

**ANNUAL CORPORATE GOVERNANCE REPORT  
PUBLIC LISTED COMPANIES**

**ISSUER DETAILS**

<b>END DATE OF REFERENCE FINANCIAL YEAR</b>	<b>31/12/2013</b>
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<b>Corporate tax ID</b>	<b>A-28060903</b>
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<b>COMPANY NAME</b>
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<b>CORPORACIÓN FINANCIERA ALBA, S.A.</b>
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<b>REGISTERED ADDRESS</b>
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<b>CASTELLÓ, 77, 5<sup>th</sup> FLOOR, MADRID</b>
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## ANNUAL CORPORATE GOVERNANCE REPORT PUBLIC LISTED COMPANIES

### A - OWNERSHIP STRUCTURE

A.1. Complete the following table with details of the Company's share capital:

Date last modified	Share capital (euros)	Number of shares	Number of voting rights
25/05/2011	58,300,000.00	58,300,000	58,300,000

Indicate whether there are different share classes with different rights:

NO

A.2. Give details of the direct and indirect owners of significant shareholdings in your company at the reporting date, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Syndication agreement, see section A.6.	0	0	0.00%
BANCA MARCH, S.A.	19,764,388	20,543,499	69.65%

Name of indirect shareholder	Through: Name of direct shareholder	Number of voting rights
BANCA MARCH, S.A.	SYNDICATION AGREEMENT, SEE SECTION A.6.	20,543,499

State the most significant changes in the shareholder base during the year:

A.3. Complete the following tables with details of the members of the Company's Board of Directors who hold voting shares in the Company:

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
JUAN MARCH JUAN	425,127	588,311	1.74 %
JUAN MARCH DE LA LASTRA	2,599,721	42,378	4.53 %
JOSE RAMON DEL CAÑO PALOP	1,664	0	0.00 %
CRISTINA GARMENDIA MENDIZABAL	80	0	0.00 %
REGINO MORANCHEL FERNANDEZ	950	0	0.00 %
JOSE DOMINGO DE AMPUERO Y OSMA	1,000	0	0.00 %
JUAN MARCH DELGADO	4,972,133	3,780,439	15.01 %

CARLOS MARCH DELGADO	6,868,512	120,770	11.99 %
JOSE NIETO DE LA CIERVA	1	0	0.00 %
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	1,707	0	0.00 %
RAMON CARNE CASAS	0	0	0.00 %
NICHOLAS BROOKES	5,261	0	0.01 %
AMPARO MORALEDA MARTINEZ	295	0	0.00 %

Name of indirect shareholder	Through: Name of direct shareholder	Number of direct voting rights
JUAN MARCH JUAN	PEÑA TAJADA, S.L.	588,311
JUAN MARCH DE LA LASTRA	ATACAMPA, S.A.	42,378
JUAN MARCH DELGADO	M.B. DE INVERSIONES, S.A.	2,222,933
JUAN MARCH DELGADO	FUNDACIÓN JUAN MARCH	288,453
JUAN MARCH DELGADO	SURISLA, S.A.	456,755
JUAN MARCH DELGADO	FUNDACIÓN INSTITUTO JUAN MARCH DE ESTUDIOS E INVESTIGACIONES	812,298
CARLOS MARCH DELGADO	CONCEPCIÓN DE LA LASTRA RAMOS-PAUL	120,770

% of total voting power held by directors	33.28
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Complete the following tables with details of the members of the Company's Board of Directors who hold voting shares in the Company:

Name of director	No. of direct voting rights	No. of indirect voting rights	No. shares	% of total voting rights
JUAN MARCH DE LA LASTRA	75,000	0		0.13 %
JOSE RAMON DEL CAÑO PALOP	35,000	0		0.06 %
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	75,000	0		0.13 %

A.4. Give details of any relationship of a family, commercial, contractual or corporate nature, known to the Company, between significant shareholders, unless the relationship is not significant or arises from the normal course of business:

A.5. Where applicable, give details of any relationships of a family, commercial, contractual or corporate nature, known to the Company, between significant shareholders and the Company or its group, unless they are not significant or arise from the normal course of business:

A.6. Indicate whether the Company has been notified of any shareholders' agreements that affect it as

specified in Articles 530 and 531 of the Law on Corporations. If so, briefly describe each agreement and give details of the shareholders involved in it:

YES

Parties to the shareholders' agreement
CARLOS MARCH DELGADO
JUAN MARCH DELGADO
LEONOR MARCH DELGADO
GLORIA MARCH DELGADO

**% of share capital affected:** 69.65%

**Brief description of the agreement:**

JUAN, CARLOS, LEONOR AND GLORIA MARCH DELGADO TOGETHER OWN 100% OF THE SHARES OF BANCA MARCH, S.A., WHICH HAS A SIGNIFICANT OWNERSHIP INTEREST IN CORPORACIÓN FINANCIERA ALBA, S.A. ON 24 MAY 2004, THESE FOUR SHAREHOLDERS ENTERED INTO A SHAREHOLDERS' AGREEMENT RELATING TO BANCA MARCH, S.A. WHICH ALSO AFFECTS CORPORACIÓN FINANCIERA ALBA, S.A., GIVEN THAT BANCA MARCH, S.A. IS A SIGNIFICANT SHAREHOLDER OF CORPORACIÓN FINANCIERA ALBA, S.A. THIS AGREEMENT (WHICH WAS MODIFIED ON 22 DECEMBER 2009) IS VALID UNTIL 10 MARCH 2020. GIVEN THEIR COMBINED OWNERSHIP INTEREST IN CORPORACIÓN FINANCIERA ALBA, S.A., BANCA MARCH, S.A. AND THOSE OF ITS SHAREHOLDERS WHO SIGNED THE AGREEMENT CONTINUE TO HAVE JOINT CONTROL OF CORPORACIÓN FINANCIERA ALBA, S.A. THE ABOVEMENTIONED AGREEMENT DOES NOT LIMIT THE TRANSFER OF SHARES BUT IT DOES AFFECT THE EXERCISE OF THE VOTING RIGHTS OF THE SIGNATORIES TO THE AGREEMENT.

State here whether the Company knows of any concerted actions among its shareholders. If so, give a brief description:

YES

**% of share capital affected:** 69.65%

**Brief description of the concerted action:**

AS A RESULT OF THE SHAREHOLDERS' AGREEMENT DESCRIBED IN THE BOX ABOVE, THERE IS A CONCERTED ACTION BETWEEN THE ABOVEMENTIONED INDIVIDUALS AND ORGANISATIONS.

Parties to the concerted action
FUNDACION INSTITUTO JUAN MARCH DE ESTUDIOS E INVESTIGACIONES
FUNDACION JUAN MARCH
EXPORTACIONES, PROYECTOS Y REPRESENTACIONES, S.A.
CIBERNETICA E INFORMATICA, S.A.
M.B. DE INVERSIONES, S.A.
SURISLA, S.A.
AGROPECUARIA EL AGUILA, S.A.
EPYR, S.A
COMPAÑIA INSULAR MERCANTIL, S.A. (CIMS A)
BANCA MARCH, S.A.

CARLOS MARCH DELGADO
MARIA ANTONIA JUAN GARAU
JUAN MARCH DELGADO
GLORIA MARCH DELGADO
LEONOR MARCH DELGADO
CONCEPCIÓN DE LA LASTRA RAMOS-PAUL

State clearly whether any of the abovementioned agreements or concerted actions were modified or terminated during the year:

NO

A.7. Indicate whether any natural or legal person exercises, or has power to exercise, control over the Company within the meaning of Article 4 of the Spanish Securities Market Law (Ley del Mercado de Valores). If so, give details:

YES

Name
BANCA MARCH GROUP CONCERTED ACTION

Observations
CORPORACIÓN FINANCIERA ALBA, S.A. IS PART OF THE BANCA MARCH GROUP, WHICH OWNS MORE THAN 50% OF ITS SHARE CAPITAL. THE BANCA MARCH GROUP IS CONTROLLED BY JUAN, CARLOS, GLORIA AND LEONOR MARCH DELGADO, WHO JOINTLY CONTROL 100% OF THE SHARE CAPITAL OF BANCA MARCH, S.A., WITHOUT ANY ONE OF THEM DOING SO INDIVIDUALLY. AS INDICATED IN SECTION A.6, THERE IS A SHAREHOLDERS' AGREEMENT AMONG THE ABOVEMENTIONED PERSONS, EFFECTIVE SINCE 24 MAY 2004 (AMENDED ON 22 DECEMBER 2009). AT 31 DECEMBER 2013, BANCA MARCH, S.A AND ITS SHAREHOLDERS JOINTLY (BUT NONE OF THEM INDIVIDUALLY) CONTROLLED 69.65 % OF CORPORACIÓN FINANCIERA ALBA, S.A.

A.8. Complete the following tables with details of company treasury stock:

**At the reporting date:**

Number of shares held directly	Number of shares held indirectly (*)	Total % of share capital
64,506	0	0.11 %

**(\*) Through:**

Give details, as required under Royal Decree 1362/2007, of any significant changes that have taken place during the year:

A.9. State the terms and conditions of the current authority to purchase or transfer own shares given by shareholders to the directors.

The General Meeting has given the Company and its subsidiaries authority to purchase shares of the Company up to the maximum permitted amount and subject to applicable law.

Likewise, the shareholders have given the Company authority to use any shares purchased under this or previous authorities to implement senior management remuneration plans involving the allotment of shares or stock options.

The purchase price will be the market price on the day of purchase or, where appropriate, the price authorised by the relevant

stock exchange body.

The authorities in force in 2013 were granted by the General Meetings of 30 May 2012 (expiring on 30 June 2013) and 29 May 2013 (expiring on 30 June 2014).

A.10. Indicate, as applicable, any restrictions on the transfer of securities and/or any restrictions on voting rights. In particular, indicate the existence of any type of restrictions which may make it difficult to takeover the Company via the market acquisition of its shares.

NO

A.11. Indicate whether the General Meeting has agreed to take protective measures against takeover bids under Law 6/2007.

NO

Where appropriate, explain any anti-takeover measures approved and the terms on which the restrictions will be ineffective:

A.12. Indicate whether the Company has issued shares that are not traded in a regulated market in the European Community.

NO

Indicate, where applicable, the various classes of shares and, for each class, the attached rights and obligations.

## **B - GENERAL MEETING OF SHAREHOLDERS**

B.1. Indicate whether the quorum requirements for General Meetings differ from the minimum specified in the Law on Corporations. If so, give details.

NO

Indicate and, as applicable, describe any differences between the Company's system of adopting corporate resolutions and the framework set forth in the Law on Corporations:

NO

Describe the difference.

B.3. Rules applying to amendments to the Articles of Association of the Company. In particular, indicate the majorities anticipated for modifying the Articles of Association, as well as, where appropriate, the rules anticipated for protecting partners' rights on modifying the by- laws.

The procedure for amending the Articles of Association is regulated in the Law on Corporations, which requires that amendments be approved by the shareholders in General Meeting, with the majorities stipulated in article 194 of said law. The Articles of Association contain no special provisions in this respect.

The General Meeting Regulations specifically attribute to the General Meeting the power to amend the Articles of Association, without stipulating any majorities other than those required by law.

B.4. Data for attendance at General Meetings held in the financial year to which this report refers and the preceding financial year:

Date of general meeting	Attendance data				Total
	% present in person	% present by proxy	% remote voting		
			Electronic voting	Other	
29/05/2013	59.20 %	33.88 %	0.00 %	0.00 %	93.08 %

B.5. State whether the Articles of Association specify a minimum number of shares for attendance at General Meetings:

YES

Number of shares required to attend General Meetings	25
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B.6. Indicate whether it has been resolved that certain decisions which entail a structural modification to the Company (subsidiarisation, purchase/sale of operating assets, operations equivalent to liquidating the Company, etc.) need to be submitted for the approval of the General Shareholders' Meeting, even if Company Law does not expressly demand it.

NO

B.7. Indicate the address and mode of access to the Company's website to information on corporate governance and other information on the General Meetings that need to be made available to the shareholders through the Company's website.

Website address: [www.corporaciona.ba.es](http://www.corporaciona.ba.es)

Means of access: Main menu / Investor relations

## C - STRUCTURE OF THE COMPANY'S BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### C.1. Board of Directors

C.1.1. The maximum and minimum number of directors according to the Articles of Association:

Maximum number of directors	15
Minimum number of directors	7

C.1.2. Complete the following table with details of the directors:

Name of director	Representative	Board position	Date first appointed	Date last appointed	Election procedure
JUAN MARCH DELGADO		CHAIRMAN	08/10/1973	26/05/2010	GENERAL MEETING OF SHAREHOLDERS
CARLOS MARCH DELGADO		CHAIRMAN	22/06/1988	30/05/2012	GENERAL MEETING OF SHAREHOLDERS
JUAN MARCH DE LA LASTRA		VICE-CHAIRMAN	28/05/2008	30/05/2012	GENERAL MEETING OF SHAREHOLDERS
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN		MANAGING DIRECTOR	27/09/2006	26/05/2010	GENERAL MEETING OF SHAREHOLDERS
AMPARO MORALEDA MARTINEZ		DIRECTOR	26/03/2012	30/05/2012	GENERAL MEETING OF SHAREHOLDERS
RAMON CARNE CASAS		DIRECTOR	25/05/2011	25/05/2011	GENERAL MEETING OF SHAREHOLDERS
NICHOLAS BROOKES		DIRECTOR	26/05/1999	25/05/2011	GENERAL MEETING OF SHAREHOLDERS

JUAN MARCH JUAN		DIRECTOR	23/03/2011	25/05/2011	GENERAL MEETING OF SHAREHOLDERS
JOSE NIETO DE LA CIERVA		DIRECTOR	23/03/2011	25/05/2011	GENERAL MEETING OF SHAREHOLDERS
JOSE RAMON DEL CAÑO PALOP		SECRETARY AND DIRECTOR	27/05/2009	29/05/2013	GENERAL MEETING OF SHAREHOLDERS
JOSE DOMINGO DE AMPUERO Y OSMA		DIRECTOR	29/05/2013	29/05/2013	GENERAL MEETING OF SHAREHOLDERS
REGINO MORANCHEL FERNANDEZ		DIRECTOR	29/05/2013	29/05/2013	GENERAL MEETING OF SHAREHOLDERS
CRISTINA GARMENDIA MENDIZABAL		DIRECTOR	18/12/2013	18/12/2013	CO-OPTION

<b>Total number of directors</b>	13
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Give details of directors who departed from the Board during the period subject to this report:

Name of director	Status at time of departure	Date of departure
ISIDRO FERNANDEZ BARREIRO	Proprietary	25/01/2013
EUGENIO RUIZ-GALVEZ PRIEGO	Independent	25/01/2013
JOSE MARIA SERRA FARRE	Independent	25/09/2013

C.1.3. Complete the following tables on the different types of board members:

#### EXECUTIVE DIRECTORS

Name of director	Committee which proposed the appointment	Position in the Company's organisation chart
JUAN MARCH DE LA LASTRA	NOMINATION AND REMUNERATION COMMITTEE	VICE-CHAIRMAN
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	NOMINATION AND REMUNERATION COMMITTEE	MANAGING DIRECTOR
JUAN MARCH JUAN	NOMINATION AND REMUNERATION COMMITTEE	DIRECTOR
RAMON CARNE CASAS	NOMINATION AND REMUNERATION COMMITTEE	DIRECTOR
JOSE RAMON DEL CAÑO PALOP	NOMINATION AND REMUNERATION COMMITTEE	SECRETARY AND DIRECTOR

<b>Total number of executive directors</b>	5
<b>As % of total number of directors</b>	38.46 %



### **PROPRIETARY DIRECTORS**

Name of the director	Committee which proposed the appointment	Name of the significant shareholder which the director represents or which proposed the appointment
JUAN MARCH DELGADO	NOMINATION AND REMUNERATION COMMITTEE	BANCA MARCH, S.A.
JOSE NIETO DE LA CIERVA	NOMINATION AND REMUNERATION COMMITTEE	BANCA MARCH, S.A.
CARLOS MARCH DELGADO	NOMINATION AND REMUNERATION COMMITTEE	BANCA MARCH, S.A.

<b>Total number of proprietary directors</b>	3
<b>As % of total number of directors</b>	23.08 %

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Name of director:**

NICHOLAS BROOKES

**Profile:**

Economist; Non-executive Chairman of De La Rue, plc; Director of Axel Johnson Inc.; Director of the Institute of Directors; Fellow of the Institute of Chartered Accountants. He has been CEO of Spirent, plc, Vice-Chairman of Texas Instruments Inc. and Chairman of Materials and Controls Group.

**Name of director:**

AMPARO MORALEDA MARTINEZ

**Profile:**

Industrial Engineer, ICAI. Diploma in Business Management, IESE. Much of her career has been linked to IBM and the world of information technology, having held various management posts in North America, Europe and Spain. She has been President of IBM España and Portugal. She has also held the post of Operations Director for the International Area of Iberdrola. She is a director of Meliá Hotels International, S.A., Solvay, S.A., Alstom, S.A., a member of the Board of Trustees of the MD Anderson Cancer Center in Madrid, a director of APD, a member of the International Advisory Board of IE Business School, a member of the Board of Trustees of CSIC, and a member of the Academy of Social and Environmental Sciences of Andalusia.

**Name of director:**

JOSE DOMINGO DE AMPUERO Y OSMA

**Profile:**

Industrial Engineer (ETSI Bilbao) and Master of Business Administration (University of Southern California). Posts he has held include Director of San Telmo Ibérica Minera, Vice Chairman on Naviera Vizcaína, Presidente de S.A. de Alimentación, Vice chairman of BBVA Bancomer, Chairman of Bodegas y Bebidas, Vice Chairman of Banco Bilbao Vizcaya Argentaria, Vice Chairman of Iberdrola, Chairman of Cementos Lemona, and member of the Board of Directors of the "Asociación para el progreso de la dirección" (Association for the Advancement of Management). He is currently Chairman of Autopista Vasco-Aragonesa S.A., Executive Chairman of Viscofan, S.A. and a member of the board of directors of the "Círculo de Empresarios Vascos" (Basque businessmen 's association).

**Name of director:**

REGINO MORANCHEL FERNANDEZ

**Profile:**

Engineer and Economist (University of Alcalá de Henares). Mr. Moranchel joined Indra Sistemas, S.A. in 1972 and spent his career with the company, serving as CEO from 2001 to 2011 and executive vice president from 2011 to 2012. He has also been a member of the Board of Directors of Inversis Banco and various Indra Sistemas companies. He currently advises a number of companies on conducting international business, particularly in Latin America.

**Name of director:**

CRISTINA GARMENDIA MENDIZABAL

**Profile:**

Biologist, specialising in genetics. Doctor of Molecular Biology (Centro de Biología Molecular Severo Ochoa –CSIC-). MBA, IESE Business School at the University of Navarra. Minister of Science and Innovation 2008-2011. In 2001 she was involved in the creation of the bio-tech group Genetrix. She is also a founding shareholder of Ysios Capital Partners, a specialist fund manager in the field of life sciences and healthcare. She has been Executive Vice President and Finance Director of Grupo Amasua, and President of the Association of Bio-tech Companies, serving as a member of the Board of the Spanish Confederation of Employers' Organisations (CEOE). She currently chairs Genetrix and SYGNIS, a listed Hispano-German company. She sits on the Boards of Directors of Everis, Ysios and Pelayo. She is a member of the professional Board of ESADE, of the Women for Africa Foundation, the Board of the University of Seville, and the Boards of Trustees of the Antonio de Nebrija University and the SEPI Foundation. She chairs Committee on Relations with Public Authorities of the COTEC Foundation for Technological Innovation and is a member of the international advisory committee to the Government of Colombia's Productive Transformation Programme. She has received a number of awards for research and business innovation.

<b>Total number of proprietary directors</b>	5
<b>As % of total number of directors</b>	38.46 %

Indicate whether any Board Member qualifying as independent receives any sum or benefit, other than remuneration as a Board Member, from the Company or its group, or maintains or maintained, during the last financial year, a business relationship with the Company or any company in its group, whether in his or her own name or as a significant shareholder, Board Member or senior executive of an organisation which maintains or maintained such a relationship.

No independent director has received from the Company or its group any sum other than remuneration as a Board member or maintained any business relationship with the Company or the group.

Where appropriate, include a justified statement of the Board of Directors on the reasons why it is considered that this Board Member can perform his or her functions as an Independent Board Member.

**OTHER NON-EXECUTIVE DIRECTORS**

State the reasons why these other non-executive directors cannot be considered either proprietary or independent and indicate their ties with the Company, its managers or its shareholders:

Give details of any changes in directors' status during the period:

C.1.4 Complete the following table with information relating to the number of women Board Members during the last 4 financial years, as well as the nature of those Board Members:

	Number of women Board Members				% of total Board Members of each type			
	Year 2013	Year 2012	Year 2011	Year 2010	Year 2013	Year 2012	Year 2011	Year 2010
<b>Executive</b>	0	0	0	0	0.00 %	0.00 %	0.00 %	0.00 %
<b>Proprietary</b>	0	0	0	0	0.00 %	0.00 %	0.00 %	0.00 %
<b>Independent</b>	2	1	0	0	40.00 %	25.00 %	0.00 %	0.00 %
<b>Other non-executive</b>	0	0	0	0	0.00 %	0.00 %	0.00 %	0.00 %
<b>Total</b>	2	1	0	0	15.38 %	7.14 %	0.00 %	0.00 %

C.1.5 Explain the measures taken, where appropriate, to attempt to include on the Board of Directors a number of women to enable a balanced presence of women and men to be achieved.

**Explanation of the measures**

Candidates of both sexes are always sought during the selection processes for the Board of Directors. In 2012 a woman Director joined the Board, bringing the number up to two at present. The Company intends to continue seeking candidates of both sexes when selecting members of the Board.

C.1.6 Explain the measures, where appropriate, the Nominations Committee has decided to ensure that the selection processes do not suffer from implicit biases that hinder the selection of women Board Members and that the Company deliberately seeks and includes women who meet the professional profile sought among the potential candidates:

**Explanation of the measures**

There are no specific procedures in place to ensure that selection processes do not have hidden biases which prevent the selection of female directors. However, the company is committed to ensuring that selection processes include women as candidates, while the professionalism of the members of the Nomination and Remuneration Committee guarantees that the selection system is impartial.

When, in spite of the measures which have been adopted, where applicable, the number of women Board Members is few or zero, explain the reasons justifying this:

C.1.7 Explain the form of representation on the Board of shareholders with significant holdings.

The "Banca March Group Concerted Action" (described in sections A.6 and A.7 of this report) may be considered to be the only shareholder with a significant shareholding, and is represented on the Board of Directors by three proprietary directors.

C.1.8 If applicable, explain the reasons for appointing Proprietary Board Members at the request of shareholders who have a holding of less than 5% of share capital:

Indicate whether any formal request for representation on the Board of Directors by shareholders whose ownership interest is equal to or greater than that of other shareholders that have representatives on the Board was rejected during the year. If so, explain the reasons for which the request was rejected:

NO

C.1.9 Indicate whether any director departed from the Board before his or her term of office was ended. If so, indicate whether the director in question gave reasons to the Board and in what form. If the director gave reasons in writing to the entire Board, state at least the reasons given:

**Name of director:**

ISIDRO FERNANDEZ BARREIRO

**Reason for departure:**

Personal reasons

**Name of director:**

EUGENIO RUIZ-GALVEZ PRIEGO

**Reason for departure:**

Personal reasons

**Name of director:**

JOSE MARIA SERRA FARRE

**Reason for departure:**

Other professional commitments made attendance at Board Meetings difficult.

C.1.10 State the authority delegated to the managing director(s), if any:

**Name of director:**

SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

**Brief description:**

THE MANAGING DIRECTOR HAS BEEN DELEGATED AUTHORITY IN STAFF MATTERS AND HAS BROAD POWERS OF REPRESENTATION AND RECRUITMENT.

C.1.11 Name the directors of your company who hold posts as directors or managers of other companies belonging to the reporting company's group:

Name of director	Name of Group entity	Post
JUAN MARCH DE LA LASTRA	DEYÁ CAPITAL, S.C.R., S.A.	DIRECTOR
JUAN MARCH DE LA LASTRA	ARTÁ CAPITAL, S.G.E.C.R., S.A.	DIRECTOR
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	ALBA PARTICIPACIONES, S.A.	CHAIRMAN
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	DEYÁ CAPITAL, S.C.R., S.A.	CHAIRMAN
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	ARTÁ CAPITAL, S.G.E.C.R., S.A.	DIRECTOR
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	ARTA PARTNERS, S.A.	CHAIRMAN
RAMON CARNE CASAS	ARTÁ CAPITAL, S.G.E.C.R., S.A.	CHAIRMAN
RAMON CARNE CASAS	ARTÁ PARTNERS, S.A.	DIRECTOR
JOSE RAMON DEL CAÑO PALOP	DEYÁ CAPITAL, S.C.R., S.A.	SECRETARY AND DIRECTOR
JOSE RAMON DEL CAÑO PALOP	ARTÁ CAPITAL, S.G.E.C.R., S.A.	SECRETARY AND DIRECTOR
JOSE RAMON DEL CAÑO PALOP	ARTÁ PARTNERS, S.A.	SECRETARY AND DIRECTOR
JUAN MARCH JUAN	ARTÁ CAPITAL, S.G.E.C.R., S.A.	VICE-CHAIRMAN

C.1.12 Give details of any directorships held by directors of your company in other, non-group companies listed on Spanish stock exchanges of which your company has been notified:

Name of Director	Name of Group entity	Post
JUAN MARCH DE LA LASTRA	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS. S.A.	DIRECTOR
JUAN MARCH DE LA LASTRA	INDRA SISTEMAS. S.A.	DIRECTOR
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS. S.A.	DIRECTOR
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	ACERINOX S.A.	DIRECTOR
JOSE NIETO DE LA CIERVA	EBRO FOODS S.A.	DIRECTOR
AMPARO MORALED A MARTINEZ	MELIA HOTELS INTERNATIONAL	DIRECTOR
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	INDRA SISTEMAS, S.A.	DIRECTOR

JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN, S.A.	CHAIRMAN
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C.1.13 Indicate whether the Company has established any rules regarding the number of directorships its members may hold. If so, give details:

NO

C.1.14 Indicate the general company policies and strategies which are subject to Board approval:

Investment and financing policy	YES
Design of the structure of the corporate group	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
The strategic or business plan, management objectives and annual budgets	YES
Remuneration and performance evaluation of senior managers	YES
Risk control and management and periodic monitoring of internal information and control systems	YES
Dividend policy and policy on treasury stock, especially as regards the limits on holdings of treasury stock	YES

C.1.15 Indicate the overall remuneration for the Board of Directors:

Remuneration for the Board of Directors (thousands of euros)	2,461
Amount of overall remuneration corresponding to rights accumulated by the Board Members as regards pensions (thousands of euros)	0
Overall remuneration for the Board of Directors (thousands of euros)	2,461

C.1.16 Name the senior managers of the Company who are not executive directors and state the total remuneration accruing to them during the financial year:

Name	Post
ANDRES ZUNZUNEGUI RUANO	MANAGER
TOMAS VILLANUEVA IRIBAS	MANAGER
IGNACIO MARTINEZ SANTOS	MANAGER
JAVIER FERNANDEZ ALONSO	MANAGER

Total senior managers' remuneration (thousands of euros)	1,405
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C.1.17 Give details of any directors that are, at the same time, Board Members or executives at companies that hold significant shareholdings in the listed company and/or entities in the group:

Name of Director	Name of significant shareholder	Post
JUAN MARCH DELGADO	BANCA MARCH, S.A.	DIRECTOR

CARLOS MARCH DELGADO	BANCA MARCH, S.A.	CHAIRMAN
JUAN MARCH DE LA LASTRA	BANCA MARCH, S.A.	VICE-CHAIRMAN
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	BANCA MARCH, S.A.	DIRECTOR
JUAN MARCH JUAN	BANCA MARCH, S.A.	DIRECTOR
JOSE NIETO DE LA CIERVA	BANCA MARCH, S.A.	MANAGING DIRECTOR

Give details of any significant relationships, other than those disclosed in the preceding paragraph, between directors and significant shareholders or other group companies:

**Name of the related Board Member:**

JUAN MARCH DE LA LASTRA

**Name of the related significant shareholder:**

BANCA MARCH, S.A.

**Description of relationship:**

Family

**Name of the related Board Member:**

JUAN MARCH JUAN

**Name of the related significant shareholder:**

BANCA MARCH, S.A.

**Description of relationship:**

Family

C.1.18 Indicate whether any amendments have been made to the Board of Directors Regulations during the year:

NO

C.1.19 Indicate the procedures for selection, appointment, re-election, evaluation and removal of Board Members. List the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

**Appointment:**

With respect to the departure or retirement of directors, article 16 of the Board of Directors Regulations contains the following provisions:

1.- Directors shall be appointed by the shareholders in General Meeting or, provisionally, by the Board of Directors in accordance with the provisions of the Law on Public Limited Companies, the Articles of Association and the Board Regulations.

2.- Any appointment proposals submitted by the Board of Directors to the General Meeting and any appointment resolutions adopted by the Board itself in exercise of its legal power of co-option must respect the provisions of the Board Regulations as regards the proportion of executive and non-executive directors, and of proprietary and independent non-executive directors.

3.- When a vacancy arises, the Chairman or any other director may propose candidates, who will be discussed by the Board of Directors. Any proposals for the appointment or renewal of directors submitted by the Board to the General Meeting of shareholders, and any provisional appointments by co-option, must be approved by the Board:

- a) At the proposal of the Nomination and Remuneration Committee, in the case of independent non-executive directors.
- b) Subject to a report by the Nomination and Remuneration Committee in all other cases.

**Re-election:**

Under article 17 of the Board of Directors Regulations, any re-election proposal the Board of Directors decides to submit to the

General Meeting must go through a formal preparation process, in which the Nomination and Remuneration Committee will report, and the Board will deliberate, on the quality of the director's work and dedication during the preceding term of office. This deliberation will take place in the absence of the director subject to re-election.

**Assessment:**

As regards the Board assessment procedure, the assessment was conducted internally by the Nomination and Remuneration Committee and was approved by the Board itself.

**Departure or retirement:**

With respect to the departure or retirement of directors, article 19 of the Board of Directors Regulations contains the following provisions:

1.- Directors shall relinquish their directorship at the end of the term for which they were appointed or when so decided by the shareholders in General Meeting under the powers conferred upon the General Meeting by law or the Articles of Association.

2.- Directors shall place their directorships at the disposal of the Board of Directors and, if the Board deems it desirable, shall formally tender their resignation in the following circumstances:

- a) When they reach 70 years of age.
- b) When they are disqualified on the grounds of conflict of interest or any other legal grounds.
- c) When they are affected by circumstances that may harm the Company's good name and reputation; in particular, when they are prosecuted for a criminal offence or are subject to disciplinary action by the market supervisory authorities for a serious or very serious infraction.
- d) When they are seriously reprimanded by the Audit Committee for failure to perform their duties as directors.
- e) When the reasons for which they were appointed cease to apply; in particular, in the case of independent or proprietary directors, when they cease to qualify as such.

3.- Once a non-executive director (independent or proprietary) has been elected by the General Meeting, the Board of Directors shall not propose early termination of the director's term of office except in exceptional circumstances, where the Board believes there is good reason to do so, subject to a report by the Nomination and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under any of the disqualifying grounds enumerated in article 8.1.B of these Regulations.

The removal of independent directors may also be proposed, in order to meet the proportionality criterion set out in article 8.2 of the Board of Directors Regulations, when a takeover bid, merger or similar corporate transaction brings about changes in the Company's capital structure.

4.- Directors must notify the Board of any criminal prosecution in which they are defendants and keep the Board informed of the progress of any such prosecution.

If a director is charged with or prosecuted for any of the offences named in article 213 of the Law on Corporations, the Board will study the matter at the earliest opportunity and, giving due consideration to the circumstances, decide whether the director should stand down or not. All such decisions will be disclosed in the Annual Corporate Governance Report.

5.- Any director who retires from office before his or her term expires, whether due to resignation or for any other reason, shall state the reasons for retirement in a letter, which shall be sent to all the directors. Irrespective of whether such a retirement is reported to the CNMV as a significant event, the reason for it must be disclosed in the Annual Corporate Governance Report.

C.1.20 Indicate whether or not the Board of Directors has carried out an assessment of its activity during the year:

YES

Where applicable, explain to what extent the self-assessment led to significant changes to its internal organisation and to the procedures applicable to its activities:

Description of amendments
No changes in its internal organisation or the procedures applicable to its activities have been deemed necessary as a result of the self-assessment carried out by the Board of Directors.

C.1.21.State the circumstances in which directors are required to resign.

Under the Board Regulations, directors are required to stand down and, if the Board so decides, tender their resignation in the following circumstances:

- a) When they reach 70 years of age.
- b) When they are disqualified on the grounds of conflict of interest or any other legal grounds.
- c) When they are affected by circumstances that may harm the Company's good name and reputation; in particular, when they are prosecuted for a criminal offence or are subject to disciplinary action by the market supervisory authorities for a serious or very serious infraction.

serious infraction.

d) When they are seriously reprimanded by the Audit Committee for failing to perform their duties as directors, and

e) When the reasons for which they were appointed cease to apply; in particular, in the case of independent or proprietary directors, when they cease to qualify as such.

C.1.22 Does the same person exercise the function of Chief Executive and Chairman of the Board of Directors? If so, describe the measures taken to limit the risks arising from the concentration of power in one person:

NO

Indicate whether rules have been established to allow one of the independent non-executive directors to call a Board meeting or add new business to the agenda, coordinate and act as spokesperson for the non-executive directors and lead the Board's assessment.

NO

C.1.23 Are qualified majorities, other than the legally stipulated majorities, required for any kind of decision?

NO

Where applicable, describe the differences.

C.1.24 Are there any specific requirements for appointment as Chairman, other than those that apply to directors?

NO

C.1.25 Does the Chairman have a casting vote?

YES

Matters on which there is a casting vote
All resolutions where voting results in a tie.

C.1.26 Do the Articles of Association or the Board Regulations set any age limit for directors?

NO

C.1.27 Do the Articles of Association or the Board of Directors Regulations set a limit to the term of office of independent non-executive directors?

NO

C.1.28 Indicate whether the Company Articles of Association or the Rules of the Board of Directors establish specific rules for delegating votes on the Board of Directors, the form of doing so and, in particular, the maximum number of delegations that a Board Member can hold, as well as whether it has been made mandatory to delegate to a Board Member of the same type. Where applicable, give a brief description of these rules.

Directors may appoint other directors to vote for and represent them in Board meetings. Any such delegation of authority must be in writing in a letter to the Chairman.

There is no limit on the number of proxy votes which can be delegated to a Board Member.

There is no requirement to delegate proxy votes to a Director of the same type.

C.1.29 State the number of meetings held by the Board of Directors during the financial year. State also how many times, if any, the Board has met without the Chairman being present. In this calculation, Board Members who have granted proxies with specific instructions shall be considered to present.

Number of Board meetings	9
Number of Board meetings held without the Chairman being present	0



State the number of meetings the various Board committees have held during the financial year:

Committee	Number of meetings
AUDIT COMMITTEE	6
NOMINATION AND REMUNERATION COMMITTEE	4

C.1.30. State the number of meetings of the Board of Directors during the year at which all Board members were present. In this calculation, Board Members who have granted proxies with specific instructions shall be considered to be present:

Attendance of Board Members	7
Number of attendances as a % of the total votes during the year	96.26 %

C.1.31. Are the individual and consolidated annual accounts certified before submission to the Board of Directors for approval?

YES

If so, state the person(s) who certified the Company's individual and consolidated annual accounts for approval by the Board:

Name	Post
IGNACIO MARTÍNEZ SANTOS	FINANCE DIRECTOR
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	MANAGING DIRECTOR

C.1.32. Give details of any mechanisms the Board of Directors has established to avoid having the individual and consolidated annual accounts laid before the General Meeting with qualifications in the auditors' report.

One of the functions of the Audit Committee is to conduct relations with the external auditors. As part of this task, the Committee must ensure that the audit opinion on the annual accounts is unqualified. To date, none of the auditors' reports on the Company's financial statements have contained qualifications.

C.1.33. Is the Company Secretary a director?

YES

C.1.34. Explain the procedures for appointing and removing the Company Secretary. Indicate whether such appointment or removal is subject to a report by the Nomination and Remuneration Committee and approval by the Board in plenary session.

Appointment and removal procedure
Under the Board Regulations (Art. 13), appointment or removal of the Company Secretary requires a report by the Nomination and Remuneration Committee and approval by the Board in plenary session.

Does the Nomination Committee report on appointment?	YES
Does the Nomination Committee report on removal?	YES
Does the Board of Directors in plenary session approve appointment?	YES

Does the Board of Directors in plenary session approve removal?	YES
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Does the Company Secretary have the specific task of ensuring compliance with good governance recommendations?

YES

C.1.35. Describe any mechanisms the Company has established to safeguard the independence of the auditor, financial analysts, investment banks and rating agencies.

By law it is the responsibility of the Audit Committee to ensure the independence of the external auditors and, in particular, to receive information on any matter that might jeopardise their independence.

The Company fully respects the prohibitions established in the Audit Act (Ley de Auditoría), as amended by Law 12/2010 of 30 June, and avoids conflicts of interest as defined therein.

The company does not at present have in place a procedure to ensure the independence of financial analysts and investment banks, but has always acted transparently in its dealings with them.

No procedure is required with respect to rating agencies, as the Company at present has no relationship with any rating agency.

C.1.36 Indicate whether the Company changed its external auditors during the year. If so, identify the outgoing and the incoming auditor:

NO

If there was any disagreement with the outgoing auditor, explain the substance of the disagreement:

C.1.37 Does the external auditor provide any non-audit services to the company or its group? If so, state the auditor's fees for such non-audit services in absolute terms and as a percentage of the total fees invoiced to the company or its group:

YES

	Company	Group	Total
<b>Fees for non-audit services (thousands of euros)</b>	23,000	1,000	24,000
<b>Fees for non-audit services/ Total fees invoiced by the auditor (in %)</b>	28.05 %	1.21 %	29.26 %

C.1.38 Indicate whether the auditors' report on the financial statements for the previous financial year included qualifications. If so, state the reasons given by the Chair of the Audit Committee to explain the content and scope of the qualifications.

NO

C.1.39. For how many consecutive years has the current auditor audited the company's or group's annual accounts? For what proportion of the total number of years in which the accounts have been audited has the current auditor audited the Company's annual accounts?

	Company	Group
<b>Number of consecutive years</b>	9	9
<b>Number of years audited by current audit firm/ Number of years company has been audited (%)</b>	32.14 %	32.14%

C.1.40 Is there a procedure to allow directors to take independent professional advice? If so, give details:

YES

Detail of procedure
<p>- The directors may agree, by majority vote, to retain legal, accounting or financial advisers or other experts at the Company's expense.</p> <p>- The advice sought must concern specific problems of some importance and complexity that arise in the discharge of their duties.</p> <p>- The decision to hire outside services must be notified to the Chairman of the company and implemented through the Managing Director. The Board may veto any such decision if it considers the advice unnecessary for the satisfactory performance of the directors' tasks, if the advice is considered unreasonably expensive in relation to the importance of the problem, or if the advice could be adequately provided by the company's own experts and specialists. A majority of two-thirds of the directors present is required for any such veto to take effect.</p>

C.1.41 Is there a procedure in place to ensure that directors have sufficient, timely information to prepare for Board and committee meetings? If so, give details:

YES

Details of the procedure
<p>It is the Managing Director's responsibility to prepare all the information required for proper consideration of the business on the agenda of each Board meeting and make it available to the other directors at least three days in advance of the meeting.</p>

C.1.42 Indicate whether the Company has established an obligation for directors to inform the Company and, if necessary, resign if their circumstances are liable to harm the Company's good name and reputation:

YES

Explain the rules
<p>Directors must notify the Board of any criminal prosecution in which they are defendants and keep the Board informed of the progress of any such prosecution.</p> <p>If a director is charged with or prosecuted for any of the offences named in article 213 of the Law on Corporations, the Board will study the matter at the earliest opportunity and, giving due consideration to the circumstances, decide whether the director should stand down or not. All such decisions will be disclosed in the Annual Corporate Governance Report.</p>

C.1.43 Indicate whether any director has informed the company of any charge or prosecution brought against him or her for any of the crimes named in Article 213 of the Law on Corporations:

NO

C.1.44 Detail the significant agreements entered into by the company which will come into force, be modified or terminate in the event of a change in control of the company resulting from a takeover bid, and their effects.

There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

C.1.45 Identify, in aggregated form, and indicate, in detail, the agreements between the Company and its directors, management personnel or employees which provide for termination benefits, guarantees or golden parachute clauses when the latter resign or are dismissed without justification or if the employment relationship ends as a result of a takeover bid.

**Number of beneficiaries: 7**

**Type of beneficiary:**

Executive Directors and Senior Managers

**Description of agreement:**

The compensation payable on termination of the contract by the Company will be the higher of the amount of the fund set aside as a pension fund or one year of all the remuneration payable, increased by one-twelfth for each year of service.

State whether such clauses must be notified to and/or approved by the governing bodies of the Company or the group:

	Board of Directors	General Meeting
Body which authorises the clauses	YES	NO

Is the General Meeting informed about the clauses?	NO
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## C.2. Board Committees

C.2.1. Give details of all Board committees and their members:

### NOMINATION AND REMUNERATION COMMITTEE

Name	Post	Type
JUAN MARCH DELGADO	CHAIRMAN	Proprietary
CRISTINA GARMENDIA MENDIZABAL	MEMBER	Independent
REGINO MORANCHEL FERNANDEZ	MEMBER	Independent

% executive directors	0.00 %
% proprietary directors	33.33 %
% independent directors	66.66 %
% other external directors	0.00 %

### AUDIT COMMITTEE

Name	Post	Type
AMPARO MORALEDA MARTINEZ	CHAIRMAN	Independent
NICHOLAS BROOKES	MEMBER	Independent
JOSE NIETO DE LA CIERVA	MEMBER	Proprietary

% executive directors	0.00 %
% proprietary directors	33.33 %
% independent directors	66.66 %
% other external directors	0.00 %

C.2.2 Complete the following table with information relating to the number of women Committee Members during the last four financial years, as well as the nature of those Committee Members:

	Number of women Board Members							
	2013		2012		2011		2010	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.33 %	1	33.33 %	0	0.00 %	0	0.00 %

NOMINATION AND REMUNERATION COMMITTEE	1	33.33 %	0	0.00 %	0	0.00 %	0	0.00 %
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C.2.3. Indicate whether the Audit Committee performs the following functions.

Ensure that the financial information of the Company, and where appropriate the group, is prepared in accordance with applicable law and is complete, that the scope of consolidation is properly defined and that accounting principles are applied correctly	YES
Regularly review internal control and risk management systems to ensure that the most important risks are properly identified, managed and disclosed	YES
Monitor the independence and efficacy of the internal audit function; make proposals for the selection, appointment, reappointment and removal of the head of the internal audit department; propose the department's budget; receive regular reports on the department's activities; and ensure that senior management takes the findings and recommendations of internal audit reports into account in its decisions	YES
Establish and supervise a mechanism that allows staff to report, confidentially and, if necessary, anonymously any irregularities they detect in the course of their duties, in particular financial or accounting irregularities with potentially serious implications for the firm	YES
Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor and the terms and conditions of engagement.	YES
Receive regular reports from the external auditor on the audit plan and audit results and ensure that senior management takes the external auditor's recommendations into account	YES
Ensure the independence of the external auditor	YES

C.2.4. Describe the constitution and operation of each Board committee and its responsibilities.

#### NOMINATION AND REMUNERATION COMMITTEE

a) Functions.

Under the Board Regulations, the main functions of the Committee are to:

- 1.- Assess the competencies, knowledge and experience required by the Board and the necessary time commitment
- 2.- Advise on proposals for the appointment, reappointment, ratification or removal of directors and for appointments to committees.
- 3.- Advise on the appointment and removal of the Company Secretary.
- 4.- Examine the succession of the Chairman and Chief Executive.
- 5.- Examine the information provided by directors on their other professional obligations, in case they interfere with the required time commitment.
- 6.- Annually review the classification of directors.
- 7.- Propose to the Board: (i) the remuneration policy for directors and senior officers; (ii) the individual remuneration and other contractual conditions of executive directors; and (iii) the standard conditions for senior officer employment contracts.
- 8.- Monitor compliance with the remuneration policy established by the Company and report to the Board on the form and amount of the annual remuneration of directors and the results of any remuneration reviews.
- 9.- Ensure that remuneration is transparent and that information on remuneration is included in the annual report.
- 10.- Advise on the appointment and removal of senior managers.

b) Composition and organisation

The Committee has a minimum of three and a maximum of five members, all of whom are non-executive directors appointed by the Board of Directors from among its members. The majority are independent directors. The Board will appoint one of the members to act as chairman. The Secretary of the Board of Directors will act as Secretary for the Committee.

The duration of the appointment shall be for the period remaining until the end of the director's term as director, with the possibility of reappointment.

The Committee shall meet no less than once a year and as many times as convened by agreement of the Committee itself or its chairman.

For the Committee meeting quorum to be reached, a majority of its members must be in attendance or represented. Each member of the Committee may authorise another member to represent him or her.

Resolutions shall be adopted by a majority of the members present in person or by proxy. In the event of a tie, the Chair shall have

the casting vote.

## AUDIT COMMITTEE

### a) Functions.

Under the Board of Directors Regulations, the Audit Committee has the following powers:

- 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 and risk management systems, and discuss with the auditors any significant weaknesses of the internal control system detected during the audit.
- 3.- Oversee the process of preparation and presentation of the financial statements.
- 4.- Make proposals to the Board of Directors for submission to the General Meeting regarding the appointment of the auditors .
- 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. The Committee must receive annual 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.
- 6.- Issue annually, prior to the issue of the auditors' report, a report expressing an opinion on the independence of the auditors. This report must also pronounce on the provision of the additional services referred to in the previous section.

### b) Composition and organisation.

The Audit Committee shall consist of at least three and at most five members, one of which shall act as Chair. All the members must be non-executive directors with an appropriate number must be independent directors. The Chairman must be a non-executive and, preferably, independent director. The Secretary of the Board of Directors will act as Secretary for the Committee.

The members of the Committee will be appointed by the Board of Directors of the Company from among the directors. The Board will appoint one of the members to act as Chair.

The members of the Committee will be chosen on the basis of knowledge and experience in the field of accounting, auditing or risk management.

The duration of the appointment shall be for the period remaining until the end of the director's term as director, with the possibility of reappointment.

Meetings of the Audit Committee shall be convened at least five days beforehand and the notification will include the meeting agenda.

For the Committee meeting quorum to be reached, a majority of its members must be in attendance or represented. Each member of the Committee may authorise another member to represent him or her.

Resolutions shall be adopted by a majority of the members present in person or by proxy. In the event of a tie, the Chair shall have the casting vote.

Relations with the Board. Through its Chairman the Committee will submit regular reports to the Board of Directors on its activities, and will give such advice and suggestions as are considered appropriate within the scope of its functions.

**C.2.5 State whether there are any regulations governing the work of Board committees, where the regulations are available for consultation, and any changes made to them during the year. In addition, state whether each committee has voluntarily prepared an annual report on its activities.**

The regulations of the Board Committees are included in articles 21 to 36 of the Board of Directors Regulations.

The Board of Directors Regulations are available from the Company's website ([www.corporaciona.ba.es](http://www.corporaciona.ba.es)) and at the Company's head office.

The Board Committees prepare reports on their activities in the previous financial year.

**C.2.6. Does the composition of the Executive Committee reflect the proportions of the different types of directors on the Board?**

NO

**If not, describe the composition of the Executive Committee.**

Not applicable. A ba does not have an Executive Committee.

## D - RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and, where applicable, explain the procedure for approving transactions with related parties and within the group.

Competent body for approving related party transactions
Board of Directors

Procedure for approving related party transactions
Audit Committee report and approval by the Board of Directors.

Explain whether approval for transactions with related parties has been delegated, indicating, where applicable, the body or persons to whom it has been delegated.

The Board of Directors has not delegated any powers to approve related party transactions to any body.

D.2 List those transactions, which are significant due to their magnitude or relevant due to their subject, carried out between the Company or group companies and the Company's significant shareholders:

Name of significant shareholder	Name of company or group entity	Nature of relationship	Type of transaction	Amount (€'000)
BANCA MARCH, S.A.	CORPORACION FINANCIERA ALBA, S.A.	Contractual	Other	1,623
BANCA MARCH, S.A.	CORPORACION FINANCIERA ALBA, S.A.	Commercial	Other	120,000
BANCA MARCH, S.A.	CORPORACION FINANCIERA ALBA, S.A.	Corporate	Dividends and other earnings distributed	19,764
BANCA MARCH, S.A.	ARTÁ CAPITAL, S.G.E.C.R., S.A.	Contractual	Other	326
BANCA MARCH, S.A.	CORPORACION FINANCIERA ALBA, S.A.	Commercial	Other	60,000

D.3 List any material transactions entailing a transfer of funds or obligations between the Company or group companies and the Company's administrators or executives:

D.4. Report any significant transactions by the Company with other entities in the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and from the standpoint of their subject-matter or terms and conditions are not part of the Company's ordinary business.

In any case inform of any group transaction with entities established in countries or territories tax haven.

**Name of group entity:**

CIMSA

**Amount (thousands of euros):** 60

**Brief description of the transaction:**

Operating lease agreement

**Name of group entity:**

MARCH GESTION DE FONDOS, SGIIC, S.A.

**Amount (thousands of euros):** 189

**Brief description of the transaction:**

Operating lease agreement

**Name of group entity:**

MARCH-JLT, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.

**Amount (thousands of euros):** 1,733

**Brief description of the transaction:**

Provision of services

**Name of group entity:**

MARCH-JLT, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.

**Amount (thousands of euros):** 5

**Brief description of the transaction:**

Operating lease agreement

**Name of group entity:**

MARCH VIDA, S.A. DE SEGUROS Y REASEGUROS

**Amount (thousands of euros):** 252

**Brief description of the transaction:**

Insurance premiums

**Name of group entity:**

MARCH GESTION DE PENSIONES, SGFP, S.A.

**Amount (thousands of euros):** 47

**Brief description of the transaction:**

Operating lease agreement

**Name of group entity:**

FUNDACION JUAN MARCH

**Amount (thousands of euros):** 300

**Brief description of the transaction:**

Collaboration agreement

D.5 Indicate the value of the transactions carried out with other related parties.

D.6 Give details of the mechanisms in place to detect, determine and resolve any conflicts of interest between the company and its group, on the one hand, and its directors, senior managers or significant shareholders, on the other.



The Board of Directors Regulations prohibit directors from directly or indirectly engaging in professional or commercial transactions with the Company or any of its subsidiaries without prior Board notification and approval, subject to a favourable report by the Audit Committee.

In addition, if the Board of Directors or any of its members publicly solicits proxies, the direction in which the representative will vote if the shareholder does not give instructions must be indicated. Furthermore, where proxies have been solicited publicly, the director may not exercise the voting rights attached to shares he or she represents on agenda items where the director has a conflict of interest.

#### D.7. Is more than one group company listed in Spain?

NO

Name the subsidiaries that are listed on stock exchanges:

#### Listed subsidiaries

Indicate whether the respective business lines and possible business relations among such companies have been publicly and precisely defined, as well as those of the listed subsidiary with the other companies in the group:

**Define any business relations between the parent company and the listed subsidiary company, and between the latter and the other companies in the group**

Identify the mechanisms envisaged to resolve any conflicts of interests between the listed subsidiary and the other companies in the group:

**Mechanisms to resolve possible conflicts of interest**

## E – CONTROL AND RISKS MANAGEMENT

### E.1 Explain the scope of the Company's Risk Management Systems.

The Alba Group's risk management system has been implemented at corporate level to mitigate the risks to which it is exposed given the nature and complexity of its operations and the environment in which they take place.

The risk management model is based on:

- The Risk Map used to identify and assess the most significant risks affecting the Group.
- Internal control models designed to mitigate the risks arising from the preparation of financial information and to make said process more reliable in accordance with the CNMV's recommendations on SICFR.
- Business management processes designed to mitigate operational risks in the Group's day-to-day transactions.

These are the components of a model that allows appropriate management of the risks and their mitigating controls at corporate level.

### E.2 Identify the Company bodies responsible for preparing and executing the Risk Management System.

The Board of Directors has ultimate responsibility for the risk management system, supported by the Audit Committee, the Internal Audit Service and management.

The Board of Directors, with the support of the Audit Committee, will ensure the necessary mechanisms are developed so that all the significant risks affecting the Group's activities and businesses are appropriately identified, managed and controlled, enabling the Group to:

- a) achieve its targets;
- b) uphold the interests of shareholders, customers, other stakeholders and society in general;
- c) protect the earnings and reputation of the Group; and
- d) ensure the business is stable and sustainable over time.

The Audit Committee, as a consultative body of the Board of Directors, is entrusted with supervising the Company's internal controls, internal audit and risk management systems.

The Audit Committee assesses whether the Group has the necessary organisation, staff, policies and procedures to identify and

control its main risks, especially operating, legal and financial risks. To do this, the Committee verifies that the Group has the following systems in place and that they function correctly:

- a) A system for identifying and describing the Company's main operating processes and documenting them in operating rules and instruction manuals.
- b) An integrated information system, based on modern technology, which allows timely and reliable preparation of financial information and of the operational data needed for effective business management.
- c) A budgeting system that allows the Group to set quantitative objectives in advance within a strategic framework and analyse the causes of any significant deviations between actual and budgeted results.
- d) Regular reviews of internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.
- e) Supervision of the mechanism that allows staff to confidentially report any irregularities they detect in the course of their duties, in particular financial or accounting irregularities with potentially serious implications for the firm.

The Committee regularly reviews the Group's internal control and risk management systems and is empowered to investigate any issue linked to said systems.

The Internal Audit Service, meanwhile, is responsible for supervising the management of risks to ensure it is carried out correctly.

Finally, the Group's management is responsible for analysing business operations and possible investments to identify, assess and control any type of risk that may arise in the management thereof, and for informing the Group's governing bodies of any significant issues.

### E.3 Indicate the main risks that may affect the achievement of the business objectives.

The Group is subject to the risks inherent in the various industries and markets in which it or its subsidiaries and associates operate, that might prevent it from accomplishing its objectives or successfully implementing its strategies.

In the process of identifying and assessing the risks affecting the Group, the following risk factors were deemed to be the most inherently relevant:

- Possible errors or omissions in the assessments and forecasts made in respect of potential investments and divestments.
- Possible errors in the planning, execution and/or formalisation of activities related to investments and divestments.
- Macroeconomic and socio-political factors that could affect the Company's ability to maintain or increase its earnings.
- Significant changes in the trends affecting the industry or business of investees.
- The negative impact on the reputation and/or assets of the Company of unethical behaviour.
- Possible errors in the process of obtaining, analysing and reviewing the information needed to prepare accounting information.
- Possible inefficiencies or errors in the internal control system for financial information.
- Failure to forecast and/or manage possible unfavourable fluctuations in the price of financial derivatives.

### E.4 Identify whether the entity has a level of risk tolerance.

The Group's risk assessment and management model classifies risks into four levels in accordance with the impact thereof and the likelihood of them occurring, together with the level of internal control required to mitigate them.

In accordance with these parameters, risks are classified as:

- **Minor risks:** Risks whose inherent criticality is medium to low and whose level of internal control is regarded as medium to high. These risks are managed in order to rationalise the efforts dedicated to mitigating them without significant detrimental effect on the level of perceived internal control.
- **Medium risks:** Risks whose inherent criticality is medium to low and whose level of internal control is regarded as medium to low. These risks are monitored to ensure that their inherent criticality remains medium to low, and appropriate corrective measures can be taken if this is not the case.
- **High risks:** Risks whose inherent criticality is medium to high and whose level of internal control is regarded as medium to high. The controls associated with risks of this type are assessed to ensure they are effectively designed and functioning and to confirm that they are suitably mitigated.
- **Critical risks:** Risks whose inherent criticality is medium to high and whose level of internal control is regarded as medium to low. These risks are continually monitored by the Group's management and action plans will be established to increase the level of internal control if it becomes necessary.

### E.5 Indicate what risks have arisen during the financial year.

None of the significant risks to which the Alba Group is exposed materialised during 2013.

### E.6 Explain the plans for responding to and supervising the entity's main risks.

The Group's risk model, policies and control and management systems allow it to identify risks and new threats in a timely manner. The Alba Group has also identified the controls in its internal processes and procedures that mitigate risks in the form of response plans to said risks.

The Audit Committee is the body responsible for supervising the risk management system. Its functions include regularly reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and

disclosed. The Audit Committee is supported by an internal audit service which collaborates with senior management in the risk management process by examining, evaluating, reporting and recommending improvements to the process to make it more effective and efficient and also to existing controls designed to ensure that the potential risks that may affect the achievement of the business objectives are reasonably identified and controlled.

## **F - INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (SICFR)**

Describe the mechanisms which make up the risk control and management systems in relation to the process of issuing financial information (SICFR) for the entity.

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

Indicating their main characteristics, detail at least the following:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective SICFR; (ii) its implementation; and (iii) its supervision.

The System of Internal Controls over Financial Reporting ( SICFR) is part of the Group's internal risk management and control system, which is intended to provide reasonable assurance as to the reliability of the financial information that Corporación Financiera Alba, S.A. (hereinafter, "A ba" or the "Group"), as a public listed company, discloses to the securities markets.

The bodies and functions within the Group that are responsible for establishing and maintaining an adequate and effective SICFR are as follows:

The Board of Directors has ultimate responsibility in this respect, in accordance with article 5.a) of the Board of Directors Regulations.

The Audit Committee is responsible for monitoring the effectiveness of Alba's internal control and audit services and for supervising the preparation and presentation of the statutory financial statements and related systems of internal controls, as provided in articles 22 to 24 of the Board of Directors Regulations.

The Audit Committee is thus responsible for:

- "Regular reviews of internal control and risk management systems, so that the main risks are properly identified, managed and disclosed".

- "Reviewing the process of preparing the Company's financial information to ensure its reliability, technological quality and internal control, that it meets regulatory requirements, that the scope of consolidation is correct, generally accepted accounting standards and principles are correctly applied and duly documented in an Accounting Plan, and that all other legal requirements concerning said information are met".

- "Monitoring the independence and efficacy of the internal audit function."

The Audit Committee is supported by the Internal Audit Service, whose responsibilities include preparing and executing an annual action plan; monitoring compliance with established rules and instructions; examining the adequacy and application of internal controls; reporting any irregularities that are detected to the Audit Committee; and following up on accepted recommendations.

The Finance Department, meanwhile, is responsible for supervising the design, implementation and functioning of the SICFR, for identifying and assessing risks, and for determining the controls to be implemented.

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) implementing procedures so this structure is communicated effectively throughout the Company.

The Rules of the Board of Directors establish that the Board:

- Is responsible for approving the structure of the group of companies and the corporate governance policy. On the proposal of the company's chief executive, the Board agrees on the appointment and removal of senior officers.
- The Board's functions include approving the Company's general policies and strategies, in particular the strategic or business plan, management targets and the Group's investment and financing policy. The Board also supervises and monitors to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose.

The Group's financial department is responsible for the preparation of financial information. This department determines the reporting structure for the staff responsible for financial information and the nature of the internal control system used, and

coordinates and supervises their work.

The Board of Directors, through the corresponding areas and departments, monitors the publication of key Company information including, but not limited to, notifications of the General Meeting of Shareholders, the agenda thereof, significant events reported to the CNMV, internal corporate governance rules and the Annual Report.

The channels used ensure that the information is communicated without restrictions, on time and in the correct form, and may include the Group's website and/or intranet.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether specific reference is made to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

The Alba Group has a Code of Ethics and Conduct, which was approved by the Board of Directors on 14 December 2011.

The Code of Ethics and Conduct of Corporación Financiera Alba, S.A. and the companies in its group formally states the values and principles that must govern the conduct of the entities comprising the Alba group and the people that work in them in the performance of their activities and duties and in all their labour, commercial and professional relations, with the aim of achieving a universally accepted business ethics.

The Board of Directors is responsible for reviewing and updating the Code of Conduct and overseeing compliance, as well as taking whatever steps may be necessary to coordinate the Code with other corporate governance rules and procedures.

The Code of Ethics and Conduct has been notified individually through delivery of a physical copy to all the people subject to it, who have accepted it in writing, and it is available on the corporate intranet and website.

Training in relation to the Code will be carried out mainly through online reminders or mentions of its most relevant aspects. A note reminding all the people subject to the Code of its main points was sent out during 2013. All new hires are given a copy of the Code. They must acknowledge receipt in writing.

The Group's code of conduct is based on the following values:

- Support and respect for internationally recognised human rights.
- Ethical and legal conduct.
- Loyalty to Alba.
- The fair, courteous and respectful treatment of employees and colleagues.
- Due and fair consideration for the environment and the interests of other persons with a relationship with the Company, including customers, suppliers, authorities, shareholders and the public.
- Professionalism and correct behaviour in the performance of business activities.
- Commitment to the goals of the Company, so that all persons subject to the Code work to implement the economic and management policies defined by the Company.
- Prudence in the management of business activities, in assuming risk, and in relations with customers and suppliers.
- Commitment to the United Nations Global Compact.

The Code also covers the following issues:

- Conflicts of interest, including guidance on their disclosure.
- The misuse or poor application of assets, business opportunities and confidential information.
- Requirements on internal disclosure of possible breaches of the Code.
- Relations with shareholders, government bodies and shareholders, together with competition law.

Finally, section 6.14 of the Code expressly states that:

"Alba considers veracity of information to be the basic principle in all its actions and so persons subject to the Code must truthfully transmit information, both internally and externally, and in no case should they knowingly provide incorrect or inexact information that might lead to error or confusion. Transparency of information is a fundamental principle which must guide all the actions of the persons subject to the Code.

Alba's financial information must faithfully reflect Alba's economic and financial position and its assets and liabilities, in accordance with generally accepted accounting principles and applicable international financial reporting standards. No person subject to the Code may therefore hide or distort the information contained in Alba's accounting records and reports, which must be complete, precise and truthful".

Sections 6.17 and 6.19 state that:

"The financial or other information disclosed to shareholders must be truthful, complete and faithfully reflect the Company's financial situation."

"Financial reports and other information issued on behalf of Alba must not contain any deceptive or fictitious information or information which has not been sufficiently checked".

The Code of Ethics and Conduct Monitoring Committee is responsible for ensuring that the Code is observed and to propose corrective measures as required.

- Channel for reporting to the Audit Committee any irregularities of a financial or accounting nature, as well as breaches of the

Code of Conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The Code provides for a "confidential channel for reporting violations", which is already in place, allowing employees to confidentially report actions they consider inappropriate in the light of the Code of Ethics and Conduct or any other applicable regulation, especially with regard to the preparation and publication of financial information.

The description of this channel includes the details of the persons to whom such reports may be sent (the Chairman of the Audit Committee or the Secretary of the Board of Directors) and the means of doing so (by e-mail or regular postal mail to the managers responsible).

The reports submitted will be examined by the Code of Ethics and Conduct Monitoring Committee, unless the complaint is against one of its members, in which case the Chairman of the Audit Committee will examine and deal with the complaint.

The members of this Monitoring Committee are the Secretary of the Board of Directors, the Finance Director and the Head of Legal Affairs.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating the SICFR, which address, at least, accounting rules, auditing, internal control and risk management.

Staff involved in preparing and reviewing financial information and in the management and supervision of the SICFR receive regular training on accounting rules, auditing, internal control and risk management in accordance with the responsibilities they hold.

The Finance department develops regular training activities for staff involved in the preparation of the Financial Statement and the management of the Group's SICFR. These training activities mainly focus on improving and updating employees' knowledge of International Financial Reporting Standards (IFRS) and on legislation and other standards affecting the internal control of financial information.

Staff employed in the Internal Audit Service receive continuous updates on Internal Control issues, especially in respect of financial information and risk management.

The Finance Department and other areas involved in the preparation, review and reporting of financial information also receive a range of publications containing the latest information on accounting, financial, internal control and tax rules.

## F.2 Evaluation of financial information risks

Report at least the following:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

In 2011 Alba carried out an examination aimed at identifying the business risks of all kinds (operational, technological, financial, legal, reputational, environmental, etc.) that may affect the achievement of its objectives. The result of this examination was Alba's Risk Map. The process by which risks were identified and the Risk Map was drawn up have been duly documented and were examined by the Audit Committee and presented to the Board of Directors. The risk evaluation process was repeated in 2013 and the Risk Map updated.

The Alba Group has a process for identifying and assessing specific risks related to financial information, both in terms of its consolidated accounting records and its business processes. This process is updated at least once a year.

The process is based on classifying and identifying the most significant accounting headings and notes to the financial statements in the consolidated financial information, in accordance with quantitative (materiality) and qualitative criteria.

The classified headings and notes are linked to the Groups processes or business areas, in order to classify the latter in accordance to its importance for the generation of financial information.

The most significant processes or areas are analysed and documented, if the need arises. This documentation identifies and analyses transaction flows, possible risk of error or fraud in the financial information, the associated controls to mitigate said risk and attributes such as integrity, existence and occurrence, rights and obligations, measurement and valuation, and presentation.

The processes and criteria used to assess risks are documented in the Alba Group's "Manual on the System of Internal Controls over Financial Reporting (SICFR)".

- The process covers all financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.

As described above, significant areas and processes which generate financial information are analysed at least once a year to identify possible risk of error or fraud in said information and assess attributes such as integrity, existence and occurrence, rights and obligations, measurement and valuation, and presentation.

- A specific process is in place for identifying the scope of consolidation, taking into account the possible existence of complex

corporate structures, special purpose vehicles, holding companies, etc.

The Finance Department is responsible for analysing the companies entering and leaving said scope of consolidation or when there is any change in the percentage ownership interest thereof. The incorporation and dissolution of companies and the acquisition and disposal of shareholdings are all subject to internal authorisation, so all additions, retirements and changes to the scope of consolidation can be clearly identified.

The Alba Group's scope of consolidation is reviewed at the end of each quarter by the Management Committee and the Audit Committee.

The Audit Committees main functions are to review the process of preparing the Company's financial information to ensure its reliability, technological quality and internal control, that it meets regulatory requirements, that the scope of consolidation is correct, generally accepted accounting standards and principles are correctly applied and duly documented in an Accounting Plan, and that all other legal requirements concerning said information are met".

- The process takes into account the effects of other types of risks (operational, technological, financial, legal, risks to reputation, environmental, etc.) to the extent that they affect the financial statements.

The process of identifying the risk of error or fraud in the financial information takes into account the effects of other types of risks (operational, technological, financial, legal, risks to reputation, environmental, etc.) to the extent that they affect the financial statements. These risks are assessed and managed by the Company as described in Section E of this report.

- Which of the Company's governing bodies monitors the process.

The Financial Department is responsible for the process for identifying and assessing specific risks related to financial information, both in terms of its consolidated accounting records and its business processes. This process is updated at least once a year. The Audit Committee is responsible for supervising this process.

### F.3 Control activities

Indicating their main characteristics, detail at least the following:

F.3.1 Procedures for reviewing and authorising the financial information and description of the SICFR to be disclosed to the markets, indicating who is responsible in each case, as well as documentation and flow charts for activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the specific review of the relevant judgements, estimates, evaluations and projections.

In accordance with the Board of Directors Regulations:

- The Board of Directors is responsible for approving the financial information which must be published periodically (including the description of the Group's SICFR).
- Furthermore, when the annual financial statements are submitted to the Board of Directors for discussion, they must have been previously signed off by the Managing Director and Finance Director, testifying to their integrity and accuracy.
- In addition, the Audit Committees main functions are to review the process of preparing the Company's financial information to ensure its reliability, technological quality and internal control, that it meets regulatory requirements, that the scope of consolidation is correct, generally accepted accounting standards and principles are correctly applied and duly documented in an Accounting Plan, and that all other legal requirements concerning said information are met.

The information review process flows are as follows:

There is an account closing procedure and a specific process for reviewing important accounting judgements, estimates, valuations and projections. Each unit produces estimates, valuations or projections of the items for which it is responsible and the reasonableness of those estimates, valuations and projections is assessed by the Finance Department. Subsequently, the estimates, valuations and projections are presented to the Audit Committee and the Board of Directors, as part of the presentation of the financial statements.

The Group publishes financial information quarterly. Said information is prepared in the Finance Department, which when closing the accounts, carries out the relevant control activities and analyses and supervises the information that is prepared. Subsequently, this information is submitted to the Audit Committee for review.

The quarterly financial reports and the individual and consolidated financial statements of Alba, the Notes to the financial statements and the annual Corporate Governance Report (which includes, as additional information, the description of the SICFR) are reviewed by the Audit Committee before being authorised for issue by the Board of Directors. The Audit Committee also reviews the rest of the financial information and any other relevant information before it is submitted to the markets and the supervisory bodies.

Alba has a system of internal control over financial reporting based on the COSO model, which provides reasonable assurance regarding achievement of the objectives of said system, i.e., effectiveness and efficiency of operations, the safeguarding of assets, reliability of financial reporting, and compliance with applicable laws and regulations.

The principles and criteria used to define and manage the SICFR are documented in the Group's SICFR Manual.

The Group documents its activity and control workflows (including those concerning the risk of fraud) for all transaction types that could materially affect the financial statements. This documentation includes the significant processes and risk matrices, process controls and general controls at entity and system level.

The SICFR Manual states that the Finance Department is responsible for identifying and documenting these significant processes and also for managing the internal SICFR certification process for assessing efficiency.

### F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, operating continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The controls for mitigating or managing the risk of error in the financial information which are reviewed include controls in respect of key IT applications, such as user access permissions and controls to ensure data is transferred correctly between applications.

The Group also has guidelines, standards and internal control procedures for its IT systems covering the acquisition and development of software, the acquisition of system infrastructure, installing and testing software, managing changes, managing service levels, the management of services provided by third parties, system security and access, the handling of incidents, the management and continuity of operations, and the separation of functions.

These guidelines and procedures are applicable to all IT systems, including those supporting the main processes for generating financial information, and to the infrastructure required to run said systems.

The entire internal IT infrastructure network is controlled by a department of internal professionals who are responsible for defining and executing the Group's IT strategy, supporting users, the operation of the systems and IT security.

The Alba Group also has systems security and contingency programmes in place.

The SICFR Manual states that the Group's head of systems must annually certify the effectiveness of the internal controls established for information systems.

### F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

In general, the Alba Group has not subcontracted to third parties any significant function with a direct impact on financial information, or entrusted any assessments, calculations or valuations to third parties that could have a material effect on the financial statements, with the exception of the valuation of its property investments.

The Group has a formal procedure establishing the internal controls, reviews and approvals to which this valuation work must be subject. The procedure sets guidelines for overseeing it which include:

- The persons responsible for supervising valuation tasks.
- The reports required: type and frequency.
- The competence and independence of the supplier.
- The methodology for validating the information and the base data used for the analysis.
- The reasonableness of the hypotheses and criteria applied.
- The methodology for reviewing the conclusions and reports submitted.

## F.4 Information and communication

Indicating their main characteristics, detail at least the following:

### F.4.1 A specific function in charge of defining accounting policies, keeping them up to date (accounting policies area or department) and resolving any doubts or disputes that may arise over their interpretation, which is in regular communication with the team in charge of operations, as well as a manual of accounting policies regularly updated and communicated to all the Company's operating units.

The Finance Department is responsible for defining accounting policies, keeping them up to date and resolving any doubts or disputes that may arise over their interpretation, and is in regular communication with the team in charge of operations. The Department regularly identifies changes in accounting issues and informs management about them. Any doubts about the application thereof are reported to and resolved by the head of administration and/or the Finance Director.

The Alba Group considers that accounting standards are directly applicable, given that its operations are not highly complex. The accounting standards are updated and made available to Finance Department staff, this documentation being treated as the Manual of Accounting Policy.

### F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are



applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning the SICFR.

Alba has mechanisms, with the appropriate formats and applications, for collecting and preparing financial information, which are used by all the group's units and subsidiaries. The IT systems that are used are exclusive, centralized and homogeneous for the entire group. The necessary controls are in place and are overseen and reviewed by the Finance Department.

## F.5 Supervision of system operation

Indicating their main characteristics, detail at least the following:

F.5.1 The SICFR supervision activities carried out by the Audit Committee, as well as whether the Company has an internal audit function which includes support to the Committee in its work on supervising the internal control system, including the SICFR, among its duties. Furthermore, indicate the scope of the assessment of the SICFR carried out in the financial year and of the procedure by means of which the person responsible communicates the results, whether the entity has an action plan that details possible corrective actions and whether its impact on the financial information has been considered.

The Board of Directors Regulations assign the following functions to the Audit Committee:

- 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.
- Oversee the process of preparation and presentation of the statutory financial statements.

The SICFR supervisions activities carried out by the Audit Committee basically include:

- Monitoring the SICFR Assessment process carried out by the Finance Department,
- Reviewing, with the support of the Internal Audit Service, the design and operation of the internal control system to assess its effectiveness and,
- Holding regular meetings with external and internal auditors and senior management to review, analyse and discuss the financial information, the scope of consolidation and accounting criteria applied, together with any significant internal control weaknesses identified.

The Audit Committee is also responsible for overseeing the definition of the Strategic and Annual Internal Audit Plan and the execution thereof as it relates to SICFR.

The Group also has an Internal Audit Service, which the Articles of Association establish is responsible for ensuring that this process is carried out and the controls established function effectively. Its role is to support the Group in maintaining effective controls through the assessment of the effectiveness and efficiency of said controls and encouraging the continuous improvement thereof.

In accordance with the Group's SICFR Manual, the Audit Committee has entrusted the performance of this function to the Internal Audit Service. The SICFR supervision process carried out by the Internal Audit Service in 2013 included:

- Validating the SICFR model in respect of the definition of the scope of the SICFR and the documentation of significant processes (Risk and Control Narratives and Matrices).
- Reviewing and assessing the process and conclusions on effectiveness generated from the Finance Department's annual review.
- Adding the SICFR processes to be reviewed to the Strategic and Annual Internal Audit Plans.
- Assessing the results obtained from the SICFR supervision process and reporting on them to the Finance Department and the affected area.
- Reporting to the Audit Committee on the progress of the supervision process, the results obtained and weaknesses detected as part of its annual progress and results report.

Finally, the Group's SICFR Manual establishes criteria for classifying incidents according to their potential impact on the financial information and the likelihood of them occurring following the detection and subsequent reporting and monitoring thereof.

F.5.2 A discussion procedure whereby the auditor (in accordance with Spanish auditing standards), the Internal Audit Department and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the Company's senior management and its Audit Committee or administrators. Also report any action plan in place to



correct or mitigate weaknesses observed.

In general, the procedure for discussing the significant control weaknesses identified is based on regular meetings between all those involved.

The Audit Committee holds meetings with the Internal Audit Service and the Financial Department at the close of the interim and year-end reporting periods and with the external auditor at year-end, in order to discuss any relevant issues for the process of preparing the financial statements and the resulting financial information.

Specifically, the Board of Directors Regulations stipulate that the Audit Committee must:

- Discuss with the auditors or audit firms any significant weaknesses of the internal control system detected during the audit.
- 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.

The Article of Association pertaining to Internal Audit Service establishes that the Audit Committee must hold free and open discussions with the Director of the Internal Audit Service. The Director of the Internal Audit Service has direct access to the Audit Committee, with which he/she will discuss the following matters:

- Significant facts observed during the performance of internal audits.
- The level of compliance with the most important recommendations.
- The most significant risks and the level of internal control in the Group, based on the results of the audits performed and the internal control assessment carried out by the Internal Audit Service.
- Coordination with the external auditors and the other managers responsible for supervising internal control.

The Finance Department will also hold meetings with the Internal Audit Service at the close of the interim and year-end reporting periods to discuss significant financial reporting issues.

## F.6 Other relevant information

In addition to the SICFR supervision process (entrusted to the Internal Audit Service), the Alba Group's SICFR Manual states that the Finance Department will perform an annual assessment to ensure that the SICFR process is effective and up to date.

## F.7 External auditor's report

F.7.1 State if the SICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be included as an appendix. Otherwise, explain the reasons for the absence of this review.

The SICFR information supplied to the market has not been reviewed by the external auditor, as such an external review is deemed to be to some extent redundant, given the review of internal controls that, in accordance with auditing standards, the external auditor is already required to carry out as part of the audit of the financial information.

Said external review is also considered unnecessary given that, of the remaining information contained in the annual corporate governance report, only the accounting information contained in it is subject to review by the external auditor.

## G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the Company complies with the recommendations of the Unified Code on Good Corporate Governance.

If any recommendations are not followed or are only partially followed, a detail explanation of the reasons for this must be included so that the shareholders, investors and the market in general have sufficient information to assess the Company's conduct. Explanations of a general nature will not be acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder or impose other obstacles to the takeover of the Company by means of share purchases on the market.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

**Complies**

2. When both a parent and its subsidiary are listed, both should provide detailed disclosure on:

- a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

See sections: D.4 and D.7

**Not applicable**

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Meeting of Shareholders for approval or ratification. In particular:

- a) The transformation of listed companies into holding companies through the process of subsidiarisation, whereby core activities that previously were carried out by the originating firm are reallocated to subsidiaries, even though the originating firm retains full control of the subsidiaries;**
- b) Any acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose;**
- c) Transactions that are effectively equivalent to liquidation of the Company.**

See section: B.6

**Complies**

4. Detailed proposals of the resolutions to be adopted at the General Meeting of Shareholders, including the information stated in Recommendation 27, should be published at the same time as the notice of the General Meeting.

**Complies**

5. In the General Meeting of Shareholders separate votes should be taken on materially separate items, so that shareholders can express their preferences in each case. This rule shall apply in particular to:

- a) The appointment or ratification of directors, with separate voting on each candidate;**
- b) Amendments to the Articles of Association, with votes taken on all articles or groups of articles that are materially different.**

**Complies**

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

**Complies**

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise the company's value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

**Complies**

8. The Board should see the core of its mission as being to approve the Company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the Company's interests and corporate purpose. As such, the Board should reserve the right to approve:

**a) The company's general policies and strategies, in particular:**

- i) The strategic or business plan, as well as the annual management objectives and budget;
- ii) The investment and financing policy;
- iii) The design of the structure of the corporate group;
- iv) The corporate governance policy;
- v) The corporate social responsibility policy;
- vi) The policy on the remuneration and performance evaluation of senior managers;
- vii) The policy on risk control and management, and the periodic monitoring of internal information and control systems.
- viii) The dividend policy and the policy on treasury stock, especially as regards the limits on treasury stock.

See sections: C.1.14, C.1.16 and E.2

**b) The following decisions:**

- i) On the proposal of the Company's chief executive, the appointment and removal of senior officers and their compensation clauses,
- ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions,
- iii) The financial information listed companies must periodically disclose,
- iv) Investments or transactions considered strategic by virtue of their amount or special characteristics, except where the approval of the shareholders in General Meeting is required,
- v) The creation of, or acquisition of shares in, special purpose entities or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

**c) Transactions which the Company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").**

Board authorisation will not, however, be required for related-party transactions that meet all of the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
2. They are carried out at market rates, generally set by the person supplying the goods or services;
3. Their amount is no more than 1% of the Company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the audit committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally, the above powers should not be delegated, with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full Board.

See sections: D.1 and D.6

**Complies**

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally have between five and fifteen members.

See section: C.1.2

**Complies**

10. Proprietary and independent non-executive directors should occupy an ample majority of Board places, while the number of executive directors should be the minimum practical, given the complexity of the corporate group and the relative size of the executive directors' ownership interests.

See sections: A.3 and C.1.3.

**Complies**

11. The ratio of proprietary directors to independent non-executive directors should match the ratio of

the shares represented by proprietary directors to the remainder of the Company's shares.

**This strict proportionality rule may be relaxed to give proprietary directors greater Board representation than their share ownership would strictly allow:**

**1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.**

**2. In companies in which a large number of unrelated shareholders are represented on the Board.**

See sections: A.2, A.3 and C.1.3

**Complies**

12. At least one third of all Board members should be independent directors.

See section: C.1.3

**Complies**

13. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify the director's appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: C.1.3 and C.1.8

**Complies**

14. When the number of women Board Members is few or zero, the Appointments Committee ensures that when vacancies occur:

**a) The process of filling Board vacancies has no implicit bias against women candidates;**

**b) The company makes a deliberate effort to find suitable women candidates when filling Board vacancies.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

**Complies**

15. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she, in collaboration with the chairmen of the relevant Board committees, should organise and coordinate regular evaluations of the Board and, where appropriate, the Company's managing director or chief executive.

See sections: C.1.19 and C.1.41.

**Complies**

16. Where the Company's Chairman is also its chief executive, an independent director should be empowered: to request the calling of Board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of non-executive directors; and to lead the Board's evaluation of the Chairman.

See section: C.1.22

**Not applicable**

17. The Secretary should ensure, in particular, that the Board's actions:

- a) **Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**
- b) **Comply with the Company's Articles of Association and the regulations of the General Meeting of Shareholders, the Board of Directors and others;**
- c) **Are informed by the good governance recommendations of the Unified Code on Good Corporate Governance, to which the Company has subscribed.**

In order to safeguard the independence, impartiality and professionalism of the Secretary, appointment to and removal from the post of Secretary should be subject to proposal by the nomination committee and approval by the Board in plenary session. The appointment and removal procedures should be specified in the Board of Directors Regulations.

See section: C.1.34

**Complies**

18. The Board should meet as frequently as necessary for it to properly perform its functions, following the schedule and the agenda set at the beginning of the year, to which each director may propose additions.

See section: C.1.29

**Complies**

19. Absences at Board of Directors meetings should be kept to the unavoidable minimum and should be reported in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: C.1.28, C.1.29 and C.1.30

**Complies**

20. When a director or the Secretary expresses concern about a proposal or, in the case of directors, about the Company's performance and those concerns are not resolved at the meeting, the person voicing the concern may request that it be placed on record in the minute book.

**Complies**

21. The Board in plenary session should assess the following on a yearly basis:

- a) **The quality and efficiency of the Board's operation;**
- b) **Based on a report submitted by the Nomination Committee, how well the Chairman and chief executive have performed their duties;**
- c) **Based on the reports they have submitted, how well the Board committees have performed.**

See section: C.1.19 and C.1.20

**Complies**

22. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the Articles of Association or Board of Directors Regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: C.1.41

**Complies**

23. All directors should be entitled to call on the Company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to outside assistance at the Company's expense.

See section: C.1.40

**Complies**

24. Companies should organise induction programmes for new directors to rapidly acquaint them with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

**Complies**

25. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- a) Directors should inform the Nomination Committee of any other professional obligations, in case they interfere with the required commitment;**
- b) Companies should lay down rules about the number of directorships their Board members can hold.**

See sections: C.1.12, C.1.13 and C.1.17

**Complies partially**

Directors disclose their other professional commitments to the Nomination Committee, in case they may interfere with the commitment required by the company. However, the company has not established any rules regarding the number of directorships its members may hold. This is because given the nature of Alba's activities, the directors' duties do not entail a very considerable time commitment and the experience they gain on other boards benefits Alba.

26. The proposal for the appointment or renewal of directors which the Board submits to the General Meeting of Shareholders, as well as provisional appointments by the method of co-option, should be approved by the Board:

- a) On the proposal of the Nomination Committee, in the case of independent directors.**
- b) Subject to a report from the Nomination Committee in all other cases.**

See section: C.1.3

**Complies**

27. Companies should post the following particulars of their directors on their corporate websites, and keep them permanently updated:

- a) Professional experience and background;**
- b) Directorships held in other listed or unlisted companies;**
- c) The category of director they belong to (executive, proprietary or independent non-executive), indicating, in the case of proprietary directors, the shareholder they represent or have links with.**
- d) The date of first and subsequent appointment as directors of the Company, and;**
- e) Shares, or options on shares, of the Company held by them.**

**Complies**

28. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and C.1.2

**Complies**

29. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a

Board Member is in breach of the duties inherent to his position or comes under one of the grounds leading to their disqualification as independent, in accordance with that laid down in Ministerial Order ECC/461/2013.

**The removal of independent directors may also be proposed, in order to meet the proportionality criterion set out in Recommendation 11, when a takeover bid, merger or similar corporate transaction brings about changes in the company's capital structure.**

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

**Complies**

30. Companies should establish rules obliging directors to inform the Board, and where necessary tender their resignation, in situations where the Company's name or reputation is threatened, and in particular to disclose any criminal charges brought against them and the progress of any subsequent trial.

**The moment a director is indicted or tried for any of the crimes stated in article 213 of the Law on Corporations, the Board should examine the matter and, in view of the particular circumstances, decide whether or not the director should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.**

See sections: C.1.42, C.1.43

**Complies**

31. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

**When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she should draw the pertinent conclusions. Directors resigning in such circumstances should set out their reasons in the letter referred to in the next Recommendation.**

**The terms of this Recommendation should also apply to the Company Secretary, whether a director or not.**

**Complies**

32. Directors who depart from the Board before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether the departure is reported to the CNMV as a significant event, the reason for the departure should be explained in the Annual Corporate Governance Report.

See section: C.1.9

**Complies**

33. Remuneration consisting of the delivery of shares in the company or other group companies, share options or other share-based instruments, payments linked to the company's share price performance, or membership of pension or insurance schemes should be confined to executive directors.

**The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.**

**Complies**

34. Non-executive directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.



**Complies**

35. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

**Complies**

36. In the case of variable awards, remuneration policies should include technical safeguards to ensure the awards reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or circumstances of this kind.

**Complies**

37. When the Company has a Delegate or Executive Committee (hereafter "Executive Committee"), the breakdown of its Board Members by category should roughly mirror that of the Board itself.

See sections: C.2.1 and C.2.6

**Not applicable**

38. The Board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all Board members should receive a copy of the Committee's minutes.

**Not applicable**

39. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a Nomination and Remuneration Committee, or separate Nomination and Remuneration Committees.

**The rules governing the make-up and operation of the Audit Committee and the Nomination and Remuneration Committee or Committees should be set forth in the Board Regulations, and include the following:**

- a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first Board plenary following each meeting;**
- b) These committees should be formed exclusively of non-executive directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the committees' invitation.**
- c) The Chair of these committees should be an independent director.**
- d) The committees may engage external advisors, when they feel this is necessary for the discharge of their duties.**
- e) Meeting proceedings should be minuted and a copy sent to all Board members.**

See sections: C.2.1 and C.2.4

**Complies partially**

Corporación Financiera Alba, S.A. complies with this recommendation, with a single qualification concerning the role of Chair of the Nomination and Remuneration Committee, which is held by a proprietary director, rather than an independent non-executive director. This is due to the company's particular circumstances and, above all, the composition of its shareholder base.

40. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, if they exist, the Compliance Committee or the Corporate Governance Committee.

**Complies**

See sections: C.2.3 and C.2.4



41. All members of the Audit Committee, particularly its Chair, should be appointed with regard to their knowledge of and background in accounting, auditing and risk management.

**Complies**

42. Listed companies should have an internal audit function, supervised by the Audit Committee, to ensure the proper operation of internal reporting and control systems.

See sections: C.2.3

**Complies**

43. The head of internal audit shall present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation and submit an activities report at the end of each year.

**Complies**

44. Control and risk management policy should specify at least:

- a) **The different types of risk (operational, technological, financial, legal, reputational, etc.) to which the Company is exposed, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;**
- b) **The determination of the risk level the Company sees as acceptable;**
- c) **Measures in place to mitigate the impact of risk events should they occur;**
- d) **The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

See sections: E

**Complies**

45. The Audit Committee's role should be:

**1. With respect to internal control and reporting systems:**

- a) **Ensuring that the main risks identified as a result of supervising the effectiveness of the Company's internal control and internal auditing, where applicable, are managed and reported appropriately.**
- b) **Monitor the independence and efficacy of the internal audit function; make proposals for the selection, appointment, reappointment and removal of the head of the internal audit department; propose the department's budget; receive regular reports on the department's activities; and ensure that senior management takes the findings and recommendations of internal audit reports into account in its decisions.**
- c) **Establish and supervise a mechanism that allows staff to report, confidentially and, if necessary, anonymously any irregularities they detect in the course of their duties, in particular financial or accounting irregularities with potentially serious implications for the firm.**

**2. With respect to the external auditor:**

- a) **Receive regular information from the external auditor on the progress and findings of the audit programme and check that senior management are acting on its recommendations.**
- b) **Monitor the independence of the external auditor, to which end:**
  - i) **The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the disagreements.**
  - ii) **The Committee should investigate the issues giving rise to the resignation of any external auditors.**

See sections: C.1.36, C.2.3, C.2.4 and E.2

46. The Audit Committee should be empowered to meet with any company employee or manager, even requesting that they appear before the committee without the presence of any other senior officer.

Complies

47. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:

- a) **The financial information listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.**
- b) **The creation of, or acquisition of shares in, special purpose entities or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**
- c) **Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.**

See sections: C.2.3 and C.2.4

Complies

48. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chair of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: C.1.38

Complies

49. A majority of Nomination Committee members – or Nomination and Remuneration Committee members, as the case may be – should be independent directors.

See section: C.2.1

Complies

50. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

- a) **Evaluate the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy and decide the time and dedication necessary for them to properly perform their duties.**
- b) **Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the Board so that the handover proceeds in a planned and orderly manner.**
- c) **Report on any senior officer appointments and removals that the chief executive may propose to the Board.**
- d) **Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.**

See section: C.2.4

Complies

51. The Nomination Committee should consult with the Company's Chairman and chief executive, especially on matters relating to executive directors.

**Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.**

Complies

52. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

**a) Make proposals to the Board of Directors regarding:**

- i) The remuneration policy for directors and senior officers;
- ii) The individual remuneration and other contractual conditions of executive directors.
- iii) The standard conditions for senior officer employment contracts.

**b) Oversee compliance with the remuneration policy set by the Company.**

See sections: C.2.4

Complies

53. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies

## **H - OTHER INFORMATION OF INTEREST**

1. If there are any relevant aspects relating to corporate governance in the Company or group entities which have not been reflected in the other sections of this report, but which need to be included to give more complete and reasoned information on the structure and governance practices in the Company or its group, detail them briefly.
2. This section can also include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

In particular, indicate whether the Company is subject to any legislation other than the Spanish legislation on corporate governance and, if so, include the information that it is required to furnish, where such information differs from that required in this report.

3. The company may also indicate whether it has adhered voluntarily to other codes on ethical principles or good practices, whether international or applying to the sector or other scope. Where applicable, identify the code in question and the date of adherence.

### SECTION A.2. FIRST BOX

Banca March, S.A.

Juan, Carlos, Leonor and Gloria March Delgado own 100% of the shares of Banca March, S.A. On 24 May 2004, these four shareholders entered into a shareholders' agreement relating to Banca March, S.A. which also affects Corporación Financiera Alba, S.A., given that Banca March, S.A. is a significant shareholder of Corporación Financiera Alba, S.A. This agreement is mentioned in Section A.6. Banca March, S.A.'s shareholding in Corporación Financiera Alba, S.A. includes the shareholdings of Juan and Carlos March Delgado mentioned in Section A.3.

### SECTION A.4.

Juan, Carlos, Leonor and Gloria March Delgado own 100% of the shares of Banca March, S.A. On 24 May 2004, these four shareholders entered into a shareholders' agreement relating to Banca March, S.A. which also affects Corporación Financiera Alba, S.A., given that Banca March, S.A. is a significant shareholder of Corporación Financiera Alba, S.A. This agreement is mentioned in Section A.6. Banca March, S.A.'s shareholding in Corporación Financiera Alba, S.A. includes the shareholdings of Juan and Carlos March Delgado mentioned in Section A.3.

### SECTION A.10.

Under the Articles of Association shareholders must hold at least 25 shares in order to attend General Meetings.

### SECTION C.1.3.

Juan March de la Lastra, Juan March Juan and Santos Martínez-Conde Gutiérrez-Barquín are classified as executive directors,

but they are also proprietary directors representing Banca March, S.A., of which they are also directors.

#### SECTION C.1.13.

Given the nature of Alba's activities, the directors' duties do not entail a very considerable time commitment. Moreover, the experience the directors gain on other Boards of Directors benefits A ba.

#### SECTION C.1.15.

The average directors' remuneration, irrespective of status, was 40,000 euros per person. The additional remuneration awarded to the Co-Chairmen amounted to 78,000 euros each. Also, directors who serve on the Audit Committee received an additional payment of 10,000 euros per year and those who serve on the Nomination and Remuneration Committee received an additional payment of 6,000 euros per year.

#### SECTION C.1.22.

Under Recommendation 17 of the Unified Code on Good Corporate Governance approved by the CNMV on 22 May 2006, the requirement that one of the independent non-executive directors be empowered to call a Board meeting or add new business to the agenda, coordinate and act as spokesperson for the non-executive directors and lead the Board's assessment of its Chairman only applies if the Chairman of the Board is also the Chief Executive of the Company, which is not the case in Corporación Financiera Alba, S.A.

Nevertheless, Directors making up one quarter of the members of the Board of Directors may request a meeting be called, while all Directors may propose items for inclusion in the agenda.

#### SECTION C.1.26.

As a general rule, all directors should tender their resignation to the Board upon reaching the age of 70 and the Board may accept their resignation.

#### SECTION C.1.30

The level of attendance by Directors at the Board meetings held during 2013 was high, reaching 96.26% overall (103 attendances out of a maximum of 107), notwithstanding the occasional justified absence. Specifically, eight Directors attended all the meetings, two missed two meetings, and one missed one meeting. Those who missed meetings appointed representatives for the session or sessions they were unable to attend in person. It should also be mentioned that no meeting of the Board of Directors took place that was not attended by the Chairman or the Managing Director.

#### SECTION D.2.

Related-party transactions with Banca March, S.A. All the transactions with Banca March, S.A. were entered into in the normal course of business and on market terms.

#### SECTION G, Recommendation 20

Article 15.6 of the Board of Directors Regulations states that when a director or the Secretary expresses concern about a proposal or, in the case of directors, about the Company's performance and those concerns are not resolved at the meeting, the person voicing the concern may request that it be placed on record in the minute book. During 2013 no situation occurred in which this rule was applicable.

#### SECTION G, Recommendation 28

No situation arose during 2013 in which this recommendation, which is reflected in the Board of Directors Regulations, would have applied.

#### SECTION G, Recommendation 31

Article 15.5 of the Board of Directors Regulations states that all directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. This applies in particular to independent directors and others who are not affected by the potential conflict of interest when the decision at issue may be detrimental to shareholders who are not represented on the Board.

During 2013 no situation occurred in which this rule was applicable.

This annual corporate governance report was approved unanimously by the Board of Directors of the Company at its meeting held on 26 March 2014.

Indicate whether any directors voted against or abstained from voting on this report.

NO