

REPORT ON ACTIONS

OF THE AUDIT AND
COMPLIANCE COMMITTEE
FOR THE YEAR 2021





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I. INTRODUCTION

This report on the functions and activities of the Audit and Compliance Committee of Corporación Financiera Alba, S.A., has been drawn up in accordance with the recommendations on the corporate good governance of listed companies, and in particular those set out in the Good Governance Code of Listed Companies, approved by the National Securities Market Commission ("CNMV") on 18 February 2015, and partially reformed on 26 June 2020, in order to update and adapt the text in accordance with the latest legal changes, in particular regarding non-financial risks and information, aspects of sustainability (ESG), diversity of boards and remuneration, as well as Technical Guide 3/2017 of the CNMV, on Audit Committees of Public-Interest Entities.

The Audit Committee was created by the Board of Directors on 29 March 2000, following the recommendations of the so-called "Olivencia Code". From its incorporation, its regulations have on various occasions been adapted to the regulations in force from time to time, in particular:

- (i) The amendment of the Articles of Association and the Regulation of the Board of Directors of 22 May 2003, to incorporate the provisions of Law 44/2002, of 22 November 2002, on Financial System Reform Measures (the "Financial Law"), with regard to the competition, responsibilities and operational rules of the Audit Committee.
- (ii) The amendment of the Regulation of the Board of Directors of 30 September 2010 for the following purpose: (a) adaptation to the extension of the powers of Audit Committees brought in by Law 12/2010, of 30 June 2010, modifying the Accounts Auditing, Securities Market, and Public Limited Liability Companies Law; and (b) the introduction of recommendations from the CNMV document regarding "Internal control of financial reporting at listed entities" (June 2010).
- (iii) The amendment of the Regulation of the Board of Directors of 5 May 2015, covering the new provisions regarding the composition, organisation and functions of Audit Committees, established by the new Article 529(14) of the Capital Companies Law, brought in by Law 31/2014, of 3 December 2014, modifying the Capital Companies Law to improve Corporate Governance.

- (iv) The amendment of the Regulation of the Board of Directors of 3 May 2016, which (a) covered the changes established regarding the composition of the Committee and its functions on the basis of Accounts Auditing Law 22/2015, of 20 July 2015, which amended article 529(14) of the Capital Companies Law; and (b) changed its name, to the Audit and Compliance Committee.
- (v) The amendment of the Regulation of the Board of Directors of 13 May 2021, extending the functions of the Audit Committee to adapt them to Law 5/2021, of 12 April 2021, amending the consolidated text of the Capital Companies Law and other financial standards with regard to the encouragement of the long-term engagement of shareholders at listed companies, as the transposition into Spanish law of Directive (EU) 2070/828.

In 2017 the Board of Directors, in accordance with Recommendation 19 of CNMV Technical Guide 3/2017, on Audit Committees of Public-Interest Entities, approved a Regulation of the Audit and Compliance Committee, amended by resolution of the Board of Directors on 26 October 2020, in order to adapt it to the revision of the Code of Good Governance of Listed Companies approved by the CNMV on 26 June 2020. During 2021 this Regulation was once again modified by a resolution of the Board of Directors passed on 13 May 2021, to adapt it in accordance with the aforementioned Law 5/2021, of 12 April 2021.

II. FUNCTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE

In Article 3 of the Regulations of the Audit and Compliance Committee of Corporación Financiera Alba, S.A., as well as in the Regulations of the Board, in its Article 22, following the provisions of the Article 529 quaterdecies of the LSC, the following functions are entrusted to the Audit and Compliance Committee, without prejudice to those others that may be assigned by the Board of Directors:

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- a) Report to the General Shareholders' Meeting as to any issues raised in connection with those matters that lie within the competency of the Committee, and in particular the results of the audit, explaining how this has contributed to the integrity of financial information, and the function that the Committee performed in this process.
- b) Supervise the efficacy of internal control of the Company, internal auditing and risk management systems, and discuss with the accounts auditor any significant weaknesses in the internal control system that might be detected in the development of the audit, all the above without undermining its independence. To this end, and as applicable, they may submit recommendations or proposals to the governing body, and the corresponding period for the follow-up thereof.
- c) Supervise and evaluate the process of preparation and presentation of the required financial and non-financial information, and present recommendations or proposals to the governing body in order to safeguard its integrity.
- d) Refer to the Board of Directors proposals as to the selection, appointment, re-election and replacement of the accounts auditor, taking responsibility for the selection process in accordance with the provisions of Articles 16, subsections 2, 3 and 5, and 17.5 of Regulation (EU) No 537/2014, of 16 April 2014, in addition to the contractual conditions, and regularly receive information from it as to the audit plan and execution thereof, while also maintaining its independence in the performance of its functions.
- e) Establish the appropriate relations with the external auditor to receive information on those issues that may pose a threat to their independence, for examination by the Committee, and any others related to the process of carrying out the audit of accounts, and, where appropriate, the authorisation of services other than those prohibited, under the terms set out in Articles 5, Section 4, and 6.2.b) of Regulation (EU) No. 537/2014, of 16 April, and as foreseen in Section 3 of Chapter IV of Title I of Law 22/2015, of 20 July, on the Auditing of Accounts, on the independence regime, as well as those other communications provided for in the account auditing legislation and in the auditing standards. It must in all cases each year receive from the external auditors the declaration of their independence with regard to the organisation or organisations directly or indirectly related to it, in addition to detailed and individual information on additional services of any class that are

provided, and the corresponding fees received from said organisations by the external auditor or the persons or entities related to it, in accordance with the provisions of the regulations governing accounts auditing operations.

f) Issue each year, prior to the issuance of the accounts auditing report, a report stating an opinion as to whether the independence of the accounts auditor or auditing firms has been compromised. This report must in all cases contain the evaluation of the performance of each and every one of the additional services referred to in the above section, taken individually and as a whole, other than the legal audit, and with regard to the regime of independence or the regulations governing accounts auditing operations.

g) Report to the Board of Directors in advance as to all matters set out in Law, the corporate bylaws and the Board Regulation, and in particular with regard to:

1.º the management report and any financial information, and non-financial information where applicable, that the company would be required periodically to publish,

2.º the creation or acquisition of stakes in special-purpose vehicles or any domiciled in countries or territories classified as tax havens, and

3.º operations with related parties requiring approval by the General Meeting or the Board of Directors.

h) Supervise compliance with the rules of corporate governance, internal codes of conduct and the sustainability policy.

i) Supervise the application of the economic/ financial and non-financial reporting policy, and the processes for relations and communication with shareholders, investors, proxy advisors and other stakeholders.

j) Supervise the internal procedure for those related-party operations the approval of which is delegated by the Board in accordance with the Law.

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III. COMPOSITION

The Audit and Compliance Committee is an internal body of the Board and, therefore, is composed of Directors of the Company. The members are appointed by the Board of Directors and, in accordance with the provisions of the LSC, following the amendment made by Law 22/2015, of 20 July, all the members of this Committee must be external or non-executive directors, the majority of whom must be independent directors and at least one of whom must be appointed on the basis of his or her knowledge of accounting and/or auditing matters. As a whole, the members of the Committee must have the relevant technical knowledge in relation to the sector of activity to which the Company belongs.

The Chairman of the Committee must be an independent Director and, in accordance with the provisions of the Law and the Company Bylaws, the Chairman must be replaced every four years and may be re-elected after a period of one year has elapsed since his removal.

The composition of the Audit and Compliance Committee of Corporación Financiera Alba, S.A. fulfils the legal demands, as it comprises three Directors, all of whom are independent.

The composition of this Committee as of 31 December 2021 was as follows: Ms. Ana María Plaza Arregui, as Chair, and Ms. Claudia Pickholz and Ms. María Eugenia Girón Dávila, as Board Members. All of its members have the status of Independent Directors, with Ms. Plaza having been appointed in 2019 and Ms. Pickholz and Ms. Girón re-elected in 2020.

In accordance with the recommendations of the Unified Good Governance Code of Listed Companies, the information on the profile of all the Directors of Corporación Financiera Alba is made available on the company's website. In accordance with the recommendations of CNMV Technical Guide 3/2017, we would highlight that Ms. Plaza has considerable experience in the world of auditing and financial management at companies in a range of sectors, both nationally and internationally. Ms. Pickholz has held management positions at major multinationals in a range of sectors, with responsibilities in the areas of marketing and strategy. Lastly, Ms. Girón has considerable experience in the world of business, strategy design, brand building, international growth and sustainable development.

IV. FUNCTIONING AND ACTIVITY

The internal functioning of the Audit and Compliance Committee is governed by the provisions of Article 47 of the Bylaws and by the provisions of Articles 29 to 34 of the Regulations of the Board and Articles 12 to 18 of the Regulations of the Audit Committee and Compliance, which regulate everything related to its meetings, calls, quorum, adoption of resolutions, minutes, relations with the Board, with the Company's Management, and with the auditor and the internal auditor, and the powers to request information on any aspect of the Company and to seek the advice of external professionals.

During the year 2021, the Audit and Compliance Committee held eight meetings, in which it worked, within the functions mentioned above, in the areas indicated below, and for which it had the necessary information and documentation at its disposal:

- Review of the periodic financial information to be submitted to the National Securities Market Commission.
- External audit of the financial statements and relations with the external auditors.

- System of risk identification and internal control.
- Internal audits.
- Review of non-financial information.
- Compliance with the legal provisions and internal regulations.

The meetings of the Audit and Compliance Committee were attended, by invitation, by the external and internal auditors, the Chief Financial Officer and the Company's risk managers, to discuss the items on the agenda that were their responsibility. Likewise, during 2021 the external auditors of the Company were invited to participate at all meetings of the Audit and Compliance Committee, and the internal auditors at three.

In connection with the management of risks that may affect the Company, the Audit and Compliance Committee regularly includes a point in the agenda of its meetings dedicated to this matter, either to conduct the relevant monitoring of risks or to have the person in charge of this area within the company present it to the Committee. During 2021 issues connected with risk management and monitoring were addressed at all meetings of the Committee.

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At the end of each year, the Audit and Compliance Committee approves its Activities Schedule for the next year, in relation to the areas mentioned above and follows these up accordingly.

a) Review of periodic financial information

In relation to the periodic financial information, the Audit and Compliance Committee has analysed, prior to its presentation, the quarterly and half-yearly financial information sent to the CNMV and made public, as well as the complementary information leaflets that are published, in accordance with the requirements established by Royal Decree 1362/2007, of 19 October (modified by Royal Decree 875/2015, of 2 October), and by CNMV Circular 3/2018, of 28 June.


In this analysis cooperates the Company's Chief Financial Officer, who is responsible for the preparation of the information mentioned above, in order to explain to the Commission the accounting process followed to prepare said financial information, and the decisions and criteria adopted.

The Committee gave its approval to this information, after the introduction of certain suggestions raised.

A meeting was also held to examine the financial statements prior to their preparation by the Board of Directors.

With regard to the quarterly financial information, it should be emphasised that following the approval of Law 5/2021, of 12 April 2021, repealing Article 120 of the Securities Market Law, publication became voluntary, although the CNMV may nonetheless demand such information in performing its periodic reporting inspection function (Article 234.2 Securities Market Law). The Committee appraised the situation and the contents of the information that had been published, and held that there was no reason why the quarterly information should continue to be published.

With regard to the application of the European Union Electronic Format ("EUEF"), the Parliament and European Council resolved in December 2020 to amend Transparency Directive 2004/109/EC to allow the deferral of the obligation for listed companies to produce and publish their annual financial reports in accordance with the EUEF. Corporación Financiera Alba, S.A. decided to take advantage of this deferral, although the required work has been performed to implement the new EUEF



format, with the necessary software having been acquired, and the support of external advisors.

Finally, in accordance with the provisions of recommendation 43 of the CNMV 3/2017 Technical Guide, the Committee ensures that the financial information published on the company's website is up to date and in line with that prepared by the Board of Directors and made public.

b) External Audit of the financial statements and relations with the External Auditors

As regards the External Audit, it is worth mentioning that the Auditors attended the meetings of the Committee at which they examined the financial information corresponding to the close of the 2020 financial year and the financial statements for said year. The External Auditors reported at length to the Committee, as they did at the Board meeting in which annual accounts were drawn up, on their auditing work performed, the most important issues raised and the criteria followed. In particular, the financial statements were the subject of an unqualified report, without any significant risks being detected in the company, and the internal control of the company was considered adequate. The external auditors were assisted

in the performance of their duties by the persons responsible within the Company. The planning of the audit work for 2021 was also explained.

External Auditors submitted to the Audit and Compliance Committee the limited review of the financial statements in the first half of 2021 and the Audit planning for the fiscal year 2021.

In addition, and in accordance with the provisions of Article 529 quaterdecies of the Capital Companies Law, the Audit and Compliance Committee received written confirmation from the Auditors of their independence from the related entity or entities and issued a report expressing its opinion on the independence of the auditors.

c) Risk identification and internal control system

With regard to the risk identification and internal control system, it should be noted that the Finance Department is in charge, within the Company, of the internal control of the same, which has a series of operating rules that establish the internal control criteria. These standards refer, among other matters, to: cash placements, accounting and reporting, management of real estate

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and accounts receivable, investments and divestments at investee companies, investments and divestments in real estate, and investments and divestments in private equity.


The Audit and Compliance Committee has powers in this area and evaluates whether the Company has the adequate organisation, personnel and processes to identify and control its main operational, financial and legal risks, and is authorised to investigate any aspect of the risk identification system and internal control that it considers appropriate.

In this regard, the Additional Report of the Auditor issued for Audit and Compliance Committee with regard to the 2021 financial year, in accordance with Article 36 of Accounts Auditing Law 22/2015, of 20 July 2015, and Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, of 16 April 2014, on the specific requirements regarding the statutory audit of public-interest entities (EU Regulation No. 537/2014), indicated that in performing its risk appraisal consideration was given to relevant internal control for the preparation of annual accounts by the Company, and the accounting system, so as to design appropriate audit procedures and not to express an opinion as to the efficacy of the internal control of the Company. However, it was noted that there were no internal control

deficiencies assessed as significant or which needed to be reported to the company.

Likewise, in 2015, following the recommendations of the Code of Good Governance of Listed Companies, the Board of Directors, at the proposal of the Audit Committee, resolved to establish a Risk Control and Management Unit as an advisory and control body at the service of the Audit Committee, independent of the business, and aimed at ensuring the establishment of adequate control and efficient and prudent risk management. The Risk Control and Management Function Statute was approved by the Board of Directors on 26 October 2015 and, in addition, a Risk Management Methodology and Monitoring Model have been adopted.

The Company has in this regard defined an Integrated Risk Management System with the following key functions: allow the identification and proactive and efficient evaluation of risks at the Company level, and the constant monitoring and follow-up thereof; integrate, coordinate and direct the various efforts being made by the Company in the field of risk management; allow responsible risk acceptance to be obtained, and underpin the responsibility of Company employees; ensure that the control systems are aligned with the real risks facing the Company; facilitate and streamline the application of corrective measures.



This Integrated Risk Management System has been implemented to mitigate the risks to which the Group is exposed, given the nature and degree of complexity of its operations and the environment in which it operates, and it consists of three key elements:

- The continuous process of risk management, understood as those activities carried out by all the people of the Company focused on identifying potential risk events that may affect them, managing the risks identified, and providing reasonable assurance on the achievement of the Company's objectives. In this regard, the Company's Risk Map has also been reviewed in order to confirm that it continues to represent the company's risk profile.
- An organisational approach with clearly defined roles and responsibilities, to ensure that although integrated risk affects and involves all staff of the Company, the main participants are: the risk supervisors, the Risk Management and Control Unit, the Audit and Compliance Committee and the Board of Directors.

- A monitoring model, which defines and provides the necessary and timely information so that all participants in the risk management process can make informed decisions regarding the same.

The Audit and Compliance Committee, as part of this Integrated Risk Management System, is responsible for supervising the effectiveness of the company's internal control, internal audit and risk management systems, assessing whether the Group has adequate organisation, personnel, policies and processes to identify and control its main risks and, in particular, operational, financial, non-financial and legal risks.

In relation to risk management processes, in addition to the Risk Control and Management Unit mentioned above, Corporación Financiera Alba has compliance processes, which are mentioned below, as well as the Internal Audit Service, to which reference has already been made.

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In 2021, two Business Risk Monitoring Reports were prepared and presented (corresponding to the second half of 2020 and the full year, and the first half of 2021, respectively), in accordance with the approved Risk Management Methodology and Monitoring Model. These reports examine the aggregate risk situation and the individual analysis of the risks (the nine most critical risks, according to the Risk Map, reviewed in December 2019). To assist in their preparation, meetings are held with those responsible for the risks, the defined controls and indicators are checked, and the assessment being monitored is reviewed and analysed. The conclusion drawn from the reports is that the controls have been effective (although some did not apply during the stated periods), and those indicators requiring some attention gave rise to the relevant explanations or clarifications being obtained, with special action plans being proposed to increase the level of safety in certain fields.

Mention should lastly be made within this area of the review and analysis conducted together with the various risk owners as to the risk assessment (impact and probability), so as to ascertain if this remained valid during the year in question, essentially on the basis of the types of risk, the assessment scale, the inherent risks of the group (prior to control

activities), residual risks (after the controls) and a comparison with the inherent and residual risks noted in 2021. Following this analysis, the conclusion reached was that the evaluation of critical risks properly reflects the position of the Company, and no modification or update is therefore required.

The Committee likewise analyses any taxation risks that could affect the Company, having analysed in this regard the Company's stake in a special purpose entity.

Lastly, at the proposal of the Audit Committee, the Company conducts a review and update of the Risk Map every two years, the last of these being in 2019. In the 2020 financial year, as a consequence of the pandemic there was periodic monitoring of the impacts of COVID-19, and a full appraisal report in response by the organisation to address the challenges generated by this situation for the Company's business model, and hence in connection with corporate risk management and compliance systems. The model was also again revised in 2021. The conclusion of both revisions is that the Alba Risk Map properly reflects its situation and exposure to critical risks, and the Committee therefore deemed it appropriate to postpone the revision until 2022.

d) Internal Audit

In 2011, and following the recommendations of the CNMV document "Internal Control Over Financial Information in Listed Companies" (June 2010), the Audit Committee proposed, and the Board of Directors agreed, to establish an Internal Audit service as an instrument for the better development of the functions entrusted to the Board of Directors and the Audit Committee, in relation to the control and management of risks and the monitoring of the internal information and control systems. The person in charge of this service was also appointed and it was decided that an audit firm would support the performance of the Internal Audit functions. In 2021, Deloitte Advisory, S.L., continued to perform the Internal Audit function, coordination between the firm and the Company being handled by the General Secretary, answering to this Committee, with approval by the Board of Directors. This contributes to the independence of Internal Audits.

With regard to Internal Auditing, we should in particular mention the fact that this function has a Statute approved by the Board (most recently by resolution of 27 February 2017). A Company Risk Map has likewise been drawn up (covering the inherent and residual

level, and the degree of effectiveness of internal control) which has already been revised on four occasions, most recently in 2019, with a further special revision being conducted in 2020 as a consequence of the situation triggered by COVID-19, to ascertain its effectiveness in such situations also. Lastly, with regard to Internal Auditing, the Activities Plan approved by the Audit and Compliance Committee is followed.

In 2021, in accordance with the Internal Audit and Compliance Plan that was submitted to the Audit and Compliance Committee, some internal procedures were audited, no significant issues were found, and suggestions for improvement were made for some of them.

Likewise, in the 2021 financial year the Committee registered its approval of the ongoing application of the Manual on the Internal Financial Information Control System ("SCIIF") of the Company following examination of the certificates issued by those responsible for the SCIIF. During this financial year these provisions were followed and reported to the Audit and Compliance Committee, which in turn informed the Board of the outcome of the Internal Audits and compliance with the SCIIF.

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e) Review of Non-Financial Information

The Audit and Compliance Committee has overseen the Sustainability Policy and in this area, pursuant to Recommendation 55 of the Code of Good Government of the Listed Companies, since 2016 the Company has been reporting on environmental, social and governance issues through the Sustainability Report, which is reported by the Audit and Compliance Committee prior to its approval by the Board of Directors and made available to the convening of the General Shareholders' Meeting.

Law 11/2018 of 28 November on Non-Financial Information and diversity, applying to the fiscal years started on 1 January 2018, amended several precepts of the Code of Commerce, the Capital Companies Law and the Audit Law were changed, entering the obligation to include a Non-Financial Reporting Statement for those companies that met certain requirements.

In the 2019 financial year, Corporación Financiera Alba, S.A. for the first time met the requirements established in the aforementioned Law 11/2018, and was therefore required to draw up the Non-Financial Reporting Statement established in said Law (replacing the Sustainability Report presented in previous financial years).

The Non-Financial Reporting Statement includes significant information regarding the following, in accordance with the terms of Law 11/2018: environmental matters; social and staff-related matters; respect for Human Rights; anti-corruption and anti-bribery; and society.

It has been prepared on the basis of the Global Reporting Initiative ("GRI") guidelines for the preparation of sustainability reports, this being the internationally recognised standard, fulfilling the principles and content defined by the most up-to-date version of the GRI Standards guide.

Consideration was likewise given to the context and regulations of the sectors in which the subgroups operate, sectoral trends and best practices, so as to determine those aspects that are not relevant for Alba. Consideration was also given to the following key aspects of relevance: talent attraction and retention; compliance and business ethics; diversity and equality; health and safety at work;



commitment to society; and energy efficiency and environmental management.

This Non-Financial Reporting Statement covers the activities of the Alba Group and those of the Satlink, Nuadi and Preving subgroups (its dependent companies).

Reference is likewise made to the monitoring of the Sustainability Policy approved by the Board of Directors on 12 November 2020 (to replace the Corporate Social Responsibility Policy approved on 17 June 2019, which have replaced the version originally approved on 26 October 2015), together with the corresponding information, in particular through the Non-Financial Reporting Statement.

f) Regulatory compliance and others

With regard to compliance with the legal system and internal regulations, a more detailed statement is made than in the previous points, since, in accordance with the provisions of both the Regulations of the Board of Directors and the Regulations of the Audit and Compliance Committee (Articles 26.c and 9.c, respectively), the Audit and Compliance Committee must prepare a report on this matter.

Internal regulations

First of all, it should be pointed out that the Company, in order to ensure compliance with the applicable regulations, has an appropriate organisation, which includes a Legal Department, a Tax Department and a Finance Department, each of which, in its own area of competence, ensures compliance with current regulations (external and internal). Likewise, within the scope of the Board, its Regulations provide that the Secretary shall be responsible for ensuring the formal and material legality of its actions, for the statutory regularity thereof and for compliance with its procedures and rules of governance.

On 26 June 2020 the CNMV approved the partial reform of the Code of Good Governance of Listed Companies. During the 2020 financial year the committee analysed the Company's degree of compliance with the recommendations, as amended, and adopted the necessary measures for implementation.

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During the 2021 financial year Law 5/2021, of 12 April 2021, was approved, amending the consolidated text of the Capital Companies Law and other financial standards as regards the encouragement of long-term shareholder engagement, as the transposition into Spanish law of Directive (EU) 2017/828. This Law makes changes to the Capital Companies, Securities Market and Accounts Auditing Law, and the Code of Commerce, as well as to the regulations governing private equity and collective investment undertakings. The Committee analysed the implications of these regulations for Corporación Financiera Alba and reported on the proposed modification to the following corporate documents to align them with the new rules: Regulation of the Board of Directors, Regulation of the Audit and Compliance Committee and Internal Regulation of Conduct in the Sphere of the Securities Market.


Meanwhile, one of the functions of this Committee is to ensure the existence of an effective internal system to monitor the Company's compliance with the laws and regulations governing its activity, and to verify that the necessary procedures have been established to ensure that the management team and the employees comply with the internal regulations. It should also be noted that the meetings of the Committee are attended, when required and at the invitation

of the Chairman, by the Chief Financial Officer, responsible for the Company's internal control, who reports on developments relating to this matter.

In addition, as indicated above, the Company has an Internal Audit Service and a Risk Control and Management Unit, and a Risk Management Methodology and Monitoring and Crime Prevention Model have been adopted.

In the same sense, in 2016 the Company formalised and implemented a function of the Compliance Regulation, and in terms of health and safety it has a Crime Prevention Manual since 2015. More detailed information is provided in later sections of this Report.

The Company currently has in place the following policies as indicated in the various provisions or corporate good governance recommendations: Corporate Governance Policy; Sustainability Policy; Communication Policy; Dividends Policy; Treasury Stock Policy; Investments Policy; Tax Policy; Board Remuneration Policy; Policy for Selection of Candidates for Director; Risk Management Policy; and Criminal Risk Prevention and Anti-Fraud Policy. These Policies are periodically reviewed in case they might need to be amended. During the 2021 financial year, following a report by this Committee updates



were applied to the Regulation of the Board of Directors, Regulation of the Audit and Compliance Committee, the Corporate Governance Policy and the Internal Regulation of Conduct in the Sphere of the Securities Market.

In 2017, the Audit and Compliance Committee approved a Policy for the Provision by the External Auditor of services other than Statutory Audit, in accordance with the provisions of article 529 quaterdecies. 4. e) of the Law on Capital Companies, as amended, which entered into force on 17 June 2016.

As regards the existence of internal procedures, as mentioned above, the Company has a series of operating rules that establish the internal control criteria, as well as the Manuals of the Internal Control over Financial Reporting System, Risk Management Methodology and Monitoring Model, and Crime Prevention.

A new Code of Ethics and Conduct was approved in 2018, taking into account in particular the evolution of the legal regulations regarding the liability of legal entities. In addition, given the importance of internal reporting channels, an annex to the Code of Ethics and Conduct approved in 2018 is now included, which outlines a more detailed procedure for handling reports that allows you to communicate, in a confidential manner,

any acts or conduct committed that may be contrary to applicable regulations or the Code of Ethics and Conduct within the company, or in the performance of third parties that are in contract with the company. This modification was performed by resolution of the Board of Directors on 26 October 2020, in order to align this with the revision of the Code of Good Governance of Listed Companies approved by the CNMV on 26 June 2020, in particular to accept anonymous complaints in cases of particular accounting or financial significance.

Meetings of the Audit Committee received information as to the Whistleblowing Channel, with no such report having been received during 2021 financial year.

In addition, since 2016, the Company has had Internal Rules of Conduct related to the Securities Market, aligned with market abuse regulations. During the 2021 financial year, the Committee reported on the proposed modification to the internal Regulation of Conduct in the Sphere of the Securities Market, in order to adapt it to the elimination of the mandatory requirement to publish quarterly reports in connection with what are known as blockage periods, following the elimination of Article 120 of the Securities Market Law, by Law 5/2021, of 12 April 2020.

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Compliance with regulations

In addition to the internal regulations mentioned in the previous paragraphs, Corporación Financiera Alba, as a complement to other actions that have been carried out in recent years to adapt to new requirements and best practices in corporate governance matters (such as, for example, the Internal Audit Service, the Financial Information Control System, the creation of the Risk Control and Management Unit, or the development of a crime prevention model and manual), in 2016, carried out the formalisation and implementation of a Regulatory Compliance function within the General Secretariat in order to coordinate, systematise and monitor the different actions and efforts it had been making in this area, with the collaboration of external consultants.

In 2018, the Board of Directors of the Company, having received a favourable report from the Audit and Compliance Committee, approved the Statute of the Regulatory Compliance Function, entrusting the Secretary of the Board of Directors with management of the Regulatory Compliance Unit, reporting to the Audit and Compliance Committee, and currently receiving external support from Deloitte Advisory, S.L.

The purpose of this Function is to provide reasonable certainty that Alba complies with its key legal and regulatory requirements, with the following actions being taken to this end: (i) the main legislative and regulatory obligations that must be fulfilled by the Company have been identified; (ii) a compliance model has been designed (with activities and tasks to be performed, dates and owners); and (iii) a monitoring and follow-up model has been established for compliance activities, with early warnings and twice-yearly reviews, so as to avoid potential breaches.

In the monitoring reports, the identified requirements are verified, with details of which have been met, those that have not been applied, and, where appropriate, the opportunities for improvement.

During 2021, the Regulatory Compliance Monitoring Reports for the second half of 2020 and the full year were prepared, as well as for the first half of 2021. Of the 74 controls implemented for the nine risks, 57 proved favourable, 16 did not prove applicable during the period, and one was classified as favourable with a recommendation.



Crime prevention

As a result of the regulations on the criminal liability of legal persons, especially following the reform of the Criminal Code by Organic Law 1/2015, a new Manual on Crime Prevention was approved (26 October 2015) and, during 2015 and 2016, various initiatives were launched, particularly regarding the application of the new corporate regulations and the means of monitoring, detection and response. In this respect, monitoring reports have been drawn up analysing various risks and their controls in accordance with the activity plan, and general compliance with them has been observed, with only a few recommendations having been made. In the 2020 financial year an update to the Crime Prevention Manual was approved, in order to adjust it to the current situation of the company's governance model and related policies, and align it with best market practice.

In 2021, the effectiveness of the Crime Prevention Model was monitored accordingly, with two reports being submitted, one for the full year 2020 and another in the first half of 2021, resulting in an overall situation of compliance regarding the risks analysed, with some recommendations being put forward. The Audit and Compliance Committee has considered the monitoring to be satisfactory.

Related-party operations

In addition, within this area of regulatory compliance, reference should also be made to the examination of transactions with Directors, significant shareholders or their representatives, or persons linked to them, or with investees ("transactions with related parties"), which have been reported favourably, as they meet the conditions for doing so. In addition, in accordance with the provisions of the Good Governance Code of Listed Companies (recommendation 6), the Audit and Compliance Committee approved a report on the aforementioned transactions with related parties executed during the previous year and published it on the Company's website.

Other

The Audit and Compliance Committee also examined the draft Annual Corporate Governance Report, which was subsequently approved by the Board of Directors, and the monitoring reports prepared by the control bodies of the Internal Rules of Conduct, the Code of Ethics and Conduct and the Crime Prevention Manual on the actions taken to comply with them.

REPORT ON ACTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE

Specific mention should be made of the monitoring of tax risk, which prompted the Audit and Compliance Committee to examine the Company's tax situation with reference to its tax obligations in general, the most significant aspects with regard to Corporation Tax, and compliance with the various reporting obligations. In 2020 the Company signed up to the Code of Good Taxation Practice promoted by the Large Companies Forum (20 July 2010).


With respect to communications with the CNMV, which include the communications of financial information, inside information and other relevant information and other requests for information, all the necessary communications were made during the year.

The Audit and Compliance Committee kept track of the functionality and content of the website. Furthermore, during the 2021 financial year monitoring of the situation of the Information Technologies area continued, in particular in the sphere of cyber security and external hacking.

Assessment of the External Audit, the Internal Audit and the Audit and Compliance Committee

Following the Recommendation 71 of the CNMV Technical Guide 3/2017, the Audit and Compliance Committee evaluated the External Auditor, reviewing its submissions to the Committee and the various reports issued, with consideration given to the fact that during 2020 the External Auditor successfully completed its role in compliance with the plan established for the year, without any incidents and contributing to the integrity of the Company's financial information.

In connection with the Internal Audit, and following Recommendation 58 of the CNMV Technical Guide 3/2017, the Committee has assessed this area of the Company, and in view of the presentations made and the Annual Report of the Internal Audit Service, it considers that during 2020 the Internal Audit Service successfully completed its function, meeting the objectives of the Plan established for the year, and with no incidents occurring. It was likewise deemed that the head of Internal Auditing had properly performed his function.



Following Recommendation 76 of the CNMV Technical Guide 3/2017, as part of the Board's annual assessment (compiled in the Board's Evaluation Questionnaire and its Evaluation Report), the Audit and Compliance Committee evaluated its performance in 2021. The Board's Evaluation Questionnaire contained the opinion of all Directors on the performance of this Committee, informing the Board of the assessed aspects and the outcome thereof. The assessment of the Audit and Compliance Committee has not resulted in any changes to the internal organisation and procedures of company.

In addition, it considers the Company to have adequate mechanisms for the Audit and Compliance Committee to properly exercise the functions it has legally assigned and in the internal regulations of the company, in connection with periodic reporting of financial information, the External Audit, Internal Audit, non-financial information and the internal control and risk identification systems, and that compliance on behalf of the Company in relation to these matters is satisfactory.

V. CONCLUSIONS

In view of the foregoing, the Audit and Compliance Committee considers that the Company has an adequate organisation and a sufficient regulatory framework to ensure satisfactory compliance with the regulations, and that effective compliance by the Company with the external and internal regulations applicable to it, as well as the provisions and recommendations on good corporate governance, is satisfactory.