



REPORT ON THE WORK OF THE AUDIT COMMITTEE IN 2013

I.- Introduction

This report on the functions and activities of the Audit Committee of Corporación Financiera Alba, S.A. has been prepared in accordance with the recommendations on good corporate governance of listed companies, in particular those contained in the Unified Code on Corporate Governance enacted by the National Securities Market Commission (CNMV) on 22 May 2006.

The Audit Committee, initially named the Audit and Compliance Committee, was created by the Board of Directors on 29 March 2000, following the recommendations of the "Olivencia Code".

Subsequently, Law 44/2002 of 22 November on Financial System Reform Measures made it mandatory for listed companies to have an Audit Committee and established certain requirements regarding the Committee's membership, powers and functioning.

In compliance with said Law, Corporación Financiera Alba, S.A. amended its Articles of Association and Board of Directors Regulations to specify the powers of the Committee and its rules of operation.

As a consequence of the passing of Law 12/2010 of 30 June amending the Law on Auditing, the Securities Market Law and the Law on Public Limited Companies, which has broadened the powers of the Audit Committee, the Board of Directors Regulations were amended to bring them into line with the new legal provisions in relation to Audit Committees. In addition, this amendment of the Board of Directors Regulations, which was passed on 30 September 2010, provided an opportunity to include in the Regulations the recommendations arising from the CNMV document relating to "Internal control of financial information in publicly traded companies" (June 2010).

II.- Functions of the Audit Committee

In article 22 of the Board of Directors Regulations of Corporación Financiera Alba, S.A., in accordance with the new wording of the Eighteenth Additional Provision of the Securities Market Law (enacted, as mentioned previously, by Law 12/2010 of 30 June), the Audit Committee is assigned the following functions, without prejudice to any others that the Board of Directors may assign to it:

1. Report to the General Meeting on matters within its remit that are raised in the Meeting.
2. Supervise the effectiveness of the Company's internal control, internal audit service, if any, and risk management systems, and discuss with the auditors or audit firms any significant weaknesses of the internal control system detected during the audit.
3. Oversee the process of preparation and presentation of the statutory financial statements.
4. Make proposals to the Board of Directors for submission to the General Meeting regarding the appointment of the auditors or audit firms, in accordance with the laws and regulations applicable to the company.
5. Establish appropriate relations with the external auditors so as to receive information on matters liable to jeopardise the external auditors' independence, so that it may be examined by the Committee, and any other matters arising from the auditing of the Company's accounts, and make any other disclosures required under applicable legislation and auditing standards. In any case, the Committee must receive written confirmation from the auditors of their independence from the Company or directly or indirectly related parties, as well as information on any additional services of any kind provided to these entities by the auditors or persons or entities related to them, in accordance with the provisions of Law 19/1988 of 12 July on Auditing.
6. Annually and prior to the issuance of the auditors' report, issuing a report expressing an opinion on the independence of the auditors or audit firms. This report must also pronounce on the provision of the additional services referred to in the previous section.

III.- Membership

The Audit Committee is a Board committee and so is made up of directors of the Company. Its members are appointed by the Board of Directors and a majority of them must be non-executive directors. At least one must be independent and have knowledge and experience in the field of accounting or auditing, or both. The Chairman must be chosen from among these non-executive directors. According to the law and the Articles of Association, the Chairman must be replaced every four years and is eligible for re-election one year after his termination.

The directors who sat on the Audit Committee during 2013 are as follows: Amparo Moraleda Martínez as chairman and Nicholas Brookes and José Nieto de la Cierva as members, with José Ramón del Caño Palop acting as secretary. The Chairman and Nicholas Brookes are independent non-executive directors, while José Nieto de la Cierva is a proprietary director.

IV.- Functioning and activity

The internal functioning of the Committee is governed by the provisions of article 47 of the Articles of Association and articles 29 to 34 of the Board of Directors Regulations, which regulate everything concerning Committee sessions, the calling of meetings, quorums, adoption of resolutions, minutes, relations with the Board and with the senior management of the Company, and authority to request information about any aspect of the Company and to seek the advice of outside professionals.

During 2013 the Audit Committee held six meetings, in which it worked within the functions mentioned above, in the areas listed below, for which it had access to all the necessary information and documentation:

- Review of periodic financial information for submission to the CNMV.
- External audit of the annual accounts.
- Risk identification and internal control system.
- Legal and regulatory compliance.

a) Review of periodic financial information

In relation to periodic financial information, the Audit Committee analysed, prior to submission, the quarterly and half-yearly financial reports that are sent to the CNMV and that are published, as well as the complementary information leaflets that are published, in accordance with the requirements established by Royal Decree 1362/2007 of 19 October and CNMV Circular 1/2008 of 30 January.

The Financial Director of the Company, who is responsible for the preparation of the information, collaborates in the abovementioned analysis in order to explain to the Committee the accounting process followed in preparing said financial information and the decisions and criteria adopted.

The Committee gave its approval to the abovementioned reports, following acceptance of certain suggestions it had made.

One meeting was devoted to examining the annual accounts, prior to formulation by the Board of Directors.

b) External audit of the annual accounts and relations with the external auditors

As regards the external audit, it should be mentioned that the auditors attended the meetings of the Audit Committee at which the financial information at year-end 2012 and the annual accounts for that year were examined. The external auditors reported in detail on their audit work, the most important issues arising from their work and the criteria they used. In particular, the annual accounts received an unqualified audit report, without any material risks having been detected in the Company and the Company's internal control having been considered adequate. In performing their functions, the external auditors had

the collaboration of the Company's managers. At the same time, the planning of the audit work for 2013 was presented.

Pursuant to Additional Provision 18 of Law 24/1988 on the Securities Market (in the wording introduced by Law 12/2010), the Audit Committee received from the auditors written confirmation of their independence from the Company or parties related to it and issued a report expressing its opinion on the independence of the auditors.

Within this area, it should also be noted that the current auditor was appointed in 2004 and that the last renewal was agreed for financial years 2011, 2012 and 2013.

c) Risk identification and internal control system

As regards the risk identification and internal control system, it should be emphasised that the Finance Department is responsible for internal control within the Company, which has certain operational rules that establish the criteria for internal control. These rules concern, among other matters: Accounting and Reporting, Investments and Divestments, Short-term Investments; Property and Receivables Management; Payables; and Relations with the CNMV.

The Audit Committee has authority in this matter and assesses whether the Company has the necessary organisation, personnel and processes to identify and control its main operational, financial and legal risks, and is empowered to investigate any aspect of the risk identification and internal control system that it considers appropriate. In this respect, it is worth noting that in 2004 and 2008 the external auditors were asked to carry out a thorough examination of the Company's internal control system. From these examinations it emerged that, in the external auditors' opinion, the Company had a satisfactory internal control system, despite a number of recommendations for improvement, which have been implemented.

In 2011, following the recommendations of the CNMV document titled "Internal control of financial information in publicly traded companies" (June 2010), the Audit Committee proposed, and the Board of Directors agreed, that an Internal Audit service be established as a tool for more effectively performing the functions entrusted to the Board of Directors and the Audit Committee in relation to risk control and management and the monitoring of internal information and control systems. A person was appointed to take charge of this service and it was decided that an audit firm would be engaged to perform the Internal Audit functions. These functions have been performed by the firm Ernst & Young.

In consequence of the above, steps were taken during 2011 to implement the Internal Audit service. This entailed preparing a Statute for the service and drawing up a Company Risk Map and a Plan of Activities. All these documents were examined and guided by the Audit Committee.

In 2013, within its plan of activities, Internal Audit updated some internal procedures and performed several internal audits, focusing on the procedures considered most important. An SICFR (System of Internal Controls over Financial Reporting) Manual was also prepared during the year, and an assessment of the risk universe was performed, on the basis of which the Risk Map was revised (at inherent and residual level and the degree of effectiveness of internal control). The Audit Committee has monitored these activities and the Board has been informed of them and of the result of the internal audits.

In conclusion, it can be affirmed that during 2013 no material incident was detected in relation to the Company's risk identification and internal control.

d) Legal and regulatory compliance

Compliance with legal obligations and internal regulations is given a more detailed treatment than previous points as, under article 26.c) of the Board of Directors Regulations, the Audit Committee is required to submit a report in this respect.

First, it must be stated that the Company has the necessary organisation to guarantee compliance with applicable law. Specifically, it has a legal department, a tax department and a finance department, each of which, in its area of competence, works to ensure that current external and internal regulations are respected. In addition, the Board Regulations charge the Secretary with a duty to ensure that the Company acts, in form and substance, within the law and in accordance with its Articles of Association and that its internal procedures and rules of governance are respected.

One of the Audit Committee's tasks is to ensure that the company has an effective system of internal supervision to guarantee compliance with applicable laws and regulations and to verify that the necessary procedures are in place to ensure that managers and employees comply with internal regulations. Audit Committee meetings are attended by the Company's Finance Director, who is responsible for internal control and who reports to the Committee on this matter.

As regards the existence of internal procedures, as mentioned in the previous section the Company has in place certain operational rules that establish internal control criteria, as well as an SICFR (System of Internal Controls over Financial Reporting) Manual.

In 2011 a Code of Ethics and Conduct and the Crime Prevention and Anti-fraud Policy were approved and the Internal Rules of Conduct in matters relating to the Securities Market were updated (the latter being further updated in 2013 to incorporate CNMV criteria on discretionary treasury share transactions). These documents provide for control and monitoring bodies; and the Code of Ethics and Conduct establishes a confidential channel for reporting violations, broadening the scope of the channel that existed previously so as to encompass any action that is considered illegal or contrary to the provisions of the Code. During 2013 these internal rules were observed and no irregularities were detected in this respect.

In view of the above, the Committee considers that the Company has the necessary organisation and an adequate framework of rules to ensure compliance with applicable internal and external regulations.

Within this area of action, the Audit Committee also examined the draft Annual Corporate Governance Report, the draft of the Report complementary to the Annual Corporate Governance Report (which replaced the report provided for in the former article 116 bis of the Securities Market Law), both of which were subsequently approved by the Board of Directors, and the report prepared by the control body provided for in the Internal Code of Conduct on the actions taken in compliance with said Code (all in relation to 2012).

Again within this same area of regulatory compliance, transactions with Directors, significant shareholders, their representatives or persons related to them, or with investees ("related party transactions") were examined and a favourable report was issued, as all the necessary conditions were met.

Lastly, the Committee monitored the functioning of the Company's website, which was updated during the financial year, and found it to be fully compliant with current regulations.

In view of all the above, the Committee considers that the Company's compliance with corporate governance regulations is satisfactory, all currently applicable regulatory requirements and recommendations being met.

Madrid, 27 February 2014