

## APPENDIX 1

### ANNUAL REPORT ON REMUNERATION OF THE DIRECTORS OF LISTED CORPORATIONS

#### IDENTIFICATION DATA OF THE ISSUER

**END OF THE REFERENCE FINANCIAL YEAR**

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**COMPANY NAME**

CORPORACIÓN FINANCIERA ALBA, S.A.

**REGISTERED OFFICE**

CASTELLO, 77, 5ª PLANTA, MADRID

# STANDARD FORM OF ANNUAL REPORT ON REMUNERATION OF THE DIRECTORS OF LISTED CORPORATIONS

## A THE COMPANY'S REMUNERATIONS POLICY FOR THE CURRENT YEAR

A.1 Explain the Company's Remunerations Policy. This heading is to include information on:

- Principles and general features of the Remunerations Policy.
- The most significant changes made to the Remunerations Policy with respect to the one applied during the previous period, as well as the changes that have been made during the year to the conditions for exercising options already granted.
- Criteria used and the composition of comparable company groups whose remuneration policies have been examined in order to establish the company's Remunerations Policy.
- The relative importance of the variable items of compensation with respect to the fixed ones and the criteria followed in order to determine the components of the directors' remuneration package (remuneration mix).

### Explain the Remunerations Policy

The Directors' Remuneration Policy of Corporación Financiera Alba, S.A. was approved at the General Shareholders' Meeting held on 10 June 2015, as provided for in article 529 novodecies and other applicable articles of the Corporations Act. This Policy was amended by agreement of the General Shareholders' Meeting held on 19 June 2017 to include the Investment Monitoring Committee set up by the Board of Directors, and the future creation of other Committees.

#### A.- Principles and general fundamentals of the Remunerations Policy

The main objective of the Directors' Remuneration Policy of Corporación Financiera Alba is to generate value for the Company and its shareholders, doing it steadily over time and ensuring transparency.

Therefore, the principles on which the Remuneration Policy is based are:

- Balance and moderation.
- Alignment with generally accepted compensation practices.
- Generally monitoring the recommendations on good corporate governance relating to the remuneration of the Board Directors, and
- Being subject to the decisions taken by the General Shareholders' Meeting.

The Remuneration Policy distinguishes the remuneration of the Directors in their capacity as such and the remuneration of the Directors for their performance of executive functions.

The compensation of Directors as such is based on the following principles:

- Sufficiency to compensate for their dedication, skill and responsibility, but without this being so high as to compromise their independence.
- Relationship with the effective dedication.
- Connection with the responsibility and the development of their functions by the various Directors.
- Absence of variable components.
- Incentive by nature, but in measures that do not affect their independence.
- To take into account, as reference, market criteria, focusing on the remuneration foreseen for Directors of listed companies with which a comparison can be established.

Remuneration to the Directors for the performance of their executive functions is based on the following principles:

- To reward the performance of their functions with a comprehensive offer of cash and non-cash elements that meet the variety of needs and expectations in a professional environment, and that serve as a tool for the communication of organizational and business objectives.

- To align performance with the objectives of the group at different time lines, encouraging the sustainability of results.
- To recognise the capacity for creating value, as well as personal abilities and characteristics.
- To promote a culture of commitment of the group's objectives, taking into account that it is essential to have the contribution of both the individual and the team.
- To evaluate professional development and the results of activities using standardised criteria.
- To provide equitable and competitive remuneration, bearing in mind the responsibilities of the position and a flexible approach to the market, in order to attract and retain the best professionals.
- To review the systems and remuneration updates so that, the necessary adjustments can be introduced, where appropriate, addressing the results and the capacity for motivation.

Details of the Directors' remuneration as it regards their status are listed in section A.3 of this report.

Remuneration of the Directors who perform executive functions in Corporación Financiera Alba:

#### 1) Fixed remuneration

Details of the fixed remuneration according to the Directors' Remunerations Policy are listed in section A.3 of this report.

#### 2) Variable remuneration

Directors who perform executive functions may, at the Company's discretion, be the beneficiaries of variable compensation plans linked to the evolution of the Company's net asset value. Such plans may be realised, if the Company so chooses, by way of cash payments, the granting of stock options and/or shares.

When variable remuneration is effected in stock options plans or share plans, these plans shall have the following principal characteristics: they will be issued free of charge; liquidation may be settled by offset; and they shall be transferable, unless subject to exceptions.

Variable remuneration can be established every year and its expiration may be multiannual.

Variable remuneration shall take into account the difference between the "final net asset value" and the "initial net asset value" of the shares of Corporación Financiera Alba.

The system of variable remuneration for the Directors who perform executive functions approved in 2015 ("2015 Plan"), in 2016 ("2016 Plan") and 2017 ("2017 Plan") is referred to in sections A.4 and E of this Report.

In the event that the variable remuneration is paid based on data whose inaccuracy is proven after the moment it is paid, the Company will have the right to claim notwithstanding, from the Director the return of the corresponding components of the variable compensation. The claim may be made within a period of two years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

#### 3) Remuneration in kind

Directors who perform executive functions shall be entitled to the following insurance coverage, with the Company taking out the corresponding policies; this shall be regarded as remuneration in cash:

- Annual coverage of the alternative pension system
- Life, accident and disability insurance
- Health insurance

#### 4) Benefit Plan

##### 4.1. Long-term savings systems. Alternative pension system

From the moment when the Director reaches the legal retirement age in force at any given time, he may retire at his own request or by decision of the Company, and in both cases regardless of the corresponding Social Security pension, he must be paid an annual income for life amounting to 35% of the sum of the Base Remuneration and of the Complement that would be due to the Director had he remained active in the year in which his retirement occurred ("Retirement Pensions").

In the event that the Director reaches the age when it is possible for him to retire voluntarily in accordance with the legislation applicable at any given time, he shall be entitled to receive from the Company the annual income for life referred to in the preceding paragraph, accrued to that date.

##### 4.2. Disability pension

In the event that a Director who performs executive functions is declared to be in a state of permanent disability, he will receive an income for life in an amount equal to the Retirement Pension.

##### 4.3. Widow's pension

In the event of the death of the Director who was actively performing executive functions, the Company will pay his widowed spouse an annual income in the amount of 21% of the sum of the Base Remuneration and the Complement that would have corresponded to the Director on the year in which his death occurred.

If the Director dies while in a state of disability or when retired, the surviving widowed spouse will receive from the Company an annual income equivalent to 60% of what the Director was receiving on the year in which his death occurred.

The widowed spouse's right to receive the Widow's Pension shall be regulated, as specified by generation, modification or termination, according to the prevailing regulations of the Social Security Regime in force at any given time.

#### 4.4. Orphan's Pension

If, in the event that a Director who performs executive functions dies and is survived not only by a widowed spouse, but also children who meet the requirements required by the Social Security Act and its complementary provisions, the Company shall pay each of them an orphan's pension, while such children meet the stated requirements, this being for each child an amount equivalent to 7% of the Basic Remuneration and of the Complement. The total amount of the Widow's Pension and/or Orphan's Pension shall not exceed in any case, 35% of the sum of the Basic Remuneration and of the Complement that the Director would have received in the year in which his death occurred.

(5) Clauses relating to compensation or guaranteed payments for early termination or cancellation of the contractual relationship between the Company and the Director:

- If, upon ceasing to perform the executive functions assigned under contract, the Director takes on other functions that are also executive ones, the remuneration agreed upon in his contract shall be maintained, unless some other arrangement is mutually agreed on.

- If, upon ceasing to perform the executive functions, the Director resumes any previous employment relationship, and it is decided also to terminate that employment relationship, the compensation payable in the event of termination of the relationship at the will of the Company shall be in accordance with labour regulations, but shall not be less than the amount of the fund constituted as a pension complement (section 4.1) or the amount of an annuity of the Basic Remuneration and Complement, plus a twelfth of the annuity for each year since the date of seniority in the group, whichever is greater.

- If, upon ceasing to perform the executive functions, the Director has not resumed any further working relationship, the Director shall be entitled to compensation equivalent to the amount of a year's Basic Remuneration and Complement, plus one twelfth of the annual payment for every year that has elapsed since the date of seniority in the group, with a maximum of two years' payment, however from that amount the amount of the fund constituted as a pension complement (section 4.1), will be deducted, which will be fully applicable, in any case.

- Directors who perform executive functions at subsidiaries of Corporación Financiera Alba

Directors of Corporación Financiera Alba who perform their executive functions in subsidiaries of the same shall, apart from their remuneration as members of the Board as such (section A.3), receive the remuneration established in their respective contracts, which shall be approved in accordance with article 249 of the Corporations Act. These remunerations may be adjusted to the provisions of this current Policy or be different, depending on the remuneration system or remuneration policy of each company.

B.- More significant changes made to the Remunerations Policy with respect to the one applied during the previous period, as well as changes that have been made during the period to the conditions for exercising options already granted.

A modification to the Directors' Remuneration Policy was approved during the 2017 tax year (at the General Meeting held on 10 June 2015), in order to include the Investment Monitoring Committee, set up in the Board of Directors, and the possible creation of other Committees; and the maximum amount of the annual remuneration was updated for all Directors in their capacity as such.

C.- Criteria used for establishing the Company's Remunerations Policy.

These have been explained by reference to the principles and general fundamentals of the Remunerations Policy.

D.- Relative importance of the variable concepts of fixed remuneration and the criteria followed in order to determine the different components of the Directors' remuneration package.

With regard to the Plans for 2015, 2016 and 2017, it is impossible at the present time to determine the relative effect of the variable remuneration on the fixed remuneration of Directors with executive functions, since, taking into account the new concepts of remuneration mentioned at the start of this section, the variable remunerations approved by the Annual General Shareholders' Meeting held on June , 2015 and June 8, 2016 have not yet materialised, since they will be due, in each case, on the third year after it is established so it cannot be quantified.

In 2017, the relative importance of the three-year variable remuneration generated in the period 2014-2017 in relation to the total remuneration for 2017 of Directors with executive functions, is 47%; however, comparing this variable remuneration with the total corresponding 3 year remuneration, the proportion is 24%.

**A.2 Information on the preparatory work and the decision-making process to be followed in order to determine the Remunerations Policy and the role performed, where appropriate, by the Remuneration Committee and other control bodies in configuring the Remunerations Policy. This information will, where appropriate, include the mandate and the composition of the Remuneration Committee and the identity of the external consultants whose services have been used in order to define the Remunerations Policy. Likewise, the nature of the directors who, if applicable, have intervened in the definition of the remuneration policy will be explained.**

### Explain the process for determining the Remunerations Policy

In compliance with the provisions of articles 529 novodecies and other applicable provisions of the Corporations Act, the General Board of Corporación Financiera Alba, S.A., at the suggestion of the Appointments and Remuneration Committee, assumed by the Board of Directors, approved the Directors' Remuneration Policy at its meeting of June 10, 2015, which has been amended by the General Shareholders' Meeting of June 19, 2017, and the maximum amount of the annual remuneration of all of the Directors in their capacity as such has been updated.

As of December 31, 2017, the Appointments and Remuneration Committee consisted of the following Directors: Mrs Cristina Garmendia Mendizábal as President; María Eugenia Girón Dávila and Mr Juan March Delgado, as members, with Mr José Ramón del Caño Palop acting as Secretary. The President and Mrs Girón have the status of independent external Directors and Mr March Delgado is an external proprietary Director.

No external consultants have been used to define the Directors' Remuneration Policy.

### A.3 Indicate the amount and nature of the fixed components, with breakdown, where applicable, of the Executive Directors' remuneration for performing the functions of senior management, any additional remuneration as President or member of any Committee of the Board, expenses for participation in the board and its commissions or other fixed remuneration as a director, as well as an estimate of the annual fixed remuneration due. Identify other benefits that are not paid in cash and the basic parameters under which they are granted.

#### Explain the fixed components of the remuneration

According to the approved Remuneration Policy, the Directors' remuneration for their status as such are as follows:

- The remuneration of all members of the Board of Directors because of their as such consist of 65,000 Euros a year.
- Co-Presidents shall each receive an additional remuneration of 78,000 Euros a year.
- Additional remuneration of 15,000 Euros a year for participation in the Audit and Compliance Committee.
- Additional remuneration of 10,000 Euros a year for participation in the Appointments and Remuneration Committee.
- Additional remuneration of 15,000 Euros a year for participation in the Operations Committee.
- Additional remuneration of 10,000 Euros a year for participation in the Investment Monitoring Committee.
- Additional remuneration of 10,000 Euros a year for participation in any Committee other than the above.
- The maximum total remuneration for all of the Board of Directors is established by the General Shareholders' Meeting at 1,500,000 Euros a year.

Furthermore, according to the stated Remuneration Policy, the fixed remunerations of Directors who perform executive functions shall be considered the following:

#### (a) Basic remuneration

The Basic Remuneration of Directors who perform executive functions shall consist of an annual gross sum amounting to:

- Basic Remuneration of Executive Vice-President: up to 600,000 Euros a year.
- Basic Remuneration of CEO: up to 800,000 Euros a year.
- Basic Remuneration of Secretary of the Board: up to 400,000 Euros a year.
- Basic Remuneration of Director with other executive functions: up to 400,000 Euros a year.

The actual amount of the Basic Remuneration of Directors who perform executive functions shall be fixed in their respective contracts.

The Basic Remuneration shall be updated at the start of each calendar year by agreement of the Board of Directors, at the proposal of the Appointments and Remuneration Committee.

#### b) Complement

The Directors who perform executive functions will receive the following annual gross amounts, in concept of Complement:

- Complement for Executive Vice President: up to 400,000 Euros annually.
- Complement for CEO: up to 400,000 Euros annually
- complement for Secretary of the Board: up to 200,000 Euros annually.
- Complement for Director with other executive functions: up to 200,000 Euros annually.

The actual amount of the Complement for Directors who perform executive functions will be set in their respective contracts.

The Complement will be updated by agreement of the Board of Directors, at the proposal of the Appointments and Remuneration Committee, the amount or proportion being at the discretion of the Company.

The Company will also have the discretion to reduce and even completely remove the Complement if, in exceptional circumstances, the results of the Company are unsatisfactory because of the poor performance of its services by any Director who performs executive functions.

c) Any amounts that the Director who performs executive functions may receive from the Company as a Director as such or for any other charges or function in other companies or subsidiaries, affiliates or related entities shall be calculated as part of the fixed Remunerations, which will be reduced by the amount paid

directly by the Company. As an exception, any amounts received by Directors for performing executive functions in Banca March, who also perform executive functions in Corporación Financiera Alba shall not be counted as part of the fixed Remunerations. The Directors who perform executive functions have received from subsidiaries, affiliates or related entities the following amounts: Mr Juan March de la Lastra, 237,000 Euros; Mr Juan March Juan, 124,000 Euros; Mr Santos Martínez-Conde Gutiérrez-Barquín, 395,000 Euros and Mr José Ramón del Caño Palop, 85,000 Euros.

They are no expenses for attendance or other fixed remunerations provided for other than those mentioned.

The annual estimate of the fixed components of the remuneration of the Directors amounts to 3 million Euros .

The total amount of the Executive Directors' fixed remuneration in 2017, taking into account that of the companies belonging to the group as set out in article 42 of the Commercial Code, amounted to 2.0 million euros The total amount received from subsidiaries, affiliates or associated entities by Directors who perform executive functions amounted to 841,000 Euros.

Unpaid benefits in cash, established in favour of the Directors, consist of health, life, accident and disability insurance.

#### A.4 Explain the amount, nature and the main characteristics of the variable components of the remunerations systems.

In particular:

- Identify each of the remuneration plans that the directors are beneficiaries of, their scope, date of adoption, date of implementation, duration and main characteristics. In the case of plans of share options and other financial instruments, the general characteristics of the plan will include information on the conditions for exercising such options or financial instruments for each plan.
- Indicate any remuneration considered as profit-sharing or premium-sharing, and the reason why they were granted.
- Explain the basic parameters and basis of any system of annual premiums (bonuses).
- Classification of directors (executive directors, proprietary external directors, independent external directors or other external directors) who are beneficiaries of remunerations systems or plans that incorporate a variable remuneration.
- The basics of such variable remuneration systems or plans, the criteria for evaluating performance, as well as the components and methods of evaluation for determining whether or not these criteria of evaluation have been complied with and an estimate of the absolute amount of the variable remunerations that the current remuneration plan could lead to, depending on the degree of fulfilment of the hypotheses or goals it takes as a reference.
- Where applicable, information will be supplied about periods of deferment of payment that may have been established and/or any periods in which shares or other financial instruments have been retained, if any.

<b>Explain the variable components of the remuneration systems</b>
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A- Remuneration plans of which the Directors are beneficiaries

A.1. 2015 Plan

The system was approved by the General Shareholders' Meeting held on 10-06-2015 and was implemented by agreement of the Board on the same date. Its characteristics are:

- The plan consists of a variable remuneration system tied to the value of the shares of Corporación Financiera Alba ("Alba").
  - The Beneficiaries of the Plan are the Executive Directors and certain directors authorised by the Board. Each beneficiary is assigned a certain number of units, totalling 221,664 units.
  - Value of the units. Each unit will be entitled to receive the difference between the "final net asset value" and the "initial net asset value" of the shares of Alba, where:
    - The "initial net asset value" of each share will be 67.92 Euros, equivalent to the average net asset value of Alba's shares during the ten trading sessions prior to the "start day" (10-06-2015) of the Plan, and
    - The "final net asset value" shall be the net asset value of Alba's shares during the ten trading sessions prior to the "final day" of the Plan. The "final day" of the Plan will be (9-06-2018).
- The maximum difference between the "final net asset value" and "initial net asset value" may not exceed 30 per cent of the "initial net asset value".
- In the event of a dilution effect caused by a capital increase, the "initial net asset value" shall be adjusted downward by the theoretical value of the preferential subscription right. A similar adjustment shall occur in the event that it is agreed to distribute an extraordinary dividend or any other course that produces a similar economic effect.
  - Expiration of the Plan. The Plan shall expire after three years from 10-06-2015, the time when the Company will do the corresponding calculation and proceed to pay the remuneration together with the payroll for the month. However, if the Company so chooses, the Plan may also be paid in shares, valued at the closing quote on the day before the one on which they are transferred to the Beneficiaries.
  - The rights arising from the application of the Plan are not transferrable, except when due to death.
  - It is a basic condition of the Plan that the beneficiary is still on the workforce or on the Board of Alba or its subsidiaries at the time the Plan expires.
  - The amounts resulting from the application are considered to be "gross" and the fiscal regime currently in force shall apply to them, with the beneficiaries paying the corresponding amounts due.
  - In the event that the variable remuneration is settled according to data shown to be wrong after it has been paid, the Company shall have the right to claim a refund of the corresponding components of the variable remuneration from the Director. The claim may be made within a period of two years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

#### A.2. Plan 2016

The system was approved by the General Shareholders' Meeting held on 08-06-2016 and was implemented by agreement of the Board on the same date. Its characteristics are:

- The plan consists of a variable remuneration system tied to the value of the shares of Corporación Financiera Alba ("Alba").
  - The Beneficiaries of the Plan are the Executive Directors and certain directors authorised by the Board. Each beneficiary is assigned a certain number of units, totalling 222,000 units.
  - Value of the units. Each unit will be entitled to receive the difference between the "final net asset value" and the "initial net asset value" of the shares of Alba, where:
    - The "initial net asset value" of each share will be 65.43 Euros, equivalent to the average net asset value of Alba's shares during the ten trading sessions prior to the "start day" (08-06-2016) of the Plan, and
    - The "final net asset value" shall be the net asset value of Alba's shares during the ten trading sessions prior to the "final day" of the Plan. The "final day" of the Plan will be (07-06-2019).
- The maximum difference between the "final net asset value" and "initial net asset value" may not exceed 30 per cent of the "initial net asset value".
- In the event of a dilution effect caused by a capital increase, the "initial net asset value" shall be adjusted downward by the theoretical value of the preferential subscription right. A similar adjustment shall occur in the event that it is agreed to distribute an extraordinary dividend or any other course that produces a similar economic effect.
  - Expiration of the Plan. The Plan shall expire after three years from 08-06-2016, the time when the Company will do the corresponding calculation and proceed to pay the remuneration together with the payroll for the month. However, if the Company so chooses, the Plan may also be paid in shares, valued at the closing quote on the day before the one on which they are transferred to the Beneficiaries.
  - The rights arising from the application of the Plan are not transferrable, except when due to death.
  - It is a basic condition of the Plan that the beneficiary is still on the workforce or on the Board of Alba or its subsidiaries at the time the Plan expires.
  - The amounts resulting from the application are considered to be "gross" and the fiscal regime currently in force shall apply to them, with the beneficiaries paying the corresponding amounts due.
  - In the event that the variable remuneration is settled according to data shown to be wrong after it has been paid, the Company shall have the right to claim a refund of the corresponding components of the variable remuneration from the Director.

return of the corresponding components of the variable remuneration. The claim may be made within a period of two years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

#### A.3. Plan 2017

The system was approved by the General Shareholders' Meeting held on 19-06-2017 and was implemented by agreement of the Board on the same date. Its characteristics are:

- The plan consists of a variable remuneration system tied to the value of the shares of Corporación Financiera Alba ("Alba").
- The Beneficiaries of the Plan are the Executive Directors and personnel of Corporación Financiera Alba, S.A. determined by the Board. Each beneficiary is assigned a certain number of units, totalling 270,000 units
- Value of the units. Each unit will be entitled to receive the difference between the "final net asset value" and the "initial net asset value" of the shares of Alba, where:

- The “initial net asset value” of each share will be 72.00 Euros, equivalent to the average net asset value of Alba’s shares during the ten trading sessions prior to the “start day” (19-06-2017) of the Plan, and
  - The “final net asset value” shall be the net asset value of Alba’s shares during the ten trading sessions prior to the “final day” of the Plan. The “final day” of the Plan will be (19-06-2020).  
The maximum difference between the “final net asset value” and “initial net asset value” may not exceed 30 per cent of the “initial net asset value”.
- In the event of a dilution effect caused by a capital increase, the “initial net asset value” shall be adjusted downward by the theoretical value of the preferential subscription right. A similar adjustment shall occur in the event that it is agreed to distribute an extraordinary dividend or any other course that produces a similar economic effect.
- Expiration of the Plan. The Plan shall expire after three years from 19-06-2017, the time when the Company will do the corresponding calculation and proceed to pay the remuneration together with the payroll for the month.
- However, if the Company so chooses, the Plan may also be paid in shares, valued at the closing quote on the day before the one on which they are transferred to the Beneficiaries.
- The rights arising from the application of the Plan are not transferrable, except when due to death.
  - It is a basic condition of the Plan that the beneficiary is still on the workforce or on the Board of Alba or its subsidiaries at the time the Plan expires.
  - The amounts resulting from the application are considered to be “gross” and the fiscal regime currently in force shall apply to them, with the beneficiaries paying the corresponding amounts due.
  - In the event that the variable remuneration is settled according to data shown to be wrong after it has been paid, the Company shall have the right to claim a refund of the corresponding components of the variable remuneration from the Director. The claim may be made within a period of two years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

B- Remuneration in respect of participation in benefits or premiums.  
Remuneration consisting in sharing benefits are not established, but the variable remuneration for the Executive Directors mentioned in subparagraph (A) above is established.

C- Basic parameters and basis for any system of annual premiums. See section A.1.

D - Classification of Directors who are beneficiaries of payment systems that incorporate variable remuneration.  
Variable remunerations apply only to Executive Directors.

E – Basis of the systems of variable remuneration, criteria for evaluation of performance, methods of evaluation and estimation of the absolute amount of the variable remunerations according to the current remunerations plan.  
Variable remuneration is based on the management by the Executive Directors and the results obtained with it and for its quantification, the value created for shareholders will be taken into consideration.  
It is not possible to at this time to estimate the absolute amount of the variable remuneration of the Executive Directors with the Plans that have been mentioned in section A. of this paragraph.

F- Periods of deferral of payment or retention of shares.  
The variable remuneration system provided for in sections A.1, A.2 and A.4 implies a delay of three years for it to be received.

**A.5 Explain the principle characteristics of the long-term savings systems, including retirement and any other provision for survival, funded partially or completely by the Company, whether it be provided internally or externally, with an estimate of their amount or equivalent annual cost, indicating the type of plan, whether it is contributory or of defined benefit, the conditions for consolidation of economic rights in favour of the directors and their compatibility with any type of compensation for early termination or cancellation of the contractual relationship between the company and the director.**

Also indicate the contributions in favour of the director to defined-contribution pension plans; or the increase in the director’s consolidated rights, in the case of contributions to defined-benefit plans.

<b>Explain long-term savings systems</b>
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There is a system of long-term savings planned for Directors who perform executive functions in Corporación Financiera Alba, S.A., which is an alternative pension system consisting of a Social Security pension complement equivalent to 35% of the sum of the Basic Remuneration and of the Complement (see section A.3 of this report) that is due to the Director if he remains active in the year in which his retirement occurs.

There is no provision for the consolidation of economic rights in favour of the Directors so that they are only eligible for the aforementioned pension complement if they remain active in the company at the time of their retirement.

Contributions of 222,000 Euros have been made in 2017 to the long-term savings system intended for Directors who perform executive functions.



It is not intended to make either defined contributions or defined benefit contributions to pension plans in favour of the Directors other than as mentioned in the first subparagraph.

#### A.6 Indicate any compensation agreed or paid in the event of termination of the functions as director.

##### Explain the compensation

Clauses relating to compensation or guaranteed payments for early termination or cancellation of the contractual relationship between the Company and the Directors who perform executive functions.

The following situations are included in the Board's approved Remuneration Policy

- If upon ceasing to perform the executive functions contractually assigned to him, the Director then performs other functions, which are also executive ones, he will maintain the remuneration agreed upon in his contract, unless mutually agreed otherwise.
- If upon ceasing to perform the executive functions, the Director resumes any valid previous employment relationship, and the termination of that employment relationship is also decided, the compensation to be paid in case of termination of the relationship by the will of the Company will be adjusted to labour regulations, but shall not be less than the amount of the fund constituted as a pension supplement or the amount of an annuity of the Base and Supplement Remuneration (see section A.3), increased by one twelfth of said annuity for each year elapsed since the date of seniority in the group, whichever is greater.
- If upon ceasing to perform the executive functions there is no working relationship that is resumed, the Director shall be entitled to compensation equivalent to the amount of one year's Basic Remuneration and Complement (see Section A.3), plus one twelfth of the annuity for each year since the date of seniority in the group, with a maximum of two years, but from that amount will be deducted the amount of the fund constituted as a pension complement, which corresponds to him in full.

#### A.7 Indicate the conditions that must be observed by the contracts of those who perform the functions of senior management, such as executive directors. Among other things, provide information about the duration, the limits on amounts of compensation, the permanence clauses, periods of notice, as well as the payment as a substitute for the said period of notice, and any other provisions relating to contracting premiums, as well as compensation or protective payments for early termination or cancellation of the contractual relationship between the company and the executive director. Include, among other things, the covenants or agreements of non-concurrence, exclusivity, permanence or loyalty and post-contractual non-competition.

##### Explain the conditions of the executive directors' contracts

Basic conditions of contracts of Directors who perform executive functions in Corporación Financiera Alba:

- Duration of the contract: Indefinite.
- Notice periods: fifteen days, as a general rule.
- Provisions relating to compensation or protective payments for early termination or cancellation of the contractual relationship between the Company and the Director:
  - If upon ceasing to perform the executive functions contractually assigned to him, the Director then performs other functions, which are also executive ones, he will maintain the remuneration agreed upon in his contract, unless mutually agreed otherwise.
  - If upon ceasing to perform the executive functions, the Director resumes any valid previous employment relationship, and the termination of that employment relationship is also decided, the compensation to be paid in case of termination of the relationship by the will of the Company will be adjusted to labour regulations, but shall not be less than the amount of the fund constituted as a pension supplement or the amount of an annuity of the Base and Supplement Remuneration (see section A.3), increased by one twelfth of said annuity for each year elapsed since the date of seniority in the group, whichever is greater.
  - If upon ceasing to perform the executive functions there is no working relationship that is resumed, the Director shall be entitled to compensation equivalent to the amount of one year's Basic Remuneration and Complement (see Section A.3), plus one twelfth of the annuity for each year since the date of seniority in the group, with a maximum of two years, but from that amount will be deducted the amount of the fund constituted as a pension complement, which corresponds to him in full.
- Exclusivity agreements: The provision of services is based on the exclusive dedication of the Director, who may not provide services to any other entity, even if his activity is not concurrent with that of the company, unless he has the Company's prior consent. Such consent shall not be necessary in the case of providing services for entities of the Banca March group. In the event that the exercise of other activities is authorised and these are paid, the amount of such remuneration may be deducted from the Director's remuneration, if the Company so decides when granting authorisation.
- Pacts of post-contractual non-concurrence and of permanence: Not provided for.

#### A.8 Explain any additional remuneration owed to the directors as a consideration for the services rendered other than those inherent to their position.

**Explain the additional remuneration**

None.

A.9 Indicate any remuneration in the form of advances, loans and guarantees granted, with an indication of the interest rate, its essential characteristics and any amounts returned as well as the obligations assumed by them by way of guarantee.

**Explain any advance payments, loans and guarantees granted**

None.

A.10 Explain the main characteristics of remunerations in kind.

**Explain the remuneration in kind**

Health, life, accident and disability insurance and annual coverage of the alternative pensions system. This remuneration in cash is only for Directors who perform executive functions.

A.11 Indicate the remuneration earned by the director under payments made by the company quoted to a third entity in which the Director provides services, when such payments are for the purpose of remunerating the services of this Company.

**Explain the remuneration earned by the director because of payments made by the company quoted to a third entity in which the director provides services**

None.

A.12 Any other remuneration other than the above, whatever the nature or the entity of the group that pays it, especially when considering an associated operation or when the issue of it distorts the true picture of the total remuneration earned by the director.

**Explain any other items of remuneration**

None.

A.13 Explain the actions taken by the Company in relation to the remuneration system to reduce exposure to excessive risks and adjust it to the company's long term goals, values and interests, including, where appropriate, a reference to: planned measures for guaranteeing that the remunerations policy will cater to the long- term results of Company, measures that establish an adequate balance between fixed and variable components of the remuneration, measures adopted in relation to those categories of staff whose professional activities have a material impact on the risks of the entity, formulas or clauses of recovery in order to be able to claim the return of the variable components of remuneration based on the results when such components have been paid on the basis of some data that have been clearly shown to be inaccurate and measures for avoiding conflicts of interest, if any.

**Explain the actions taken to reduce risks**

Fees for directors by their status as such, as well as those established for their participation in the committees of the Board, are established in moderate amounts, especially if compared with those established for other companies listed.

The General principles which the Remunerations Policy are:

- Balance and moderation.
- Alignment with generally accepted compensation practices.
- Generally monitoring the recommendations on good corporate governance relating to the remuneration of the Board Directors, and
- Being subject to the decisions taken by the General Shareholders' Meeting.

So any reference to compensation for directors who perform executive functions are based on the following principles:

- To reward the performance of their functions with a comprehensive offer of cash and non-cash elements that meet the variety of needs and expectations in a professional environment, and that serve as a tool for the communication of organizational and business objectives.
- To align performance with the objectives of the group at different time lines, encouraging the sustainability of results.
- To recognise the capacity for creating value, as well as personal abilities and characteristics.
- To promote a culture of commitment of the group's objectives, taking into account that it is essential to have the contribution of both the individual and the team.
- To evaluate professional development and the results of activities using standardised criteria.
- To provide equitable and competitive remuneration, bearing in mind the responsibilities of the position and a flexible approach to the market, in order to attract and retain the best professionals.
- To review the systems and remuneration updates so that, the necessary adjustments can be introduced, where appropriate, addressing the results and the capacity for motivation.

On the other hand, criteria such as the following are also taken into account in relation to variable remuneration:

- The variable remuneration of Executive Directors shall take into account the management functions they perform and the results obtained therewith.
- For quantifying the variable remuneration of the Executive Directors one must take into account the creation of value for the shareholder, according to the evolution of the net value of the company's assets (net asset value).
- The Executive Directors variable remuneration will relate to their the professional performance and not simply derived from the general evolution of the markets.

To meet the Company's long- term results, the established system of variable remuneration is linked to the evolution of the company's net asset value, due three years from its approval.

Both in the Remuneration Policy and in the contracts of the Directors who perform executive functions, it is foreseen that, in the event that the variable remuneration is paid based on data whose inaccuracy is accredited subsequent to the moment in which it is done, the Company will have in any case the right to claim from the Director the return of the corresponding components of the variable remuneration. In such a case, the claim may be within a period of two years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

## **B REMUNERATIONS POLICY PLANNED FOR FUTURE PERIODS**

Repealed.

## **C GLOBAL OVERVIEW OF HOW THE POLICY WAS APPLIED DURING THE FINANCIAL YEAR**

C.1 Explain in brief the main characteristics of the remuneration structure and concepts of the remuneration policy applied during the year in question, which provides details of the individual remuneration accrued by each of the directors that are reflected in section D of this report, as well as a summary of the decisions taken by the council for the application of these concepts.

### **Explain the structure and remunerations policy applied during the year**

Article 39 of the Articles of Association refers to the Directors remuneration referred.

Also, the Directors' Remuneration Policy, approved by the General Shareholders' Meeting held on June 10, 2015, following the proposal of the Appointments and Remuneration Committee, has been amended by agreement of the General Shareholders' Meeting of June 19, 2017. A detailed summary of this policy (including its principles, structure, concepts etc.) is given in paragraph A.1 of this report.

Directors' Remunerations Policy approved by the General Shareholders' Meeting on June 10, 2015, with the amendments approved by the General Shareholders' Meeting held on 19 June 2017, has been effectively applied during the year 2017.

So it refers to the decisions taken by the Board in relation to these matters, notably that they have mainly consisted of: (i) update of remunerations; and (ii) implementing the variable remuneration system with reference to the net asset value of the shares approved by the General Shareholders' Meeting of June 19, 2017.

**D** DETAILS OF THE INDIVIDUAL REMUNERATION PAYABLE TO EACH OF THE DIRECTORS

Name	Typology	Period of accrual financial year 2017
JOSÉ RAMÓN DEL CAÑO PALOP	Executive	From 01/01/2017 until 31/12/2017.
JUAN MARCH JUAN	Executive	From 01/01/2017 until 31/12/2017.
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	Executive	From 01/01/2017 until 31/12/2017.
RAMÓN CARNÉ CASAS	Executive	From 01/01/2017 until 31/12/2017.
CARLOS GONZÁLEZ FERNÁNDEZ	Independent	From 01/01/2017 until 31/12/2017.
JOSÉ DOMINGO DE AMPUERO Y OSMA	Independent	From 01/01/2017 until 31/12/2017.
REGINO MORANCHEL FERNÁNDEZ	Independent	From 01/01/2017 up to 19/06/2017.
CRISTINA GARMENDIA MENDIZABAL	Independent	From 01/01/2017 until 31/12/2017.
ANTONIO MARIA PRADERA JAÚREGUI	Independent	From 01/01/2017 until 31/12/2017.
MARÍA EUGENIA GIRÓN DAVILA	Independent	From 01/01/2017 until 31/12/2017.
CLAUDINE MAGALI PICKHOLZ	Independent	From 01/01/2017 until 31/12/2017.
JUAN MARCH DELGADO	Proprietary	From 01/01/2017 until 31/12/2017.
CARLOS MARCH DELGADO	Proprietary	From 01/01/2017 until 31/12/2017.
JOSÉ NIETO DE LA CIERVA	Proprietary	From 01/01/2017 until 31/12/2017.
JUAN MARCH DE LA LASTRA	Executive	From 01/01/2017 until 31/12/2017.

D.1 Complete the following charts regarding the individual remuneration of each of the directors (including compensation for the exercise of executive functions) accrued during the year.

**(a) Remuneration earned in the company subject to this report:**

**(i) Remuneration in cash (in thousands of Euros )**

Name	Salaries	Fixed remuneration	Expenses	Variable remuneration short term	Variable remuneration long term	Pay for membership on committees of the Board	Compensation	Other concepts	Total year 2017	Total year 2016
CARLOS MARCH DELGADO	0	143	0	0	0	0	0	0	143	153
CLAUDINE MAGALI PICKHOLZ	0	65	0	0	0	23	0	0	88	40
JOSÉ NIETO DE LA CIERVA	0	65	0	0	0	15	0	0	80	80
JOSÉ RAMÓN DEL CAÑO PALOP	270	65	0	0	283	0	0	0	618	330
JUAN MARCH JUAN	0	65	0	0	283	23	0	0	371	80
JUAN MARCH DE LA LASTRA	228	65	0	0	1,021	23	0	0	1,337	290
JUAN MARCH DELGADO	0	143	0	0	0	10	0	0	153	143
MARIA EUGENIA GIRÓN DÁVILA	0	65	0	0	0	14	0	0	79	40
RAMÓN CARNÉ CASAS	0	65	0	0	0	0	0	0	65	65
REGINO MORANCHEL FERNÁNDEZ	0	32	0	0	0	5	0	0	37	75
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	595	65	0	0	1,021	23	0	0	1,704	602
ANTONIO MARÍA PRADERA JÁUREGUI	0	65	0	0	0	11	0	0	76	65
CARLOS GONZÁLEZ FERNÁNDEZ	0	65	0	0	0	26	0	0	91	80
JOSÉ DOMINGO DE AMPUERO Y OSMA	0	65	0	0	0	11	0	0	76	80
CRISTINA GARMENDIA MENDIZABAL	0	65	0	0	0	21	0	0	86	90

ii) Share- based remuneration systems

iii) systems of long- term savings

Name	Contribution of the exercise by the company (thousands Euros )		Amount of the accumulated funds (thousands Euros )	
	Financial Year 2017	Financial Year 2016	Financial Year 2017	Financial Year 2016
JOSÉ RAMÓN DEL CAÑO PALOP	131	112	2,357	2,143
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	0	0	6,872	6,616
JUAN MARCH DE LA LASTRA	44	144	1,121	1,038
JUAN MARCH JUAN	47	23	265	209

(iv) Other benefits (in thousands of Euros )

<b>CARLOS MARCH DELGADO</b>			
<b>Remuneration in the form of advances, loans granted</b>			
<b>Interest rate of operation</b>		<b>Essential characteristics of the operation</b>	<b>Amounts eventually returned</b>
0.00		0.00	0.00
<b>Life insurance premiums</b>		<b>Guarantees constituted by the company in favour of the directors</b>	
<b>Financial Year 2017</b>	<b>Financial Year 2016</b>	<b>Financial Year 2017</b>	<b>Financial Year 2016</b>
0	7	0.00	0.00

<b>JUAN MARCH DELGADO</b>			
<b>Remuneration in the form of advances, loans granted</b>			
<b>Interest rate of operation</b>		<b>Essential characteristics of the operation</b>	<b>Amounts eventually returned</b>
0.00		0.00	0.00
<b>Life insurance premiums</b>		<b>Guarantees constituted by the company in favour of the directors</b>	
<b>Financial Year 2017</b>	<b>Financial Year 2016</b>	<b>Financial Year 2017</b>	<b>Financial Year 2016</b>
0	8	0.00	0.00



**(b) the remuneration earned by the directors of the company for his membership on boards at other companies in the Group:**

**(i) remuneration in cash (in thousands of Euros )**

<b>Name</b>	<b>Salaries</b>	<b>Fixed remuneration</b>	<b>Expenses</b>	<b>Variable remuneration short term</b>	<b>Variable remuneration long term</b>	<b>Pay for membership on committees of the Board</b>	<b>Compensation</b>	<b>Other concepts</b>	<b>Total year 2017</b>	<b>Total year 2016</b>
RAMÓN CARNÉ CASAS	433	0	0	0	0	0	0	0	433	425
JUAN MARCH JUAN	84	0	0	0	0	0	0	0	84	92

**ii) Share- based remuneration systems**

**iii) systems of long- term savings**

**(c) summary of fees (in thousands of Euros ):**

Amounts corresponding to all the retributive concepts included in the present report have been accrued by the Director, in thousands of Euros should be included in the summary.

Long term saving systems, contributions or endowments made to such systems will be included:

Name	Remuneration accrued in the Company				Remuneration accrued in companies of the Group				Total		
	Total cash compensation	Amount of the granted shares	Gross profit of the exercised options	Total fiscal year 2017 Company	Total cash compensation	Amount of the shares delivered	Gross profit of the exercised options	Total fiscal year 2017 group	Total fiscal year 2017	Total fiscal year 2016	Contribution to the systems of saving during year
CARLOS MARCH DELGADO	143	0	0	143	0	0	0	0	143	153	0
CLAUDINE MAGALI PICKHOLZ	88	0	0	88	0	0	0	0	88	40	0
CRISTINA GARMENDIA MENDIZABAL	86	0	0	86	0	0	0	0	86	90	0
JOSÉ NIETO DE LA CIERVA	80	0	0	80	0	0	0	0	80	80	0
JOSÉ DOMINGO DE AMPUERO Y OSMA	76	0	0	76	0	0	0	0	76	80	0
JOSÉ RAMÓN DEL CAÑO PALOP	618	0	0	618	0	0	0	0	618	330	131
JUAN MARCH JUAN	371	0	0	371	84	0	0	84	455	172	47
JUAN MARCH DE LA LASTRA	1,337	0	0	1,337	0	0	0	0	1,337	290	44
JUAN MARCH DELGADO	153	0	0	153	0	0	0	0	153	143	0
MARÍA EUGENIA GIRÓN DAVILA	79	0	0	79	0	0	0	0	79	40	0
RAMÓN CARNÉ CASAS	65	0	0	65	433	0	0	433	498	490	0
REGINO MORANCHEL FERNANDEZ	37	0	0	37	0	0	0	0	37	75	0
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	1,704	0	0	1,704	0	0	0	0	1,704	602	0
ANTONIO MARIA PRADERA JAÚREGUI	76	0	0	76	0	0	0	0	76	65	0
CARLOS GONZÁLEZ FERNÁNDEZ	91	0	0	91	0	0	0	0	91	80	0
<b>TOTAL</b>	<b>5,004</b>	<b>0</b>	<b>0</b>	<b>5,004</b>	<b>517</b>	<b>0</b>	<b>0</b>	<b>517</b>	<b>5,521</b>	<b>2,730</b>	<b>222</b>

**D.2 report on the relationship between the remuneration obtained by the directors and the results or other measures of performance of the Organisation, explaining, in this case, how variations in the performance of the company have been able to influence the variation of the remuneration of the directors.**

The remuneration obtained by Directors represents 1.18% of results of Corporacion Alba, without variations in yields of the Company have had a noticeable influence on the remuneration of the directors.

**D.3 Report of the result of the consultative vote of the general meeting to the annual report on remunerations of the previous year, indicating the number of negative votes that may have been issued:**

	<b>Number</b>	<b>% of total</b>
<b>Votes cast</b>	54,037,370	100.00%

	<b>Number</b>	<b>% of total</b>
<b>Negative votes</b>	1,171,938	2.17%
<b>Votes in favour</b>	52,837,442	97.78%
<b>Abstentions</b>	27,990	0.05%

**E OTHER INFORMATION OF INTEREST**

If there is any relevant aspect regarding the remuneration of directors that has not been included in the rest of the sections of this report, but which must be included in order to collect more complete and reasoned information on the remuneration structure and practices of the company in question. relationship with your counsellors, describe them briefly.

- Paragraph A.4.

Plan 2015. Detailed of this variable remuneration system features are contained in Price Sensitive Information no. 224.082, published on June 10, 2015. "Units" provided for in this Plan assigned to the Directors who have executive functions are as follows: Mr Juan March de la Lastra, 60,000 units; Mr Santos Martínez-Conde Gutiérrez-Barquín, 60,000 units; Mr Juan March Juan, 16.666 units; and Mr José Ramón del Caño Palop, 16,666 units.

Plan 2016. Detailed of this variable remuneration system features are contained in Price Sensitive Information no. 239.565, published on June 8, 2016. "Units" provided for in this Plan assigned to the Directors who have executive functions are as follows: Mr Juan March de la Lastra, 30,000 units; Mr Santos Martínez-Conde Gutiérrez-Barquín, 70,000 units; Mr Juan March Juan, 20,000 units; and Mr José Ramón del Caño Palop, 20,000 units.

Plan 2017. Detailed of this variable remuneration system features are contained in Price Sensitive Information no. 253.560, published on 19 June 2017. "Units" provided for in this Plan assigned to the Directors who have executive functions are as follows: Mr Juan March de la Lastra, 30,000 units; Mr Santos Martínez-Conde Gutiérrez-Barquín, 70,000 units; Mr Juan March Juan, 20,000 units; and Mr José Ramón del Caño Palop, 20,000 units.

- Section D.1. (iii).

The figures that are made to appear as "Amount of accumulated funds" do not correspond to "accrued rights" but to mathematical provisions at the date of reference of this report.

- Section D.1.c).

“Contributions to systems of savings during the year”: In 2017, contributions were made to the long-term savings system foreseen for the Directors who perform executive functions for an amount of 222,000 euros (as shown on the chart).

This annual report of wages has been approved by the Board of Directors of the Company, in its session of date 20/03/2018.

Indicate if there were any board members who voted against or abstained in relation to the approval of this Report.

Yes

No