall encourage attendance and the exercise of the shareholders' rights, and which shall be applied on a non-discriminatory basis.

Complies [  ]      Partially Complies [  ]      Explain [  ]

10. That when any authorized shareholder has exercised, prior to the meeting of the general shareholders meeting, the right to add additional agenda items or present new proposed resolutions, the company should:
- Immediately publicize the additional agenda items and proposed resolutions.
  - Make the form of attendance, proxy and voting card public, incorporating the changes required in order to ensure that voting on the new agenda items and alternative proposed resolutions is carried out under the same terms as the proposals made by the board of directors.
  - Submit all items or alternative proposals to a vote and apply the same voting rules as established for the board of directors including, in particular, as regards the presumptions and inferences on the direction of the vote.
  - Prior to the general shareholders meeting, notify the breakdown of the vote on said additional items or proposed resolutions.

Complies [  ]

Partially Complies [  ]

Explain [  ]

Not Applicable [  ]

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

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

In any case, it should be noted that no authorized shareholder has, prior to the meeting of the Annual General Shareholders Meeting on 26 June 2019, exercised its right to add additional agenda items or to present new proposed resolutions.

11. That, in the case the company intends to pay premiums for attendance at the general shareholders meeting, it should establish, in advance, a general policy for said premiums, and said policy shall be stable.

Complies [  ]

Partially Complies [  ]

Explain [  ]

Not Applicable [  ]

12. That the board of directors should perform its duties with unity of purpose and independent judgment, providing equal treatment to all shareholders in the same situation, and should be guided by the best interests of the company, which shall be understood as developing a profitable business that can be sustained in the long term, promoting the viability of the company and maximizing its financial value.

And that in pursuing the corporate interests, the board, in addition to abiding by laws and regulations, should follow good faith and ethical principles and observe commonly accepted customs and good practices, aiming to reconcile the corporate interests with, as applicable, the legitimate interests of its employees, suppliers, clients and other interest groups that may be affected, as well as with the impact of the company's activities on the environment and the community as a whole.

Complies [ X ]      Partially Complies [ ]      Explain [ ]

13. That the board of directors should have the required scope to ensure its effective operation and participation at its meetings, for which purpose the board should have between five and fifteen members.

Complies [ X ]      Explain [ ]

14. That the board of directors should approve a director selection policy that:

- a) Is specific and attestable.
- b) Ensures that the proposals for appointment or reappointment are based on a prior analysis of the needs of the board of directors.
- c) Favors diversity of knowledge, experience and gender.

That the result of the prior analysis of the needs of the board of directors should be included in the justifying report of the appointments committee, which is published when the general shareholders meeting is convened in order to ratify, appoint or reappoint each director.

And that the director selection policy should promote the objective of having female directors account for at least 30% of the total number of board members by 2020.

The appointments committee shall verify compliance with the director selection policy on an annual basis and shall report on said policy in the annual corporate governance report.

Complies [ X ]      Partially Complies [ ]      Explain [ ]

15. That the shareholder-appointed and independent directors should constitute a broad majority of the board and that the number of executive directors is the minimum necessary, taking into account the complexity of the corporate group and the percentage interest held by the executive directors in the share capital of the company.

Complies [ X ]      Partially Complies [ ]      Explain [ ]

16. That the percentage of shareholder-appointed directors in relation to the total number of non-executive directors should not exceed the proportion between the share capital of the company represented by said directors and the remaining share capital.

These criteria may be modified:

- a) In companies with high capitalization and in which shareholdings legally considered to be significant are limited.
- b) In companies where several shareholders are represented on the board of directors and are not related to one another.

Complies [  ]      Explain [  ]

The Company does not comply with this recommendation, as two of its primary shareholders are considered executive directors and cannot be considered shareholder-appointed directors; all of the shareholders currently holding a significant interest in the company form part of its Board of Directors. Furthermore, the independent directors comprise a majority of the non-executive directors, with more than double as many independent directors as there are shareholder-appointed directors (5 vs 2).

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

That, nevertheless, when the company does not have high capitalization or when, even if having high capitalization, it has one or more shareholders acting jointly that control 30% of the share capital, the number of independent directors should represent at least a third of total directors.

Complies [  ]      Explain [  ]

18. That companies should publish and update the following information on their directors on their website:

- a) Professional profile and biography.
- b) Other boards of directors of which they are a member, whether of a listed company or not, as well as any other compensated activities carried out, regardless of the nature thereof.
- c) Indication of the director's category, identifying, in the case of shareholder-appointed directors, the shareholder that they represent or are linked to.
- d) The date of their first appointment as a director of the company, as well as of all subsequent reappointments.
- e) The shares of the company and option rights thereon that they own.

Complies [  ]      Partially Complies [  ]      Explain [  ]

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

19. That the annual corporate governance report, following verification by the appointments committee, should explain the reasons for the appointment of shareholder-appointed directors at the request of the shareholders whose interest in share capital is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the board were not honored, when their interest is equal to or exceeds that of other shareholders whose proposal for shareholder-appointed directors was honored.

Complies [  ]      Partially Complies [  ]      Explain [  ]      Not Applicable [  ]

20. That the shareholder-appointed directors should tender their resignation when the shareholder represented thereby fully transfers its shareholding. And that they should also resign, by the relevant number, when said shareholder reduces its shareholding to a level that requires a reduction in the number of shareholder-appointed directors.

Complies [  ]      Partially Complies [  ]      Explain [  ]      Not Applicable [  ]

21. That the board of directors may not propose the dismissal of any independent director before the completion of the mandate period for which the member was appointed in accordance with the bylaws, unless just cause is identified by the board following a report from the appointments committee. In particular, just cause shall be deemed to exist when the director is appointed to new positions or undertakes new obligations that prevent said director from dedicating the time required to perform the duties inherent in its position as a director, that result in the breach of the duties inherent in its position or that results in any circumstances that would cause the director to lose his/her condition as independent, in accordance with applicable legislation.

The dismissal of independent directors may also be proposed as a result of a public tender offer, merger or other similar operation implying a change in the share structure of the company, provided that such changes in the structure of the board of directors are required by virtue of the proportionate representation criteria discussed in recommendation 16.

Complies [  ]      Explain [  ]

22. That companies should set rules requiring that directors report on and, where appropriate, resign from their positions in those circumstances that could harm the company's credit and reputation and, in particular, requiring that they report to the board of directors any criminal actions with which they are charged, as well as the subsequent legal proceedings.

And that if a director is tried or called to court for any of the crimes set out in corporations law, the board must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her position. And that the board of directors must provide a reasoned written account of these events in its annual corporate governance report.

Complies [  ]      Partially Complies [  ]      Explain [  ]



23. That all directors must clearly express their opposition when they consider that any proposal submitted to the board of directors could go against the company's interests. And that this should also apply to both independent and other directors that are not affected by the potential conflict of interest if the decision could be detrimental to any shareholders not represented on the board of directors.

And that when the board of directors adopts significant or repeated resolutions regarding which the director has voiced serious reservations, the director should draw the appropriate conclusions and, in case of resignation, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the board of directors, despite not being considered a director.

Complies [ X ]      Partially Complies [ ]      Explain [ ]      Not Applicable [ ]

24. That whenever, due to resignation or any other reason, directors leave their position before the completion of their mandate, they shall be required to explain the reasons for this decision in a letter addressed to all the members of the board of directors. And that, regardless of whether said resignation has been reported as a relevant event, the reason for leaving their position must be included in the annual corporate governance report.

Complies [ X ]      Partially Complies [ ]      Explain [ ]      Not Applicable [ ]

The natural representative of JEFPO, S.L., José Félix Pérez-Orive Carceller, tendered his resignation as a Director of Pharma Mar, S.A., effective as from the end of the General Shareholders Meeting of 26 June 2019, having learned at the Board Meeting of Pharma Mar, S.A. held on 23 May 2019 of the proposal for his appointment as a Director acting in his individual capacity.

25. That the appointments committee should ensure that the non-executive directors have enough time to properly perform their duties.

And that the board regulations should establish the maximum number of boards of directors of which the directors may form part.

Complies [ X ]      Partially Complies [ ]      Explain [ ]

26. That the board of directors should meet with the frequency necessary to perform its duties efficiently and, at least, eight times each year, following the schedule and agenda established at the beginning of each year. Directors should be able to individually propose additional agenda items beyond those initially included on the agenda.

Complies [ X ]      Partially Complies [ ]      Explain [ ]

27. That directors' failure to attend should be limited to extraordinary cases and should be quantified in the annual corporate governance report. And that, in case of such absence, a proxy should be granted with instructions.

Complies [ X ]      Partially Complies [ ]      Explain [ ]

28. That when the directors or the secretary voice any concern regarding any proposal or, in the case of directors, regarding performance of the company, and their concern is not resolved by the board of directors, such circumstance shall be stated for the record at the request of the individual who raised it.

Complies  Partially Complies  Explain  Not Applicable

29. That the company should establish the channels necessary to ensure that the directors may obtain the advising required to perform their duties including, if required by the circumstances, external advising at the company's expense.

Complies  Partially Complies  Explain

30. That, regardless of the knowledge required of the directors to perform their duties, the companies should offer knowledge update programs to the directors when the circumstances so require.

Complies  Explain  Not Applicable

31. That the agenda for meetings should clearly state the agenda items that will be resolved upon at the board of directors meeting so that the directors may study or gather the information required for its adoption in advance.

The prior and express consent of the majority of the directors in attendance shall be required, and duly recorded in the minutes, if the chairman wishes, on an exceptional and urgent basis, to propose decisions or resolutions to the board of directors that were not listed on the agenda.

Complies  Partially Complies  Explain

32. That the directors should be regularly informed of any changes in shareholdings and of the opinion of significant shareholders, investors and credit rating agencies as regards the company and its group.

Complies  Partially Complies  Explain

33. That the chairman, as the responsible party for the effective operation of the board of directors, in addition to exercising all duties conferred thereto by law and the bylaws, shall prepare and submit to the board of directors a schedule of dates and issues to be addressed; organize and coordinate the regular assessment of the board, as well as, as the case may be, of the top executive of the company; be responsible for the management of the board and for the effectiveness of its operation; ensure that enough time is spent discussing strategic questions; and resolve on and revise knowledge update programs for each director, when so required by the circumstances.

Complies  Partially Complies  Explain

34. That when there is a coordinating director, the bylaws or board of directors regulations should, in addition to the duties attributed thereto by law, attribute the following duties to the coordinating director: to chair the board of directors in the absence of the chairman and vice chairmen, if any; to voice the concerns of the non-executive directors; to maintain contact with investors and shareholders to learn about their points of view in order to form an opinion on their concerns, in particular, in relation to the company's corporate governance; and to coordinate the succession plan for the chairman.

Complies [ ]

Partially Complies [ X ]

Explain [ ]

Not Applicable [ ]

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

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

35. That the secretary of the board of directors should ensure, in particular, that the conduct and decisions of the board of directors take into account the good governance recommendations applicable to the company under this Corporate Governance Code.

Complies [ X ]

Explain [ ]

36. That the board of directors, in a plenary session, should annually assess and adopt, as the case may be, an action plan to correct the deficiencies identified in relation to:
- The quality and efficiency of the functioning of the board of directors.
  - The functioning and composition of its committees.
  - The diversity in the composition and competencies of the board of directors.
  - The performance of the chairman of the board of directors and of the company's top executive.
  - The performance and contributions of each director, paying particular attention to the heads of the different board committees.

In order to assess the different committees, such assessments shall be based on the reports submitted thereby to the board of directors and, as regards assessment of the board itself, on the report submitted by the appointments committee.

Every three years, the board of directors shall be assisted in carrying out an assessment by an external consultant, the independence of which shall be verified by the appointments committee.

The business relations held by the consultant or any of its group companies with the company or any other group company shall be described in the annual corporate governance report.

The process and areas assessed shall be described in the annual corporate governance report.

Complies  Partially Complies  Explain

37. That if there is an executive committee, the structure of the participation by the different categories of directors shall be similar to that of the board of directors itself, and its secretary shall be the board secretary.

Complies  Partially Complies  Explain  Not Applicable

The Company has created an Executive Committee whose Chairman and Secretary are the Chairman and Secretary of the Board; however, the participation structure of the different types of directors is not totally the same as that of the Board of Directors, as this would not be possible given that the Board is comprised of directors belonging to four different categories and the Committee is comprised, in compliance with the Board Regulations, of only three members; this means that each member of the Committee necessarily represents 33.33% thereof and thus, it is mathematically impossible to duplicate the percentage of the different categories of Directors on the Board. Taking into account that the Board of Directors is currently comprised of eleven members, it is estimated that the Executive Committee should have three members. Due to the own nature thereof, the Executive Directors (two in the case of the Company) shall be part of said Committee. The fact that the two executive directors are also the first and fourth largest shareholders in the Company should also be taken into account. The third member of the Executive Committee is an external non-shareholder appointed director. In light of the above, the Company has concluded that the composition of the Executive Committee is balanced.

38. That the board of directors must always be aware of the subjects discussed and decisions adopted by the executive committee and that all members of the board of directors should receive a copy of the minutes of the executive committee meetings.

Complies  Partially Complies  Explain  Not Applicable

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

39. That the members of the audit committee, and in particular its chairman, should be appointed considering their knowledge and experience in the area of accounting, auditing or risk management, and that the majority of its members should be independent directors.

Complies [ X ]

Partially Complies [ ]

Explain [ ]

40. That under the supervision of the audit committee, the company shall have a unit dedicated to performing internal audit duties and which ensures the proper functioning of the internal reporting and control systems and functionally reports to the non-executive chairman of the board or of the audit committee.

Complies [ X ]

Partially Complies [ ]

Explain [ ]

41. That the person in charge of the unit performing the internal audit duties shall present an annual work plan to the audit committee, report directly on any issues that may arise in its implementation and submit an activity report at the end of each fiscal year.

Complies [ X ]

Partially Complies [ ]

Explain [ ]

Not Applicable [ ]

42. That, in addition to those duties provided by law, the audit committee should have the following duties:

1. As regards reporting and internal control systems:

- a) To supervise the preparation process and the integrity of the financial information relating to the company and, as the case may be, to the group, reviewing compliance with regulatory requirements, the proper scope of the consolidated group and the correct application of accounting principles.
- b) To ensure the independence of the internal auditing unit; propose the selection, appointment, reappointment and removal of the party responsible for the internal auditing services; propose the budget for such service; approve the direction and plans for its services to ensure that the activity focuses primarily on relevant risks for the company; receive regular reports on its activities; and verify that Senior Management takes the conclusions and recommendations of such reports into account.
- c) To establish and monitor a mechanism that allows employees to communicate, confidentially and, if possible and deemed appropriate, anonymously, any potential significant irregularities, in particular financial and accounting irregularities, observed from within the company.

2. As regards the external auditor:

- a) To examine the circumstances leading to any resignation of the external auditor.
- b) To ensure that compensation of the external auditor does not compromise quality or independence.
- c) To oversee that the company reports the change of auditor as a material event to the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores - CNMV*), which shall be accompanied by a statement on any potential disagreements with the outgoing auditor and, if any, the content thereof.
- d) To ensure that the external auditor holds an annual meeting with a plenary session of the board of directors in order to inform them of the work performed and the financial position of and risks faced by the company.
- e) To ensure that the company and the external auditor respect rules in force on the provision of non-auditing services, limits on the concentration of the auditor's business and, in general, any other rules on the independence of the auditors.

Complies [ X ]

Partially Complies [ ]

Explain [ ]

43. That the audit committee may request the presence of any employee or executive of the company, even without the presence of any other officers.

Complies [ X ]

Partially Complies [ ]

Explain [ ]

44. That the audit committee should be aware of any transactions proposed by the company that would implement structural and corporate changes in order to analyze such transactions and report to the board of directors regarding the financial terms and accounting effects thereof and, in particular, as the case may be, regarding the proposed exchange ratio.

Complies [  ]

Partially Complies [  ]

Explain [  ]

Not Applicable [  ]

In 2019, the sale of Zelnova Zeltia, S.A., subsidiary of Pharma Mar, S.A., was completed, with the Audit Committee being previously informed of the financial terms and accounting effects thereof, but without previously informing the Board of Directors of such information. In line with the legislation in force and with the Company's internal regulations, the Audit Committee has not been granted the power of authorizing or reporting the Board on the appropriateness of the financial terms and conditions of these types of transactions (in the manner of a fairness opinion). Consequently, the analysis of the financial terms and conditions of a divestment transaction is not an issue on which the Audit Committee must be consulted.

45. That the risk control and management policy should identify at least the following:

- a) The different types of risk, including financial and non-financial risks (including but not limited to operating, technological, legal, social, environmental, political and reputation), faced by the company, including under financial and economic risks any contingent liabilities and other off-balance sheet risks.
- b) A fixed risk level deemed acceptable by the company.
- c) The measures intended to mitigate the impact of the risks identified, in the event that they materialize.
- d) The internal control and reporting systems that will be used to control and manage the aforementioned risks, including contingent liabilities and off-balance sheet risks.

Complies [  ]

Partially Complies [  ]

Explain [  ]

Not all of the aspects identified in this recommendation have been laid out in the risk control and management policy. Nevertheless, the Company has already implemented an exhaustive control system for financial reporting and has also developed a risk map in relation to criminal risks. Furthermore, each of the business units comprising the Group identifies risks, on an annual basis, that its business could face in the upcoming fiscal year; they classify these risks based on how serious the risks are and propose, as the case may be, mitigating actions, all of which is presented to the Audit Committee on an annual basis. The Company has also established a complaints channel through which employees, officers, and directors of the Group may file complaints regarding any type of irregularity identified. This channel will be managed by the Conduct Committee, which was established by resolution of the Board of Directors on 26 January 2016. The Company also has a Monitoring Committee, which ensures application of the Internal Regulations on Conduct in Securities Markets. Finally, as previously stated above, the Company has an Internal Audit Department that functionally reports to the Audit Committee.

46. That under the direct supervision of the audit committee or, as the case may be, of a specialized committee of the board of directors, there is an internal audit and risk management function carried out by one of the company's internal units or departments, which is expressly assigned the following duties:

- a) To ensure proper operation of the risk control and management systems and, in particular, to ensure the identification, management and proper quantification of the substantial risks faced by the company.
- b) To actively participate in developing the risk strategy and making important decisions related to the management thereof.
- c) To ensure that risk control and management systems properly mitigate risks under the framework of the policy established by the board of directors.

Complies [  ]

Partially Complies [  ]

Explain [  ]

Given the size of the Company, an internal risk control and management function performed by an internal unit or department is not considered necessary at this time, as this internal risk control and management function is performed in practice by the Audit Committee. Furthermore, the Company's internal auditing department is tasked with ensuring the proper functioning of the reporting and internal control systems. The Company also has a Monitoring Committee, which ensures application of the Internal Regulations on Conduct in Securities Markets. The Company also has a Conduct Committee responsible for managing the complaints channel provided for in the Code of Conduct of the Pharma Mar Group (Ethical Code).

47. That the members of the appointments and compensation committee –or of the appointments committee and the compensation committee, if separate– shall be appointed ensuring that they have the proper knowledge, skills and experience to perform the duties required therefrom and that the majority of its members shall be independent directors.

Complies [  ]

Partially Complies [  ]

Explain [  ]

48. That companies with high capitalization shall have an appointments committee and a separate compensation committee.

Complies [  ]

Explain [  ]

Not Applicable [  ]

49. That the appointments committee shall consult the chairman of the board of directors and the top executive of the company, in particular in matters related to the executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate, in his/her opinion, to fill a vacancy on the board of directors.

Complies [  ]

Partially Complies [  ]

Explain [  ]



50. That the compensation committee should carry out its duties independently and that, in addition to the duties granted thereto by law, should have the following duties:
- a) To propose to the board of directors the basic contracting conditions signed with senior executives.
  - b) To verify compliance with the compensation policy established by the company.
  - c) To regularly review the compensation policy for the directors and senior executives, including share compensation systems and their application, as well as to ensure that individual compensation is proportionate to the amounts paid to the other directors and senior executives of the company.
  - d) To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the committee.
  - e) To verify information regarding compensation of directors and senior executives provided in various corporate documents, including the annual report on director compensation.

Complies [ X ]      Partially Complies [ ]      Explain [ ]

51. That the compensation committee should consult the chairman and the top executive of the company, in particular in matters related to the executive directors and senior executives.

Complies [ X ]      Partially Complies [ ]      Explain [ ]

52. That the rules on the composition and functioning of the monitoring and control committees should be provided in the board of directors regulations, which should comply with all rules applicable to those legally required committees in accordance with the preceding recommendations, including:

- a) That they should be exclusively comprised of non-executive directors, with a majority of independent directors.
- b) That they must be chaired by independent directors.
- c) That the board of directors should appoint the members of these committees taking into account the knowledge, skills and experience of the directors and the tasks entrusted to each committee; that their members discuss the committee's reports and proposals and report to the board of directors, at the first plenary session thereof following each of the committee meetings, on its activities and work performed.
- d) That the committees may request external advising as deemed necessary to perform their duties.
- e) That minutes should be drafted for the meetings, which shall be made available to all directors.

Complies [ ]      Partially Complies [ ]      Explain [ ]      Not Applicable [ X ]

53. That monitoring of compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy should be attributed to one or more committees of the board of directors, which could include the audit committee, appointments committee, corporate social responsibility committee, if any, or any specialized committee of the board of directors which, in the performance of its self-organization duties, it decides to establish for such purpose, to which the following specific minimum duties shall be attributed:
- a) To monitor compliance with the internal codes of conduct and the corporate governance rules of the company.
  - b) To monitor the communications strategy and relationships with shareholders and investors, including small and medium shareholders.
  - c) To regularly assess whether the company's corporate governance system is appropriate with a view to ensuring that its objective of promoting corporate interests is met and taking into account, as applicable, the legitimate interests of the remaining interest groups.
  - d) To review the company's corporate social responsibility policy, ensuring it is aimed at creating value.
  - e) To monitor the corporate social responsibility strategy and practices and assess compliance therewith.
  - f) To monitor and assess the engagement processes for different interest groups.
  - g) To assess all aspects related to the company's non-financial risks, including operating, technological, legal, social, environmental, political and reputation risks.
  - h) To coordinate the process for reporting non-financial and diversity information in accordance with the applicable regulations and international benchmark standards.

Complies [  ]

Partially Complies [  ]

Explain [  ]

Given the size of the Company, the Company considers that it would be inefficient at this time to distribute all of the duties among the different Board Committees. The monitoring of compliance with corporate governance and corporate social responsibility strategy and practices is currently still performed, ultimately, by the Board of Directors. The Company also has a Monitoring Committee that ensures application of the Internal Regulations on Conduct in Securities Markets and a Conduct Committee responsible for managing the complaints channel provided for in the Code of Conduct of the Pharma Mar Group (Ethical Code). The Audit Committee is responsible for overseeing said mechanism allowing for employees to communicate any potentially relevant irregularities on a confidential basis, including in particular financial and accounting concerns from within the company (Art. 13.3.c of the Board Regulations).

54. That the corporate social responsibility policy should incorporate the principles and commitments voluntarily assumed by the company in its relations with various interest groups and identifying at least:

- a) The objectives of the corporate social responsibility policy and the implementation of support instruments.
- b) The corporate strategy as regards sustainability, the environment and social issues.
- c) The specific practices in matters related to: shareholders, employees, clients, suppliers, social issues, environment, diversity, tax liability, respect of human rights and prevention of illegal conduct.
- d) The methods or systems for monitoring the results of application of the specific practices indicated in the preceding paragraph, associated risks and management thereof.
- e) The mechanisms for monitoring non-financial risks, ethics and business conduct.
- f) The channels for communication, participation and dialog with interest groups.
- g) The practices of responsible communication that prevent manipulation of information and protect integrity and honor.

Complies [  ]

Partially Complies [  ]

Explain [  ]

On the date of approval of this Report, the Board of Directors of the Company drafted the separate report on the status of the consolidated non-financial information referred to in section 7 of art. 49 of the Commercial Code and that is part of the Management Report. Although this report contains more information than that described in this Recommendation 54, a few sections thereof are not included herein, as it is not required by the new applicable regulations (Law 11/2018, of 28 December, on non-financial information and diversity).

55. That the company should report, in a separate document or in the management report, on all aspects related to corporate social responsibility, applying for such purpose internationally accepted methodologies.

Complies [  ]

Partially Complies [  ]

Explain [  ]

56. That director compensation should be set as required to attract and retain directors with the desired profile and to compensate them for the dedication, qualifications and responsibility required in the position, without being so high as to compromise the independence of the non-executive directors.

Complies [  ]

Explain [  ]

57. That compensation of executive directors should be limited to variable compensation linked to performance of the company and the individual, as well as compensation in the form of delivery of shares, options or share rights or instruments referencing share value and long-term savings systems such as pension plans, retirement funds or other social welfare systems.

Delivery of shares as compensation of non-executive directors may be used, provided the directors are required to hold said shares until they no longer serve as directors. The foregoing shall not apply to shares that the director needs to dispose of, as the case may be, in order to pay the relevant acquisition costs.

Complies  Partially Complies  Explain

58. That variable compensation policies should incorporate the necessary technical precautions and restrictions to ensure that this compensation rewards the professional performance of its beneficiaries and does not solely derive from the general performance of the markets or of the activity sector of the company, or from any other similar circumstances.

And, in particular, that the variable compensation items should:

- a) Be linked to performance criteria that are predetermined and measurable and that said criteria should take into account the risk assumed in obtaining a result.
- b) Promote the sustainability of the company and include appropriate non-financial criteria for creating long-term value, such as compliance with the company's internal rules and procedures, as well as with its risk control and management policies.
- c) Be established based on a balance between meeting short, medium and long-term objectives, enabling compensation for continued performance during a sufficient period of time to measure their contributions to creating sustainable value, such that the measurement elements for this performance are not solely based on one-off, occasional or extraordinary events.

Complies  Partially Complies  Explain  Not Applicable

59. That payment of a significant part of the variable compensation components should be differed for a minimum period of time sufficient to verify that the previously established performance conditions have been met.

Complies  Partially Complies  Explain  Not Applicable

60. That, in calculating any compensation linked to profits, the company should consider any potential reservations included in the external auditor's report that reduce said profits.

Complies  Partially Complies  Explain  Not Applicable

61. That a material percentage of the variable compensation of the executive directors should be linked to the delivery of shares or financial instruments linked to their value.

Complies [  ]      Partially Complies [  ]      Explain [  ]      Not Applicable [  ]

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

62. That once the shares or options or share rights have been contributed to the compensation system, the directors may not transfer ownership of a certain number of shares equivalent to two times fixed annual compensation, nor may exercise the options or rights until a period of at least three years from allocation thereof has elapsed.

The foregoing shall not apply to shares that the director needs to dispose of, as the case may be, in order to pay the relevant acquisition costs.

Complies [  ]      Partially Complies [  ]      Explain [  ]      Not Applicable [  ]

63. That contractual agreements should include a clause authorizing the company to request reimbursement of the variable compensation if the payment amount was not in line with actual performance or if it is subsequently determined that payments were based on data that was clearly erroneous.

Complies [  ]      Partially Complies [  ]      Explain [  ]      Not Applicable [  ]

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

64. That payments for terminating contracts should not exceed an established amount equivalent to two years of total annual compensation and that they should not be paid out until the company has verified compliance by the director with the previously established performance criteria.

Complies [  ]      Partially Complies [  ]      Explain [  ]      Not Applicable [  ]

## H. OTHER INFORMATION OF INTEREST

1. If there is any other relevant aspect as regards corporate governance of the company or any of its groups companies that has not been included in the rest of the sections of this report, but which should be included in order to gather more complete and reasoned information on the corporate governance structure and practices of the company or its group, please briefly describe such information below.
2. Any other information, clarification or specifications related to the previous sections of this report may be included in this section, to the extent it is relevant and not redundant.

In particular, please indicate whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include that information required to be provided under such legislation and that differs from that requested in this report.

3. The company may also indicate whether it has voluntarily adhered to any other international, industry or other ethical codes or codes of good practice. If so, please identify the code in question and the date of accession. In particular, mention if it has adhered to the Code of Good Tax Practices, of 20 July 2010:

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

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

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

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

The Subscriber may, upon expiration of the Non-Disposal Period and subject to applicable regulations, freely dispose of the Shares Subscribed.

As a supplement to section A.10:

A) Resolution Three of the Annual General Shareholders Meeting of Pharma Mar held on 29 June 2017 establishes the following: To authorize the Board of Directors, in accordance with the provisions of Article 297.1.b) of the Spanish Capital Corporations Law (*Ley de Sociedades de Capital*), to increase share capital, within a maximum period of five years, if deemed convenient, by an amount equal to half of the current share capital, on a one-time basis or several times, in the manner and amount deemed appropriate, granting the power to exclude preemptive subscription rights, provided in all cases said right of exclusion shall be subject to a limit of 20% of the Company's share capital under the terms laid out in the proposed resolutions. Revoke and invalidate any unimplemented portions of Resolution Eleven of the General Shareholders Meeting held on 30 June 2015.

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

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

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

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

b) Resolution Four of the Annual General Shareholders Meeting of Pharma Mar held on 26 June 2019 establishes the following: To authorize the Board of Directors, with express power of substitution, to buyback treasury stock either directly or through Group companies.

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

**A. Means of acquisition**

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

**B. Maximum limit**

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

**C. Purchase price when for consideration**

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

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

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

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

Render void the unimplemented portion of Resolution Four of the General Shareholders Meeting held on 28 June 2018, also governing authorization to acquire treasury stock.

In relation to section C.1.2, it should be noted that at its meeting held on 26 June 2019 the Board of Directors appointed Carlos Pazos Campos as Coordinating Director for the same term as his position as a director of the Company, to replace Jaime Zurita Sáenz de Navarrete, who previously served as the Coordinating Director until said date, on which date the term of his mandate as director expired.

In relation to section C.1.11, it is worth noting that the natural representative of director ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L., José Leyte Verdejo, is the Secretary of BREIXO INVERSIONES, IICIICIL, S.A. and of SOANDRES DE ACTIVOS SICAV, S.A.

In relation to section C.1.13, it should be noted that the overall compensation of the Board of Directors for fiscal year 2019 (both in their condition as directors and for the performance of their executive duties) specified in this section (3,550 thousand euros), includes the full amount of the discretionary tranche of the Executive Chairman's variable compensation in 2019, equal to 18% of his fixed compensation and totaling 160.1 thousand euros. Following the proposal of the Appointments and Compensation Committee to the Board of Directors, the latter, at its meeting on 26 February 2020, considered the discretionary tranche of the variable compensation fully accrued.

In relation to section C.1.15, it should be noted that, although no amendments were made to the Board Regulations in fiscal year 2019, the Company's Board of Directors, at its meeting held on 21 January 2020, resolved to amend the Board Regulations to increase the maximum number of non-executive directors permitted to sit on the Appointments and Compensation Committee from four to five. The Board further resolved at its meeting on 26 February 2020 to amend the Board Regulations to eliminate the requirement that a director who reaches the age of 75 shall tender his resignation to the Board of Directors and formalize the relevant resignation, if deemed appropriate by the Board.

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

Article 18 of the Board Regulations refers to the appointment of directors and provides the following:

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

The appointment of substitutes shall not be required.

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

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

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

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

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

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

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

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

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

Furthermore, Article 19 of the Board Regulations refers to the removal of directors and provides the following:

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

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

(a) If they are involved in any circumstance of incompatibility or prohibition provided by law, the Corporate Bylaws or these Regulations.

(b) If their continued membership on the Board could put at risk or harm the Company's interests, credit or reputation.

(c) When they no longer hold an executive position to which their appointment was linked or, in general, when the reasons for their appointment no longer exist (e.g. when the shareholder represented by a Director disposes of its shareholding in the Company that motivated the Director's appointment).

(d) When the Director has missed four consecutive Board meetings without granting a proxy to another Board member.

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

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

4. When a Director tenders his or her resignation for any reason, said Director shall provide, and the Board of Directors shall require, an explanation of the reasons for said resignation in a letter to be issued to all members of the Board of Directors.

5. Furthermore, at least every four years, the Board of Directors shall be assisted in carrying out an assessment by an external consultant, the independence of which shall be verified by the Appointments and Compensation Committee.



It should be noted in addition to the foregoing that the Company's Board of Directors has approved a Director Selection Policy. In accordance with said Policy, the director selection/reappointment process is aimed at establishing a properly balanced Board of Directors. Candidates whose appointment would contribute to diversity within the Board of Directors as regards knowledge, experience, origins, nationalities and gender will be promoted. The candidates for the position of Director of the Company must be qualified professionals of good repute with recognized abilities, experience and proper training. Candidates for the position of director will be selected based on the analysis completed by the Board of Directors, with the assistance and report from the Appointments and Compensation Committee, of the needs of the Company and its Group companies. Any director may suggest candidates for the position of director, provided said candidates meet the requirements set forth in the aforementioned policy. The selection process shall not suffer from any implicit biases that could result in any type of discrimination.

As a supplement to section C.1.39, it is worth noting that the General Meeting is informed through the Annual Compensation Report –which was submitted to an advisory vote– and the Annual Corporate Governance Report –which forms part of the Annual Financial Statements– of the primary conditions of the agreements (including severance pay for termination of the agreement) with the managing directors or other individuals who are granted executive duties by virtue of any other means. As regards the Company's officers that report directly to the board or to any of its members, information is provided on their overall compensation as well as on the existence, as the case may be, of agreements for severance pay, guarantee clauses or "golden parachutes." As of 31 December 2019, there were no agreements between Pharma Mar, S.A. and its directors, officers or employees providing for severance payments in case of resignation, wrongful dismissal (in this case, beyond that legally provided) or termination of the labor relationship by virtue of a public tender offer, excluding as provided in section C.1.39.

As a supplement to section C.2.1:

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

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

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

The Audit Committee held seven meetings in 2019, in which it addressed, *inter alia*, the following matters: (i) proposed reappointment of the external auditors for fiscal year 2019, including the proposal of the fees for said auditors, to the Board of Directors for submission to the General Meeting; (ii) received an independence statement from the external auditors as well as information on the additional services provided and issued the auditor independence report as required under Art. 529 quaterdecies.4 e) LSC; (iii) monitored the preparation and presentation of all required financial information; (iv) held several meetings with the Company's auditors in which the auditors provided information on, *inter alia*, the audit plan for fiscal year 2019; (v) oversaw the effectiveness of the Company's internal controls and risk management systems and, in particular, of the internal financial reporting control system (SCIF), by virtue of the internal auditor, approving the Pharma Mar Group's internal auditing plan and related budget; and (vi) held meetings with the officers from the various Group companies, receiving financial information for the current year as well as information on risks and outlook.

- The Appointments and Compensation Committee held seven meetings in 2019, in which it carried out, *inter alia*, the following tasks:

- (i) proposed assessment of compliance with the targets for the variable compensation of the Executive Chairman in 2018 to the Board of Directors and proposed the calculation of said variable compensation based on said assessment;
- (ii) proposed modification, as the case may be, to the Board of Directors, of the amount of the director compensation provided for in the Bylaws for belonging to the Board and its Committees, as well as the amount of the attendance allowances for fiscal year 2019;
- (iii) proposed modification to the Board of Directors of the fixed compensation of the Executive Chairman and Vice-Chairman for 2019;
- (iv) proposed 2019 targets to the Board of Directors for the regulated variable compensation tranche for the Company's Executive Chairman;
- (v) proposed 2019 salary adjustments for certain senior managers to the Board of Directors;
- (vi) verified the information included in the 2018 Annual Report on Compensation of Directors for submission to the Board of Directors;
- (vii) submitted to the Board of Directors the annual report on the independent directors of Pharma Mar, assessing the compliance of said directors with the criteria for independence as set forth in the Spanish Capital Corporations Law;
- (viii) annual report on compliance with the director selection policy;

(ix) pre-reported to the Board of Directors regarding related-party transactions required to be submitted for Board approval;  
(x) submitted a report to the Board of Directors on the functioning, composition and performance of the Appointments and Compensation Committee during 2018 to enable the Board to assess such performance; submitted a report to the Board on the activities and assessment of the performance of the Board of Directors, of the Board Chairman and of the Directors in 2018;  
(xi) proposed appointment and reappointment of independent directors, and report on reappointment of non-independent directors; (xii) submitted a Stock Ownership Plan to the Board of Directors, for approval by the General Meeting, applicable to employees and officers of the Group as relates to variable compensation for meeting targets in 2019 (to be implemented in fiscal year 2020).

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

#### A. Business Risks

##### Competition

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

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

##### Industrial Property. Patents.

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

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

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

##### Regulation

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

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

##### Availability of capital

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

##### Shareholders

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

##### B. Operational Risks

###### Prices of key materials

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

###### Health and Safety

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

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

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

###### Environmental

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

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

###### Product development

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

#### C. Reporting Risks

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

##### Market Communications

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

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

##### Information Systems

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

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

#### D. Financial Risks

##### a) Market Risk Price Risk

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

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

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

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

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

##### Exchange rate risk

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

##### b) Credit Risk

Credit risk arises from financial investments with banks.

##### c) Liquidity Risk

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

#### E. Tax Risks

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

#### F. Corruption risks

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

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

#### A. Business Risks

##### Industrial Property. Patents.

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

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

##### Regulation

In order to offset the risks arising from ongoing and new legal requirements and regulations, the Group makes its decisions and designs its business processes based on an exhaustive analysis of these matters, provided by our own experts and by reputable external specialists, as deemed necessary.

##### Availability of capital

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

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

##### Shareholders

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

#### B. Operational Risks

##### Prices of key materials

The Group carries out a detailed analysis of the prices at the beginning of the year, working with our suppliers in order to establish a closed price for the whole year. Based on this, the cost price of the products is calculated. These prices are monitored on a monthly basis in case any amendment is required, although raw materials derived from petroleum are already experience strong variations that are not always predictable (butane, solvents, plastics. etc.).

##### Health and Safety

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

The Company holds accident and civil liability insurance policies.

The parent company of the Group, whose workforce represents more than 50% of total Group employees, has obtained the OHSAS 18001 Certification for occupational health and safety management.

##### Environmental

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

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

##### Product development

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

#### C. Reporting Risks

##### Market Communications

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

##### Information Systems

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

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

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

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

#### D. Financial Risks

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

##### a) Market Risk

###### Price Risk

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

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

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

###### Exchange rate risk

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

##### b) Credit Risk

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

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

##### c) Liquidity Risk

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

#### E. Tax Risks

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

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

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

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

---

This annual corporate governance report has been approved by the company's Board of Directors at its meeting held on

[ 26/02/2020 ]

Please indicate whether any directors have voted against or abstained from the approval of this Report.

[ ] Yes

[v] No