

## ANNEX 1

### ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS IN LISTED COMPANIES

#### ISSUER IDENTIFICATIONS DETAILS

<b>YEAR ENDING</b>	<b>31/12/2017</b>
<b>TAX ID. #</b>	<b>A-36046993</b>
<b>REGISTERED NAME</b>	<b>GRUPO EMPRESARIAL SAN JOSE, S.A.</b>
<b>REGISTERED ADDRESS</b>	<b>ROSALIA DE CASTRO 44, BAJO (PONTEVEDRA)</b>

## **A THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT YEAR**

A.1 Explain the company's remuneration policy. In this section include information related to the following:

- The general principles and basis for the company's remuneration policy.
  - The most significant changes made to the remuneration policy compared with one applied in the previous financial year and the changes made in the year to the terms and conditions for exercising options already granted.
  - The criteria and composition of comparable company groups whose remuneration policy has been examined to determine the company's remuneration policy.
  - The relative importance of the variable remuneration items compared with the fixed ones and the criteria applied to determine the different components of the directors' remuneration package (remuneration mix).

### **Explain the remuneration policy**

The AGM of GRUPO EMPRESARIAL SAN JOSÉ, S.A., held on 23 June, 2016, at proposal of the appointments remuneration and good governance committee, unanimously agreed to approve the remuneration policy for Directors for years 2016, 2017 and 2018. The AGM of GRUPO EMPRESARIAL SAN JOSÉ, S.A., held on 22 June, 2017 passed on an amendment to said policy for non-executive directors as members of the executive commission or the international executive committee. Likewise, it passed a text on the remuneration of Directors for years 2016, 2017 and 2018.

This document includes the different elements of the remuneration policy of the Company's directors, as well as the main conditions that must be observed in the contracts of executive directors and of those who develop senior management functions.

The Policy pursues an adequate remuneration for directors in accordance with the dedication and responsibility assumed, related to the type of director and pursuant to what is satisfied in the market in comparable companies at national and international level, taking into consideration the long-term interest of all the shareholders.

The remuneration provided for in the aforementioned document is reasonably proportionate to the importance of the Company, its economic situation and market standards. In addition, the remuneration system is aimed at promoting profitability and long-term sustainability of the Company.

In particular, with regard to executive directors, the basic criterion is to offer remuneration systems that attract, retain and motivate professionals in order to facilitate the Company's ability to meet its strategic objectives, consequently, this policy pursues, in relation to executive directors:

- a) To ensure that the remuneration, in terms of its structure and overall amount, complies with best practices and is competitive with respect to that which is satisfied in comparable companies, considering the situation of the territories where the Company carries out its activity.

b) To include, if relevant, a significant annual variable component linked to individual performance and achievement of predetermined objectives and aligned with the social interest and the strategic objectives of the Company.

c) To promote the achievement of strategic objectives of the Company through the incorporation of incentives to medium and long term, reinforcing the continuity in the competitive development of the Group, its administrators and its management team, promoting an effect of motivation and loyalty of the best qualified professionals.

Likewise, the remuneration of external directors is what is necessary to attract and retain the directors of the desired profile by rewarding their dedication, qualification and responsibility required by the position, without compromising their independence. Notwithstanding the aforementioned, this policy foresees to adapt appropriately to the economic situation and to the international context in which the operations of the Company are framed.

The board, at the proposal of the committee, is the competent body to determine, within the limit set by the board of shareholders, and in a manner consistent with this policy, the exact amount to be paid in each year to each Director of the Company, with the exception of remuneration consisting of the delivery of shares or option rights on the same or of the remuneration rights linked to their value, whose application must be approved by the AGM in accordance with the provisions of the Capital Companies Act and the corporate bylaws.

In accordance with article 25.3 of the bylaws, the AGM fixed the maximum amount of the annual remuneration that the Company will allocate to all of its directors in their capacity as such, in a million euros (€ 1,000,000); Within that limit, its distribution among the different directors corresponds to the board.

In accordance with the provisions of the bylaws, the aforementioned remuneration is compatible and independent of that provided for executive directors, which is not subject to the previous quantitative limit.

The remuneration that corresponds to the directors due to their status as such may include, within the legal framework and statutory, the following concepts:

- a) Annual fixed allocation
- b) Assistance allowances
- c) Statutory services and risk coverage

Likewise, the remuneration attributed to each director will be determined in consideration of the functions and responsibilities attributed to each director, their membership in the different committees and the other objective circumstances that consider relevant.

The remuneration of each executive director of Grupo Empresarial San José for the performance of executive functions in the Company (different, therefore, to the functions linked to their status as members of the Council) is structured as follows:

- a) Annual fixed remuneration
- b) Variable remuneration
  - i) Annual variable remuneration
  - ii) Variable remuneration in the medium and long term
- c) Assistance or coverage of risk
- d) Compensation

A.2 Information about the preparatory work and decision-making process used to determine the remuneration policy and the role played, if any, by the Remuneration Committee and other control bodies in structuring the remuneration policy. This information must include, if any, the mandate and composition of the Remuneration Committee and the identifying details of the external advisors whose services have been used to define the remuneration policy. Similarly, the position of the directors must be expressed that, if any, have taken part in defining the remuneration policy.

**Explain the process for determining the remuneration policy**

In accordance with the Capital Companies Act and the Remuneration Policy approved by the AGM, it will be the Board of Directors, on the proposal of the Appointment and Remuneration Committee, which adopts the agreements related to the remuneration policy, in accordance with the provisions of the bylaws and with the prudential criterion that is customary in the company, subject to the limits established by the AGM.

Article 18 of the Regulations of the Board of Directors establishes that the Appointment, Remuneration and Good Governance Committee will propose to the Board of Directors the remuneration policy for directors and general managers or those who perform senior management functions under direct dependence of the board, executive committees or CEOs, as well as the individual remuneration and other contractual conditions of the executive directors, ensuring their observance.

The Appointments and Remuneration Committee is made up of:

President: Mr. Ramón Barral Andrade, Independent.

Vocal: Mr. Roberto Álvarez Álvarez, Independent.

Member: Mr. José Manuel Otero Novas, Independent

Member: Mr. Enrique Martín Rey, Proprietary

No external advisors have taken part in the elaboration of the remuneration policy.

A.3 Specify the amount and the nature of the fixed components, with a break-down, if needed, of the remuneration for performing senior management duties by the executive directors, the additional remuneration for the chairperson or members of the Board of Directors or any of its committees, the expenses incurred for attending the board and its committees' meetings or any other fixed remuneration paid to the directors, along with an estimate of the annual fixed remuneration resulting therefrom. Identify other benefits that are not paid in cash and the main parameters applied in order to grant them.

**Explain the fixed components of the remuneration**

The remuneration that corresponds to the directors due to their condition includes the following concepts:

a) Annual fixed allocation

Directors may receive a fixed annual amount adequate to market standards, in consideration of the functions and responsibilities attributed to each director, the membership of board committees and other objective circumstances that the board of directors considers relevant.

b) Assistance allowances

Directors may receive certain attendance fees, either for attending the meetings of the board or meetings of the committees which they belong to.

c) Statutory services and risk coverage. The Company will pay the amount of the premiums corresponding to the civil liability insurance policy for directors and managers.

The remuneration during 2017 was as follows:

Executive directors: € 81,000

Independent Directors: € 229,500

Proprietary directors: € 12,500

External Directors: € 6,000

On the other hand, directors for the performance of their executive functions, different from those of their own director status, amounted to € 1,051,350.

#### A.4 Explain the amount, the nature and main variable components included in the remuneration systems.

In particular:

- Identify each of the remuneration plans in which the directors are beneficiaries, their scope, date of approval, date of implementation, valid term and their main features. In the case of stock option plans and other financial instruments, the general features of the plan must include information about the terms and conditions for exercising such options or financial instruments for each plan.
- Specify any remuneration paid for profit sharing or bonuses and the reasons for which they are granted.
- Explain the main parameters and basis for any annual bonus system.
- The kinds of directors (executive directors, external proprietary directors, external independent directors or other external directors) who are beneficiaries of the remuneration systems or plans that include variable remuneration.
- The basis for such variable remuneration systems or plans, the assessment criteria chosen for being benefiting from them, along with the components and assessment methods to determine whether or not such assessment criteria have been met and an estimate of the absolute amount of the variable remuneration resulting from the remuneration plan in force, depending on the hypothesis or targets used as reference being achieved.
- If any, information must be provided about the terms for deferral or delays in payment that have been determined and or the periods for withholding stock or other financial instruments, if any.

Previous report of the Appointment and Remuneration and Good Governance Committee, the board of directors agrees each year a variable remuneration for directors, according to the indicators or reference parameters established in the company's remuneration policy.

The indicators or reference parameters established in the remuneration policy in force for the year 2017 for the Variable compensation are the following:

1. Annual variable remuneration. A part of the remuneration of executive directors may be variable, in order to enhance their commitment to the Company and encourage the best performance of functions. A part of such variable remuneration will be discretionary fixed and another will be linked to specific financial economic and operational objective indicators, namely:

- By membership of the executive committee: up to a maximum of 1% of the EBITDA of the Company.
  - By membership of the international executive committee: up to a maximum of 1.5% of the international turnover of the Company.
2. Variable remuneration in the medium and long term. The Company contemplates the possibility of also establishing the implementation of incentive programmes linked to the achievement of strategic objectives in the medium and long term with the purpose of promoting the retention and motivation of the executive directors and the alignment of their performance with the maximisation of the value of Grupo Empresarial San José in a sustained manner over time.

These systems may include deliveries of shares of the Company, options on such shares or remuneration rights linked to the value of these, when so agreed by the general meeting of shareholders at the proposal of the Board, previous report of the Commission.

The medium and long-term remuneration plans will have an indicative time horizon of 3 years.

Likewise, it will be possible to establish extraordinary remunerations based on concrete circumstances, aligned with the social interest, whose temporal horizon is superior to a year.

3. The variable remuneration of directors forming part of the executive commission or the international executive committee.

Remuneration for directors forming part of the executive commission or the international executive committee may include the following:

- for being members of the executive commission: up to 1% of EBITDA
- for being members of the international executive committee: up to 1.5% of the international turnover.

The annual report on the remuneration of the directors corresponding to the previous year is submitted to vote at the AGM.

For year 2018 the indicators or reference parameters and the procedure for the determination of the variable remuneration will be equivalent to that of 2017. Since the financial statements have not yet been formulated, neither the audit report has been issued, the board has not yet taken any decision on variable remunerations up to date.

**A.5 Explain the main features of the long-term savings systems, including retirement and any other pension benefits partially or fully financed by the company, whether provided internally or externally, with an estimate of their amount or equivalent annual cost, specifying the kind of plan, whether it is defined contribution or benefits, the conditions for consolidation of the economic rights in favor of the directors and their compatibility with any kind of severance pay for early dismissal or termination of the contractual relationship between the company and the director.**

Moreover, specify the contributions in favour of the director to defined contribution pension plans; or the increase in the director's consolidated rights, when they involve contributions to plans with defined benefits.

#### **Explain long-term saving systems**

The group does not make contributions to pension plans, individual and defined contribution systems, for executive directors, with coverage for contingencies such as retirement, disability, death and severe dependence.

The company does not have any amount recorded or accumulated for pension, retirement or similar benefits.

A.6 Specify any remuneration agreed or paid in the case of dismissal of a director from his/her post.

**Explain the remuneration**

There are no indemnity or protection clauses in the event of termination of the functions of the directors in their condition as such.

A.7 Specify the conditions that must be observed in the contracts of those performing senior management duties, such as executive directors. Among others, information must be provided about the terms, the limits in the amounts of severance pay, permanence clauses, prior notice terms, and payment as replacement of the aforementioned prior notice, and any other clauses related to recruitment bonuses and severance pay or golden parachute clauses due to early dismissal or termination of the contractual relationship between the company and executive director. Include, inter alia, any non-competition, exclusivity, permanence or post-contractual loyalty and non-competition clauses or agreements.

**Explain the terms and conditions of the executive directors' contracts**

The contracts of executive directors will be in force as long as they continue to be directors executives of the Company.

In the cases of termination provided for in the contract, the executive director will be entitled to receive a compensation for termination, except in the event that such termination is due to a serious breach of any of the obligations of the executive director, in which case the executive director will not be entitled to receive any compensation for the termination of the contract.

The compensation for termination includes:

(i) Three annual payments of the annual fixed remuneration of the executive director at the time of termination and the last annual variable remuneration received by the executive director, if the sum of these two amounts is less than 750,000 euros.

(ii) Two and a half years of the annual fixed remuneration of the executive director at the time of the termination and the last annual variable remuneration received by the executive director, if the sum of these two amounts is greater than 750,000 euros but less than 1,100,000 euros.

(iii) Two annuities of the fixed annual remuneration of the executive director at the time of termination and the last annual variable remuneration received by the executive director, if the sum of these two amounts is greater than 1,100,000 euros.

The executive director may terminate the contract unilaterally and by his own will, bringing it to the attention of the Company in writing at least three months in advance. In case of non-compliance with the notice obligation, the executive director must indemnify the Company with an amount equivalent to the fixed remuneration applicable in the moment of termination of the contract corresponding to the unfulfilled period of notice. During the period of notice, the Company may exempt the executive director from the performance of his duties, although he will continue to pay the corresponding remuneration.

The termination of the contract due to the unilateral withdrawal of the executive director will imply, automatically and with effects of the same date on which the contract is terminated, his resignation

from the position of director, and the revocation of as many faculties had delegated in his favor by the board of directors, as well as all the powers granted to him by the company.

During the term of the contract and unless there was express and written consent of the company, the executive director shall provide its services exclusively for the Company and the companies of its group. The executive director may not provide any kind of services, directly or indirectly, under any kind of legal relationship, for third parties, or for their own account, even when the activities they carry out are not concurrent with those of the company or those of the group, and all professional activity shall be dedicated to the company and the companies of the group.

The provision of services or the performance of any other activity that results, for any reason, relevant or require any temporary dedication by the executive director will require the prior authorisation of the board of directors.

The executive director undertakes to use the information of the company solely and exclusively for the purpose of complying with the functions entrusted in the contract. In addition, the executive director undertakes to conserve and treat as confidential information and, in particular, not to disclose it to any third party or employee of the company without the prior consent of the company, except in the exercise of the functions entrusted in the contract or by legal imperative, and not to reproduce it, transform it or, in general, use it in a different way other than what is necessary for the exercise of the professional functions. The executive director undertakes to return immediately to the company, upon request of this during the term of the contract and, in any case, and without need of a request, upon its extinction, any kind of confidential information that has been disclosed to or has been created by the executive director.

#### **A.8 Explain any supplementary remuneration earned by the directors as consideration for the services they render other than those related to their posts.**

##### **Explain supplementary remuneration**

Directors have not received any significant remuneration for services rendered other than those inherent in office.

The three executive directors have also received no supplementary remuneration other than that provided for in their respective contracts for the provision of services as indicated in sections C and D.1.A.

#### **A.9 Specify any remuneration paid as advances, credits and guarantees granted, stating the interest rate, their essential features and the amounts possibly reimbursed, as well as the commitments undertaken on behalf of each one as a guarantee.**

##### **Explain the advances, credits and guarantees granted**

The company has not granted advances, credits or guarantees to the members of the board of directors.

#### **A.10 Explain the main features of the remuneration in kind.**

##### **Explain the remuneration in kind**

Directors of the company have not earned any remuneration for this concept. Executive directors enjoy small compensations consisting of health insurance.

#### **A.11 Specify the remuneration received by the director by virtue of the payments made by the listed company to a third company where the director renders his services, when the**

purpose of such payments is to remunerate the services rendered thereby in such company.

**Explain the remuneration received by the director by virtue of the payments made by the listed company to a third company where the director renders his services**

Directors of the company have not earned any remuneration for this concept.

A.12 Any other remuneration item different to the previous ones, whatever its nature may be or the company in the group that pays it, in particular when it is considered a related transaction or the granting thereof distorts the true image of all the remuneration payable to the director.

**Explain the other remuneration items**

There are no other remuneration items.

A.13 Explain the measures the company has adopted related to the remuneration system to reduce excessive risks of exposure and to adapt it to the company's long-term values and interests, which must include, if any, a reference to the following: the measures planned to guarantee that the remuneration policy takes into account the company's long-term profits, measures that determine a suitable balance between the fixed and variable components included in the remuneration, measures adopted related to the jobs of staff whose work has a significant impact on the company's risk profile, reimbursement formulae or clauses to be able to claim the refund of the variable components included in the remuneration based on the profits and losses, when such components have been paid taking into account data that have been clearly proven inaccurate afterwards and the measures applied to avoid conflicts of interests, if any.

**Explain the actions adopted to reduce risks**

The remuneration system of the members of the board of directors as of the date does not foresee the payment of any variable remuneration, so there is no need on the part of the company to take any action to reduce the exposure to excessive risks.

The variable remuneration of the executive directors is established based on the overall performance of the company.

To the extent that the variable remuneration is determined and paid according to the results determined once the year has ended and after the issuance of the audit report, the company has not considered it necessary to implement formulas or clauses of recovery to be able to claim the return of the variable components of the remuneration.

**B THE COMPANY'S REMUNERATION POLICY ESTABLISHED FOR FUTURE YEARS**

Repealed

## **C OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED IN THE FINANCIAL YEAR JUST ENDED**

C.1 Explain, in a nutshell, the main characteristics of the structure and remuneration items of the remuneration policy applied during the financial year just ended, giving rise to the individual remuneration earned by each of the directors as itemised in Section D of this report, along with a summary of the decisions taken by the board for the application of such items.

### **Explain the structure and remuneration items of the remuneration policy applied during the year**

The remuneration of the directors in the condition of such consist of:

Annual fixed allocation: directors will receive a per diem for attending each of the meetings of the board of directors amounting to EUR 2,000, EUR 3,000 for each meeting of the executive committee, EUR 1,500 for each meeting of the audit committee and the appointment, remuneration and good governance committee and EUR 3,000 for each meeting of the international executive committee.

Statutory services and risk coverage. The Company pays the amount of the premiums corresponding to the civil liability insurance policy for directors.

Remuneration of non-executive directors for being members of the executive commission or the international executive committee may include, within the legal framework, the following:

An annual variable remuneration, with a maximum amount up to:

- for being members of the executive commission: up to 1% of EBITDA
- for being members of the international executive committee: up to 1.5% of the international turnover.

Per diems have amounted to: EUR 191,000

Other remunerations paid have amounted to: EUR 138,000

Remunerations paid for belonging to other board have amounted to: EUR 126,000

Fixed remuneration paid to directors has amounted to € 1,051,350. Assistance per diems for attending meetings of commissions or committees are not includes therein. Variable remuneration of executive directors has amounted to € 1,275,000.

**D INDEMNISATION OF INDIVIDUAL REMUNERATION EARNED BY EACH DIRECTOR.**

Name	Salaries	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to Board Committees	Severance	Other items	Total 2016	Total 2017
JACINTO REY GONZALEZ	500,000	0	10,000	1,000,000	0	18,000	0	0	1,528,000	1,528,000
JACINTO REY LAREDO	350,000	0	10,000	200,000	0	18,000	0	0	578,000	511,174
JOSE MANUEL OTERO NOVAS	0	0	8,000	0	0	15,000	0	0	23,000	27,500
NASSER HOMAID SALEM ALI ALDAREI	0	0	0	0	0	6,000	0	0	6,000	11,000
RAMON BARRAL ANDRADE	0	0	10,000	0	0	13,500	0	0	23,500	23,500
ROBERTO ALVAREZ ALVAREZ	0	0	0	0	0	0	0	48,000	48,000	48,000
SUNIL KANORIA	0	0	0	0	0	3,000	0	0	3,000	5,000
JAVIER REY LAREDO	201,350	0	10,000	75,000	0	15,000	0	0	301,350	256,369
ALTINA DE FATIMA SEBASTIAN GONZALEZ	0	0	30,000	0	0	9,000	0	0	39,000	17,500
GUILLERMO NIELSEN	0	0	0	0	0	3,000	0	90,000	93,000	8,000
ENRIQUE MARTIN REY	0	0	8,000	0	0	4,500	0	0	12,500	16,000



- ii) Share-based remuneration systems**
- iii) Long-term saving systems**

**b) Remunerations accrued for Directors for belonging to other boards of other companies of the Group (amounts in € thousand):**

- i) Remuneration in cash (in € thousands)**

**c) Summary of remuneration (amounts in € thousand):**

The summary must include the amounts relating to all remuneration items included in this report that the Director, in thousand euro.

In the case of long-term saving systems, the contributions or allocations made to this type of system will

Name	Remuneration earned at the Company				Remuneration earned at Group con		
	Total cash remuneration	Amount of shares granted	Gross profit from option exercised	Company total fiscal year 2016	Total cash remuneration	Amount of shares awarded	Gross opti exerc
JACINTO REY GONZALEZ	1,528,000	0	0	1,528,000	108,000	0	
JACINTO REY LAREDO	578,000	0	0	578,000	0	0	
JAVIER REY LAREDO	301,350	0	0	301,350	18,000	0	
ALTINA DE FATIMA SEBASTIAN GONZALEZ	39,000	0	0	39,000	0	0	
ROBERTO ALVAREZ ALVAREZ	48,000	0	0	48,000	0	0	
RAMON BARRAL ANDRADE	23,500	0	0	23,500	0	0	
JOSE MANUEL OTERO NOVAS	23,000	0	0	23,000	0	0	
SUNIL KANORIA	3,000	0	0	3,000	0	0	
GUILLERMO NIELSEN	93,000	0	0	93,000	0	0	
ENRIQUE MARTIN REY	12,500	0	0	12,500	0	0	
NASSER HOMAID SALEM ALI ALDEREI	6,000	0	0	6,000	0	0	
TOTAL	2,655,350	0	0	2,655,350	126,000	0	

D.2 State the relationship between the remuneration obtained by the directors and the entity's results or other performance measurements, explaining, as pertinent, how changes in company performance may have influenced the change in the directors' remuneration.

The only directors who have received variable remuneration are executives with executive functions.

To the extent that part of the variable remuneration of directors is established taking into account the degree of achievement of certain objectives, the annual remuneration of executive directors is adjusted according to the variations that may occur in the group.

The system of variable remuneration is linked to the responsibility and quality of the work and to the results of the group, so there is a correlation between the variations in the performance of the entity and the remunerations of the executive directors.

D.3 Report the result of the consultative vote by the general shareholders' meeting on the annual report on prior-year remuneration, indicating the number of votes against, if any:

	Number	% of total
<b>Votes cast</b>	41,453,618	63,75%

	Number	% of total
<b>Votes against</b>	368,371	0.88%
<b>Votes in favour</b>	41,388,689	62.87%
<b>Abstentions</b>	0	0.00%

## **E OTHER INFORMATION OF INTEREST**

**If there is any relevant aspect of director remuneration that it has not been possible to set out in the other sections of this report, but which it is necessary to include for more complete and reasoned information on the remuneration structure and practices of the company with its directors, describe it briefly.**

There is no other relevant fact,

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This annual remuneration report was approved by the company's Board of Directors at its meeting held on 28 February, 2018.

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

Yes                      No