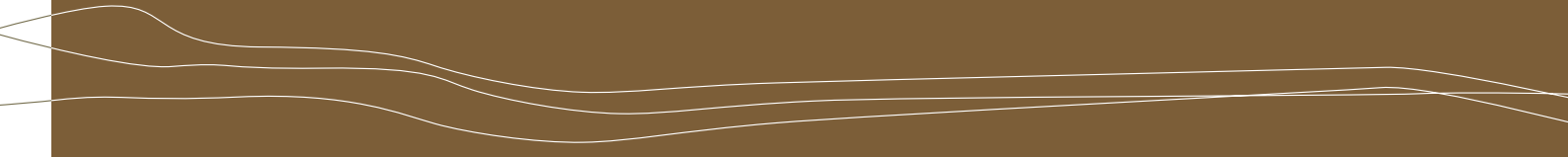


# ANNUAL CORPORATE GOVERNANCE REPORT



**Annex I****Annual Corporate Governance Report****Public Listed Companies**

Issuer details

Reporting period end date:

2007

Tax ID (CIF): A-28060903

Company name:

**Corporación Financiera Alba, S.A.  
Castelló, 77, 5ª planta  
28006 – Madrid  
Spain**

**ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR PUBLIC LISTED COMPANIES**

<b>CIF, NIF or similar</b>	<b>Other data</b>
A-28060903	

**A Ownership structure**

A.1 Complete the following table regarding the share capital of the Company:

Date last changed	Share capital (€)	Number of shares	Number of voting rights
30-05-2007	64,100,000	64,100,000	64,100,000

If there are different share classes with different rights, give details:

Yes  No

Class	Number of shares	Face value per share	Voting rights per share	Different rights

A.2. Give details of the direct and indirect owners of significant shareholdings in your Company at the financial year end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Banca March, S.A. (see Sections A.6 and G)	18,508,912	23,382,826	65.353
Bestinver Gestion, S.A., S.G.I.I.C.		1,946,076	3.036
The Egerton European Dollar Fund Limited	1,019,883	0	1.591

(\*) Through:

Name of direct shareholder	Number of direct voting rights	% of total voting rights
March de Patrimonios, S.A.	1,569,830	2.448
March de Inversiones, S.A.	182,180	0.280
Igalca, S.A.	158,026	0.250
Syndication agreement (see Section A.6)	21,472,790	33.50

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

Name of shareholder	Transaction date	Description of transaction
State Street Bank and Trust Co:	10-08-2007	Sale of shares (ownership interest reduced below 5%)

A.3 Complete the following tables with details of the members of the Board of Directors of the Company 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 Delgado	4,749,452	2,095,452	10.678
Carlos March Delgado	7,807,092	101,373	12.338
Pablo Vallbona Vadell	6,937	0	0.010
Isidro Fernández Barreiro	0	0	0.000
Santos Martínez-Conde Gutiérrez-Barquín	343	0	0.001
Nicholas Brookes	2,301	0	0.003
Alfredo Lafita Pardo	3,000	0	0.005
Enrique Piñel López	12,426	0	0.018
Alfonso Tolcheff Alvarez	1,519	0	0.002
Francisco Verdú Pons	0	0	0.000
Manuel Soto Serrano	0	18,000	0.028

(\*) Through:

Name or company name of direct shareholder	Number of direct voting rights	% of total voting rights
M.B. Inversiones, S.A.	1,523,153	2.380
Surisla, S.A.	242,758	0.379
Fundación Juan March	329,541	0.510
De la Lastra Ramos-Paul, Concepción	101,373	0.160
Ace Global, SICAV, S.A.	18,000	0.028

<b>Total % of voting rights held by directors</b>	<b>23.083</b>
---------------------------------------------------	---------------

Complete the following tables with details of directors of the Company who hold stock options of the Company:

Name of director	Number of options held directly	Number of options held indirectly	Equivalent number of shares	% of total voting rights

- A.4 Give details of any relationships of a family, commercial, contractual or corporate nature, known to the Company, between the owners of significant shareholdings, unless the relationships are negligible or arise in the normal course of business:

Name or company name	Type of relationship	Brief description
Banca March, S.A.; Juan March Delgado and Carlos March Delgado	Family	Juan, Carlos, Leonor and Gloria March Delgado together own 100% of Banca March, S.A. and have reached the shareholders' agreement referred to in section A.6.

- A.5 If applicable, state the family, trading, contractual or company relationships existing between significant shareholders to the extent known by the Company, unless of little significance or relating to ordinary trading business:

Name or company name	Type of relationship	Brief description

- A.6 Indicate whether the Company has been notified of any shareholders' agreements that affect it as specified in Article 112 of the Securities Market Law. If so, briefly describe each agreement and give details of the shareholders involved in it:

Yes

No

Parties to the shareholders' agreement	% of share capital affected	Brief description of agreement
Juan March Delgado, Carlos March Delgado, Leonor March Delgado and Gloria March Delgado	65.353	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 May 24, 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 is valid until March 31, 2015, is a continuation of the agreement entered into on March 10, 1980 and amended on May 4, 1994. 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 of Corporación Financiera Alba, S.A., but it does affect the exercise of the voting rights of the shares held by 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  No

Parties involved in concerted action	% of share capital affected	Brief description of the agreement
Carlos March Delgado Juan March Delgado Leonor March Delgado Gloria March Delgado Banca March, S.A. March de Patrimonios, S.A. M.B. Inversiones, S.A. Cibernética e Informática, S.A. Epyr, S.A. Fundación Juan March Compañía Insular Mercantil, S.A. Surisla, S.A. March Inversiones, S.A. Igalca, S.A. Exportaciones, Proyectos y Representaciones, S.A. Concepción De la Lastra Ramos-Paul Agropecuaria el Aguila, S.A. Menani, S.A.	65.353	As a result of the shareholders' agreement described in the previous table, there is a concerted action between the abovementioned individuals and organizations

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

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  No

Name
Concerted action by Banca March Group

Observations
Corporación Financiera Alba, S.A. is part of the Banca March Group, which owns more than 50% of the share capital of Corporación Financiera Alba, S.A. The Banca March Group is controlled by Juan, Carlos, Leonor and Gloria March Delgado, who jointly own 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 May 24, 2004. At December 31, 2007, Banca March, S.A and its shareholders jointly but none of them individually controlled 65.353% of Corporación Financiera Alba, S.A.

A.8 Complete the following tables regarding company treasury stock:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	Total % of share capital
1,985,991		3.10

(\*) Through:

Name of direct shareholder	Number of shares held directly
<b>Total:</b>	

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

Date of notification	Total no. of shares acquired directly	Total no. of shares acquired indirectly	Total % of share capital

<b>Gain / (Loss) on disposal of treasury shares during the period</b>	0
-----------------------------------------------------------------------	---

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 market body.

Authorisations in force in 2007 were granted by the General Meetings of May 31, 2006 and May 30, 2007, expiring on June 30, 2007 and June 30, 2008, respectively.

A.10 Give details of any restrictions, by law or under the Articles of Association, on the exercise of voting rights and any legal restrictions on the acquisition or transfer of shares in the Company.

Indicate whether there are any legal restrictions on the exercise of voting rights:

Yes  No

Maximum percentage of voting rights a shareholder may hold by law	
-------------------------------------------------------------------	--

Indicate whether there are any restrictions under the Articles of Association on the exercise of voting rights:

Yes  No

The Articles of Association restrict the right to attend General Meetings to shareholders who hold at least 25 shares.

Maximum percentage of voting rights a shareholder may exercise under the Articles of Association	
--------------------------------------------------------------------------------------------------	--

Restrictions, by law or under the Articles of Association, on the exercise of voting rights

Indicate whether there are any legal restrictions on the acquisition or transfer of equity investments:

Yes  No

Legal restrictions on the acquisition or transfer of equity investments

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

Yes  No

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



**B Structure of the Company's Management****B.1 Board of Directors**

B.1.1 Specify the maximum and minimum number of directors under the Articles of Association.

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	7

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

<b>Name of director</b>	<b>Representative</b>	<b>Post on Board</b>	<b>Date first appointed</b>	<b>Date last appointed</b>	<b>Election procedure</b>
Juan March Delgado		Chairman	08 10 1973	31 05 2006	Shareholders' Meeting
Carlos March Delgado		Chairman	22 06 1988	25 05 2004	Shareholders' Meeting
Pablo Vallbona Vadell		First Vice Chairman	26 06 1990	31 05 2006	Shareholders' Meeting
Isidro Fernández Barreiro		Second Vice Chairman	28 05 1994	31 05 2006	Shareholders' Meeting
Santos Martínez Conde Gutiérrez Barquín		Managing Director	27 09 2006	30 05 2007	Shareholders' Meeting
Nicholas Brookes		Director	26 05 1999	30 05 2007	Shareholders' Meeting
Alredo Lafita Pardo		Director	22 06 1988	25 05 2004	Shareholders' Meeting
Enrique Piñel López		Director	28 05 1994	30 05 2007	Shareholders' Meeting
Manuel Soto Serrano		Director	26 05 1999	30 05 2007	Shareholders' Meeting
Alfonso Tolcheff Alvarez		Director	26 05 1998	30 05 2007	Shareholders' Meeting
Francisco Verdú Pons		Director	26 05 1998	31 05 2006	Shareholders' Meeting

<b>Total number of directors</b>	11
----------------------------------	----

Specify terminations in the Board of Directors in the period:

<b>Name of director</b>	<b>Status on termination</b>	<b>Termination date</b>
Luis Angel Rojo Duque	Independent	30-05-2007

B.1.3 Complete the following tables on the different types of Board members:

**Executive Directors**

<b>Name of director</b>	<b>Committee which proposed the appointment</b>	<b>Office within the Company organization</b>
Pablo Vallbona Vadell	Nomin. & Remun. Committee	First Vice-Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Nomin. & Remun. Committee	Managing Director

<b>Total number of executive directors</b>	2
<b>As % of total number of directors</b>	18.18%

**Proprietary Directors**

<b>Name of director</b>	<b>Committee which proposed the appointment</b>	<b>Name of the significant shareholder represented by the director or who proposed the appointment</b>
Juan March Delgado	Nomin. & Remun. Committee	Banca March, S.A.
Carlos March Delgado		Banca March, S.A.
Isidro Fernández Barreiro	Nomin. & Remun. Committee	Banca March, S.A.
Francisco Verdú Pons Member	Nomin. & Remun. Committee	Banca March, S.A.
Enrique Piñel López	Nomin. & Remun. Committee	Banca March, S.A.

<b>Total number of shareholder-nominated directors</b>	5
<b>As % of total number of directors</b>	45.45%

**Independent Directors**

Name of director	Profile
Nicholas Brookes	Chairman of De la Rue, plc; ex-CEO of Spirent, plc.
Alfredo Lafita Pardo	State lawyer; Director of Banco Guipuzcoano, S.A.
Manuel Soto Serrano	Economist; ex-Chairman of Arthur Andersen; director of Banco Santander
Alfonso Tolcheff Alvarez	PMB from Harvard University Ex-CEO of Barclays Bank España, S.A. and of Banco Urquijo, S.A.
<b>Total number of independent non-executive directors</b>	4
<b>As % of total number of directors</b>	36.36%

**Other External Directors**

Name of director	Committee which proposed the appointment
<b>Total number of other external directors</b>	
<b>As % of total number of directors</b>	

Give the reasons why these other external directors cannot be considered either Proprietary Directors or independent and indicate their ties with the Company, its managers or its shareholders:

Name of director	Reasons	Company, manager or shareholder with which the directors has ties

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

Name of director	Date of change	Previous status	Current status
Isidro Fernández Barreiro	01-03-2007	EXECUTIVE	PROPRIETARY

B.1.4 Explain, where appropriate, the reasons for the appointment of proprietary directors at the request of shareholders who hold less than 5% of the capital:

Name of shareholder	Justification

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

Yes  No

Name of shareholder	Explanation

B.1.5 Indicate whether any director has left the Board before completion of his or her term of office. If so, indicate whether the director in question gave any to the Board and by what means. If the director gave reasons in writing to the entire Board, state at least the reasons given:

Name of director	Reason for departure

B.1.6 State the authority delegated to the managing director(s), if any:

Name of director	Brief description
Santos Martínez-Conde Gutiérrez-Barquín	The managing director has been delegated authority in staff matters and has broad powers of representation of the Company and recruitment.

B.1.7 Name any 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
Santos Martínez-Conde Gutiérrez-Barquín	Deyá Capital, SCR, S.A	Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Artá Capital, SGECR, S.A.	Chairman
Francisco Verdú Pons Member	Alba Participaciones, S.A.	Director

B.1.8 Give details of any directorships held by directors of your company in other, non group companies listed on Spanish stock exchanges of which you have been notified:

Name of director	Name of listed company	Post
Pablo Vallbona Vadell	ACS, Actividades de Construcción y Servicios, S.A.	Vice-Chairman
Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	Vice-Chairman
Isidro Fernández Barreiro	ACS, Actividades de Construcción y Servicios, S.A.	Director
Isidro Fernández Barreiro	Prosegur, S.A.	Non-executive Vice-Chairman
Santos Martínez-Conde Gutiérrez-Barquín	ACS, Actividades de Construcción y Servicios, S.A.	Director
Santos Martínez-Conde Gutiérrez-Barquín	Acerinox, S.A.	Director
Santos Martínez-Conde Gutiérrez-Barquín	Unión Fenosa, S.A.	Director
Alfredo Lafita Pardo	Banco Guipuzcoano, S.A.	Director
Manuel Soto Serrano	Banco Santander, S.A.	Fourth Vice-chairman
Manuel Soto Serrano	Indra Sistemas, S.A.	Second Vice-Chairman
Francisco Verdú Pons	ACS, Actividades de Construcción y Servicios, S.A.	Director

B.1.9 Indicate whether the Company has established any rules on the number of directorships its members may hold and, if so, give details:

Yes  No

**Explanation of the rules**

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 Alba.

B.1.10 In relation to recommendation 8 of the Unified Code, indicate to which of the following general company policies and strategies the Board of Directors in plenary session has reserved the right of approval:

	Yes	No
Investment and financing policy	X	
Design of the structure of the corporate group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategic or business plan, management targets and annual budgets	X	
Remuneration and evaluation of senior managers	X	
Risk control and management, and the periodic monitoring of internal information and control systems	X	
Dividend policy and the policies and limits on treasury shares.	X	

B.1.11 Complete the following tables with details of the total remuneration accruing to directors during the year:

a) As directors of the reporting company:

Remuneration item	000s of €
Fixed remuneration	1,359
Variable remuneration	607
Expenses	
Statutory attendance	
Options on shares and/or other financial instruments	
Other	
<b>TOTAL:</b>	1,966

Other benefits	000s of €
Advances	
Loans granted	
Pension plans and pension funds: Contributions	1,479
Pension plans and pension funds: Commitments assumed	
Life insurance premiums	51
Guarantees given by the Company in favour of directors	

## b) As directors or managers of other companies belonging to the Group:

Remuneration item	000s of €
Fixed remuneration	54
Variable remuneration	
Expenses	
Statutory attendance	
Options on shares and/or other financial instruments	
Other	
<b>TOTAL:</b>	<b>54</b>

Other benefits	000s of €
Advances	
Loans granted	
Pension plans and pension funds: Contributions	
Pension plans and pension funds: Commitments assumed	
Life insurance premiums	
Guarantees given by the Company in favour of directors	

## c) Total remuneration by type of director:

Type of director	Company	Group
Executive	1,473	
Proprietary	313	54
Independent	180	
Other external		
<b>Total</b>	<b>1,966</b>	<b>54</b>

## d) Directors' remuneration in relation to profit attributable to the parent company:

<b>Total directors' remuneration (000s of €)</b>	2,020
<b>Total directors' remuneration / profit attributable to the parent company (%)</b>	0.385

B.1.12 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
José Ramón del Caño Palop	Manager
Luis Lobón Gayoso	Manager
Juan March de la Lastra	Manager
Ignacio Martínez Santos	Manager
Fernando Mayans Altaba	Manager
Tomás Villanueva Iribas	Manager

<b>Total senior managers' remuneration (000s of €)</b>	<b>906</b>
--------------------------------------------------------	------------

B.1.13 State in overall terms whether there are any guarantee or golden parachute clauses in favour of senior managers, including executive directors, of the Company or the group in the event of dismissal or a change of ownership. State whether such clauses must be notified to and/or approved by the governing bodies of the Company or the group:

<b>Number of beneficiaries</b>	7	
	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body which authorizes the clauses</b>	X	
	<b>Yes</b>	<b>No</b>
<b>Are the agreements reported to the Company in General Meeting?</b>		X

B.1.14 Describe the process for setting directors' remuneration and indicate the relevant clauses of the Articles of Association:

<b>Process for setting directors' remuneration and clauses of the Articles of Association</b>
<p>In accordance with the Articles of Association, the Board of Directors shall receive a fixed remuneration component established by the General Meeting when the annual accounts are approved. In the absence of express agreement in a year, the fixed remuneration level of the previous year shall be considered as renewed. The Board must decide on how to distribute the remuneration agreed by the General Meeting among its members, including even in different amounts. Furthermore, in addition to the above and without prejudice to remuneration received as a manager of the Company, the remuneration of members of the Board performing management roles at the Company may consist of allotments of shares or stock options or incentives related to the value of Company shares with the form, terms and conditions decided by the General Meeting of Shareholders pursuant to legally established requirements.</p> <p>Specific remuneration of the Directors is determined based on a prior report from the Nominations and Remuneration Committee, which must state the form and amount of annual remuneration of the Directors in their capacity as such, as well as related revisions.</p>

Indicate whether the Board of Directors in plenary session has reserved the right of approval over the following decisions:

	<b>Yes</b>	<b>No</b>
<b>The appointment and removal of senior managers and their compensation clauses, at the proposal of the Company's chief executive.</b>	X	
<b>Directors' remuneration and, in the case of executive directors, any additional consideration for their management duties and other contract conditions.</b>	X	



B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and, if so, indicate the points it specifies:

Yes  No

	Yes	No
The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the resulting fixed annual payment	X	
Performance-related components	X	
Main characteristics of pension systems, with an estimate of their equivalent annual amount or cost	X	
The conditions to be respected by the contracts of executive directors who perform senior management functions	X	

B.1.16 Indicate whether the Board submits a report on the directors' remuneration policy to the vote of the shareholders in General Meeting, as a separate point on the agenda. Where appropriate, explain the remuneration policy the Board has approved for future years, any significant changes with respect to the policy adopted during the year under review and an overview of how the remuneration policy was applied in that year. Specify the role played by the Remuneration Committee and, if external advice was taken, the identity of the outside consultants who provided it:

Yes  No

Points specified in the report on remuneration policy
<p>The report on remuneration policy specifies the following points:</p> <ul style="list-style-type: none"> <li>- Fixed components</li> <li>- Performance-related components</li> <li>- Remuneration in the form of shares or stock options</li> <li>- Annual bonuses or other non-cash benefits</li> <li>- Pension systems</li> <li>- Basic conditions of the contracts of executive directors who perform senior management functions.</li> </ul>

Role played by the Remuneration Committee
-------------------------------------------

The Nomination and Remuneration Committee issues an opinion on the remuneration report.
-----------------------------------------------------------------------------------------

	Yes	No
Was external advice taken?		X
Identity of outside consultants		

B.1.17 Give details of any directors who are also directors, managers or employees of companies that own significant shareholdings in the reporting company and/or other companies in its group:

Name of director	Name of significant shareholder	Post
Carlos March Delgado	Banca March, S.A.	Chairman
Juan March Delgado	Banca March, S.A.	Director
Pablo Vallbona Vadell	Banca March, S.A.	Executive Vice-President
Francisco Verdú Pons Member	Banca March, S.A.	Managing Director
Isidro Fernández Barreiro	Banca March, S.A.	Director
Enrique Piñel López	Banca March, S.A.	Director

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

Name of director	Name of related significant shareholder	Description of relationship

B.1.18 Indicate whether the Board Regulations were modified in any way during the year:

Yes  No

Description of modifications
------------------------------

<p>On April 24, 2007 a new set of Board Regulations was approved in line with the Unified Code on Good Corporate Governance approved by the CNMV on May 22, 2006.</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p>The main changes concern:</p>
----------------------------------

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>- Board functions</li> <li>- Proportion of independent non-executive directors</li> <li>- Explanation of directors' status and annual review</li> <li>- Appointment of the Secretary</li> <li>- Board assessment</li> <li>- New director orientation program</li> <li>- Web site information on directors' profiles</li> <li>- Board assessment of criminal suits against directors</li> <li>- Explanation of director resignations</li> <li>- Report on directors' remuneration policy</li> <li>- Composition and functions of the Audit Committee and the Nomination and Remuneration Committee</li> </ul> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

B.1.19 Describe the procedures for the appointment, reappointment, assessment and removal of directors. Specify the competent bodies, the formal procedures and the criteria to be used in each procedure.

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 Board Regulations as regards the proportions of executive and non-executive directors. Any proposal for the appointment, reappointment or removal of a director must first be submitted to the Nomination and Remuneration Committee, which will issue a report, before it is discussed by the Board of Directors. In the case of independent non-executive directors the proposal must come from the Nomination and Remuneration Committee.

In addition, under the Board Regulations, once an external director (independent or proprietary) has been elected by the General Meeting, the Board of Directors will not propose early termination of his or her period of office except in exceptional cases where the Board itself believes there is good reason to do so, subject to a prior report by the Nomination and Remuneration Committee.

As regards the Board assessment procedure, the first assessment was carried out with respect to 2007 and was conducted internally by the Nomination and Remuneration Committee. The Board's performance was approved.

B.1.20 State the circumstances in which directors are required to resign.

Under the Board Regulations, directors should tender their resignation and, if the Board so decides, formalize the corresponding resignation in the following cases:

- 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 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 domanial directors, when they cease to qualify as such.

B.1.21 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:

Yes  No

Measures taken to limit the risks

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

Yes  No

Explanation of the rules
Under Recommendation 17 of the Unified Code on Good Corporate Governance approved by the CNMV on May 22, 2006, rules must only be established to allow one of the independent directors to call a Board meeting or add new business to the agenda, coordinate and act as spokesperson for the external directors and lead the Board's assessment of its Chairman 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.

B.1.22 Are qualified majorities, other than the legally stipulated majorities, required for any kind of decision?

Yes  No

Describe how resolutions of the Board of Directors are adopted, stating at least the minimum quorum and the type of majority required for the adoption of resolutions:

Adoption of resolutions		
Description of resolution	Quorum	Type of majority
All	At least half plus one of the directors must be present in person or by proxy to meet the quorum requirements for Board meetings	Board resolutions are adopted by an absolute majority of the votes of directors present or by proxy. The Chairman of the Board, or whoever performs the Chairman's role, has the casting vote in the event of a tie

B.1.23 Are there any specific requirements for appointment as Chairman, other than those that apply to directors?

Yes  No

Description of requirements

B.1.24 Does the Chairman have a casting vote?

Yes  No

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

B.1.25 Do the Articles of Association or the Board Regulations set any age limit for directors?

Yes  No

Age limit for Chairman

Age limit for Chief Executive  Age limit for directors

B.1.26 Do the Articles of Association or the Board Regulations set a limit to the term of office of independent non executive directors?

Yes  No

Maximum number of years in office	

B.1.27 If there are few or no female directors, give reasons and describe any initiatives taken to remedy the situation.

Explanation of reasons and initiatives
The absence of female directors on the Board of Directors is due to the fact that, at the time they were appointed, the current directors were the most suitable people for the job, without regard to their gender. The recommendation of the Unified Code will be taken into consideration in future appointments.

In particular, indicate whether the Nomination and Remuneration Committee has established procedures to ensure that selection processes do not have hidden biases which prevent the selection of female directors and to proactively promote the search for suitable female candidates:

Yes  No

Indicate the main procedures
There are no specific procedures in place to ensure that selection processes do not have hidden biases which prevent the selection of female directors, but the Company is committed to ensuring that selection processes include women as candidates.

B.1.28 State whether there are formal procedures for proxy voting at Board meetings. If so, give brief details.

Directors may delegate their voting authority to other directors to vote for and represent them in Board meetings. Delegation of such authority must be granted in a letter sent to the Chairman.

B.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:

<b>Number of Board meetings</b>	5
<b>Number of Board meetings without the Chairman being present</b>	0

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

<b>Number of meetings of the Executive or Delegate Committee</b>	
<b>Number of meetings of the Audit Committee</b>	6
<b>Number of meetings of the Nomination and Remuneration Committee</b>	2
<b>Number of meetings of the Nomination Committee</b>	
<b>Number of meetings of the Remuneration Committee</b>	

B.1.30 State the number of meetings of the Board of Directors in the year at which not all its members were present. Non attendance of proxies appointed without specific instructions should be included in the calculation:

<b>Number of non-attendances of directors during the year</b>	0
<b>Number of non-attendances as a % of the total number of votes during the year</b>	0

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

Yes  No

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

<b>Name</b>	<b>Post</b>
Santos Martínez-Conde Gutiérrez-Barquín	Managing Director
Ignacio Martínez Santos	Finance Director

B.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 they must supervise procedures for the audit opinion on the annual accounts to contain no qualifications.

B.1.33 Is the Company Secretary a director?

Yes  No

B.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 new 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.	
As the present Company secretary was appointed before the Unified Code and the new Board Regulations came into force, this procedure was not followed at that time.	

	Yes	No
Does the Nomination Committee report on appointment?	X	
Does the Nomination Committee report on removal?	X	
Does the Board of Directors in plenary session approve appointment?	X	
Does the Board of Directors in plenary session approve removal?	X	

Does the Company secretary have the specific task of ensuring compliance with good governance recommendations?

Yes  No

Observations

B.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 the Financial Act 44/2002 (*Ley Financiera*), and avoids conflicts of interest as defined therein.

The Company changed its external auditor in 2005 to ensure independence.

The company does not at present have a procedure in place 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.

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

Yes  No

Outgoing auditor	Incoming auditor

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

Yes  No

Explanation of disagreement

B.1.37 Does the external auditor provide any non audit services to the Company and/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 and/or its group:

Yes  No

	Company	Group	Total
Fees for non-audit services (000s of €)	0	1.5	1.5
Fees for non-audit services / Total fees invoiced by the auditor (in %)	0	1.98	1.98

B.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.

Yes  No

Explanation of the reasons

B.1.39 For how many consecutive years has the current auditor audited the Company's and/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
Number of consecutive years	3	3

	Company	Group
Number of years audited by current audit firm/Number of years the Company has been audited (%)	13.636	13.636

B.1.40 Give details of directors' shareholdings in companies whose business is similar, analogous or complementary to the main business of the Company or its group, insofar as they have been notified to the Company. Specify any offices or functions the named directors hold or perform in those companies:

Name of director	Name of company in which shares are held	% shareholding	Post or function
Alfredo Lafita Pardo	Banco Guipuzcoano, S.A.	1.536	Director
Alfredo Lafita Pardo	Diana, Sociedad de Capital Riesgo, S.A.	0.000	Chairman
Manuel Soto Serrano	Banco Santander, S.A.	0.003	Fourth Vice-chairman
Manuel Soto Serrano	Instituto per le Opere di Religione	0.000	Director

B.1.41 Is there a procedure to allow directors to take independent professional advice? If so, give details.

Yes  No

Details of the procedure
--------------------------

<p>- The external 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>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

B.1.42 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  No

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>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

B.1.43 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  No

Explain the rules
-------------------

<p>Directors must notify the Board of any criminal prosecution in which they are defendants and keep it 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 124 of the Public Limited Companies Law, 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 explained in full in the annual corporate governance report.</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

B.1.44 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 124 of the Public Limited Companies Law:

Yes  No

Name of director	Charge	Observations

Indicate whether the Board of Directors has studied the case. If so, explain and give reasons for the decision taken as to whether the director should stay on or stand down.

Yes  No

Decision taken	Reasoned explanation
Stay on / Stay down	

## B.2. Board Committees

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

### Executive or Delegate Committee

Name	Post	Status

### Audit Committee.

Name	Post	Status
Alfredo Lafita Pardo	Chairman	Independent
Manuel Soto Serrano	Member	Independent
Francisco Verdú Pons Member	Member	Proprietary
Enrique Piñel López	Member	Proprietary

### Nomination and Remuneration Committee

Name	Post	Status
Juan March Delgado	Chairman	Proprietary
Alfredo Lafita Pardo	Member	Independent
Alfonso Tolcheff Alvarez	Member	Independent

### Nomination Committee

Name	Post	Status

**Remuneration Committee**

<b>Name</b>	<b>Post</b>	<b>Status</b>

**Committee**

<b>Name</b>	<b>Post</b>	<b>Status</b>

B.2.2 Indicate whether the Audit Committee performs the following functions:

	<b>Yes</b>	<b>No</b>
<b>Ensure that the Company's and, where appropriate, the group's financial information 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.</b>	X	
<b>Regularly review internal control and risk management systems to ensure that the most important risks are properly identified, managed and disclosed</b>	X	
<b>Monitor the independence and efficacy of the internal audit function; make proposals for the selection, appointment, reappointment and removal of the head of internal audit; 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</b>		X
<b>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</b>	X	
<b>Make recommendations to the Board for the selection, appointment, reappointment or removal of the external auditor and the terms of engagement of the auditor.</b>	X	
<b>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</b>	X	
<b>Ensure the independence of the external auditor</b>	X	
<b>In the case of groups, encourage group companies to use the same external auditor as the group itself.</b>	X	

B.2.3 Describe the constitution and operation of each Board committee and its responsibilities.

Audit Committee

The regulations for this committee are included in the Articles of Association and are supplemented by the Board Regulations. The main regulations concerning the Audit Committee are as follows:

- a) Establishment of the committee. The Audit and Compliance Committee was created in 2000 in response to the recommendations of the "Olivencia Code". Under the 2002 Financial Act (*Ley Financiera*), companies are now legally required to have an Audit Committee. The Audit Committee is therefore included in the amended Articles of Association adopted in 2003, along with rules regarding its constitution, operation and functions. These rules are set forth in more detail in the Board Regulations, which following the 2007 amendment take account of the recommendations of the Unified Code approved by the CNMV on May 22, 2006.
- b) Composition and Chair. The Audit Committee shall consist of at least three and at most five members, one of which shall act as Chair. The Committee shall be composed of a majority of non-executive directors and the Chair of the committee falls to a non-executive director. The Board Secretary shall act as Secretary to the Committee and may or may not be a member of the Audit Committee.
- c) Appointment. The Company's Board of Directors shall appoint the Committee members from among directors. It shall also decide who holds the post of Chairman.
- d) Tenure. The term of appointment shall be for the period remaining until the end of the tenure as director. Reappointment in this respect shall be possible. However, whoever has held the post of Chairman of the Audit Committee for four years consecutively should cease to do so. This person may be re-elected to this post after one year has subsequently elapsed.
- e) Meetings. The Audit Committee shall determine a calendar for its ordinary meetings, with the necessary frequency for subjects specific to its responsibilities to be dealt with adequately. The Committee must also meet whenever required by its Chairman or any of its members or on instruction from the Board of Directors with a particular agenda.
- f) Convening and meeting venue. The meeting of the Audit Committee shall be convened at least five days beforehand by the Secretary of the Committee. Notification to each member should include the meeting agenda, previously approved by the Chairman of the Committee.

The Audit Committee meetings shall normally be held at the registered office but may be held at any other place decided by the Chairman and given in the meeting notice. The Committee may be validly held without prior notice when all its members are present and accept it as being held. For reasons of urgency, the Committee may be called to meet with less than the minimum advance notice, in which case all members attending the meeting must agree on its urgency at the beginning of the meeting.

g) Constitution, representation and adoption of resolutions. 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 grant representation to another. Delegation of such authority must be granted in a written document sent to the Chairman of the Committee. The resolutions shall be adopted by a majority of the members in attendance or represented. In the event of a tie, the Chairman shall have the casting vote.

h) Minutes. The Committee Secretary shall prepare minutes for each of the meetings held and these shall be approved in the meeting itself or the one immediately afterwards. All directors shall receive a copy of the minutes.

i) Areas of activity The activities of the company's Audit Committee are focused on four main areas:

- Risk detection and internal control system;
- Review and approval of financial information;
- External audit of the annual accounts;
- Compliance with legal provisions and internal regulations

The Regulations of the Board of Directors set out the functions of the Audit Committee in detail for each of the four areas mentioned.

#### Nomination and Remuneration Committee

This Committee is regulated by the Board Regulations. The main parts of these regulations are summarised below.

a) Establishment of the committee. This Committee was created in the amendment to the Board of Directors Regulations approved in May 2003, following the recommendations of the "Aldama Report". The scope of its activities was broadened with the further amendment of the Board Regulations in 2007.

b) Composition. The Nomination and Remuneration Committee has a minimum of three and maximum of five members, all of whom are external or non-executive directors appointed by the Board of Directors from among its members. The Board of Directors also appoints the Chairman of the committee.

c) Tenure. 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.

d) Meetings. The Nomination and Remuneration Committee shall meet no less than once a year and as many times as convened by agreement of the Committee itself or its Chairman. Any person from inside or outside the Company may be called to attend the meetings as considered appropriate.

B.2.4 Describe the powers of each committee to make recommendations, issue opinions and act on behalf of the Board:

Committee	Brief description
Audit Committee	<p>In accordance with the Company by-laws, the Audit Committee has the following competences:</p> <ul style="list-style-type: none"> <li>- Report to the General Meeting on matters that shareholders raise in it in the area of its competence.</li> <li>- Make proposals to the Board for submission to the General Meeting regarding the appointment of the external auditors.</li> <li>- Supervision of the internal audit service, if there is one.</li> <li>- Report on the Company's financial reporting and internal control systems.</li> <li>- Conduct relations with the external auditors to gather information on matters liable to affect the external auditors' independence and any other matters arising from the auditing of the Company's accounts, and make any other disclosures required by auditing rules and regulations.</li> </ul>
Nomination and Remuneration Committee	<p>Under the Board Regulations, the main functions of the Nomination and Remuneration Committee are:</p> <ul style="list-style-type: none"> <li>- Assess the competencies, knowledge and experience required by the Board and the necessary dedication.</li> <li>- Advise on proposals for the appointment, reappointment, ratification or removal of directors and for appointments to Board committees.</li> <li>- Advise on the appointment and removal of the Company secretary.</li> <li>- Examine the succession of the Chairman and Chief Executive.</li> <li>- Annually review the classification of directors.</li> <li>- Propose to the Board: (i) The policy on directors' and senior managers' remuneration; (ii) The individual remuneration and other contractual terms of executive directors; and (iii) The standard terms of senior management contracts.</li> <li>- Ensure that remunerations are transparent and that information on remuneration is included in the annual report.</li> <li>- Advise on the appointment and removal of senior managers.</li> </ul>



B.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 Board Regulations include regulations governing each of the two committees referred to above. The Board Regulations may be examined at the Company's registered office, on the corporate web site, at the CNMV or at the Companies Registry.

The Audit Committee is mentioned in Article 47 of the Articles of Association and Articles 21 to 34 of the Board Regulations.

The Nomination and Remuneration Committee is mentioned in Articles 35 and 36 of the Board Regulations.

The Audit Committee and the Nomination and Remuneration Committee have both prepared reports on their activities during 2007.

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

Yes

No

<b>If not, describe the composition of the Executive Committee.</b>
---------------------------------------------------------------------

There is no Executive Committee
---------------------------------

**C Related-party transactions**

C.1 Indicate whether the Board of Directors in plenary session reserves the right to approve any transactions between the Company and its directors, significant shareholders or shareholders represented on the Board, or people associated with them, subject to a favourable report by the Audit Committee or any other committee that has been commissioned to report on the matter:

Yes  No

C.2 Give details of any significant transactions involving the transfer of resources or obligations between the Company or group entities and the Company's significant shareholders:

Name of significant shareholder	Name of company or group entity	Nature of relationship	Type of transaction	Amount (000s of €)
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Financing agreements: Loans	60,000
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Guarantees	2,413
Banca March, S.A.	Corporación Financiera Alba, S.A.	Corporate	Dividends and other profit distributions	2,204
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Interest charged	1,624
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Unpaid accrued interest	421
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Interest paid	25
Banca March, S.A.	Corporación Financiera Alba, S.A.	Contractual	Sale of investments	48,444
CIMSA	Corporación Financiera Alba, S.A.	Commercial	Operating lease agreements	109
CIMSA	Corporación Financiera Alba, S.A.	Contractual	Compensation	4,000
March Vida	Corporación Financiera Alba, S.A.	Commercial	Provision of services	221

- C.3 Give details of any significant transactions involving the transfer of resources or obligations between the Company or group entities and directors or senior managers of the Company:

Name of director or senior manager	Name of company or group entity	Nature of transaction	Type of transaction	Amount (000s of €)

- C.4 Give details of any significant transactions between the Company and other group companies that are not eliminated on consolidation and that are not part of the ordinary course of the Company's business:

Name of group company	Brief description of transaction	Amount (000s of €)

- C.5 Indicate whether during the year the directors had any conflicts of interest, within the meaning of Article 127 ter of the Public Limited Companies Law.

Yes  No

Name of director	Description of the conflict of interest

- C.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 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 nor, under any circumstances, on the items specifically mentioned in Article 114 of the Securities Market Law (as enacted by Act 26/2003 of July 17).

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

Yes  No

Name the subsidiaries that are listed on Spanish stock exchanges:

Subsidiaries listed in Spain

Indicate whether the areas of activity and likely business relationships between the parent company and each listed subsidiary and between each listed subsidiary and other group companies have been fully and publicly disclosed.

Yes  No

Describe the likely business relationships between the parent company and the listed subsidiary and between the listed subsidiary and other group companies

Identify the mechanisms that will be used to resolve any conflicts of interest between the listed subsidiary and other group companies:

Mechanisms for resolving conflicts of interest

## **D** Risk Control Systems

D.1 Give a general description of the risk policy of the Company and/or its group. Specify and evaluate the risks covered by the risk control system and explain how the system deals with each type of risk.

Corporación Financiera Alba, S.A. engages in two types of business activities: (i) the holding of equity interests in listed and, in some cases, unlisted companies; and (ii) investment in office buildings for lease.

The main activity is participation in investee companies, which are the most important asset in the Company's consolidated balance sheet. The most significant and common risk of these companies is the risk inherent in their own business, but also, if they are listed companies, the state of the stock market.

Alba monitors its investee companies closely. Monitoring covers: (i) investees' business activity and performance, usually through participation in the companies' governing bodies and sometimes in their Audit Committees, and (ii) any changes in their share price (if they are listed).

As regards real estate investments, the risks are: loss of income if the buildings are unoccupied (especially if they have a large floor area); changes in long-term interest rates; damage; and non-payment by lessees.

Based on the abovementioned activities, the main risks affecting the Company can be grouped in the following categories:

- Cash flow interest rate risk.

The group is exposed to this risk mainly through short-term debts with credit institutions at variable interest rates. Alba's financing has been and is expected to continue to be short-term with variable interest.

- Exchange rate risk.

Alba's balance sheet could be affected by fluctuations in the exchange rates of foreign currencies, but this is not a significant risk.

- Stock market risk.

The most important asset on the Company's consolidated balance sheet is the investments in listed companies, whose fair value, based on the companies' share prices at year-end 2007, was 4,455 million euros. These investments are, and are expected to continue to be, mainly long-term and hedging would not be financially viable.

The Company also uses derivatives on listed shares.

- Credit risk.

Credit risk derives basically from the possibility that the lessors of buildings belonging to the Company will fail to meet their obligations under the lease agreements. However, it is group policy to maintain business relations exclusively with financially responsible entities or entities that offer bank guarantees.

- Liquidity risk

The Company's liquidity management is based on short-term instruments and cash to easily cover envisaged liquidity requirements.

D.2 Indicate whether any of the various types of risk (operational, technological, financial, legal, reputational, tax...) to which the Company and its group are exposed occurred during the year:

Yes  No

If so, indicate the circumstances of the risk event and state whether the control systems worked as expected.

Risk that occurred during the year	Circumstances of the risk event	Performance of control systems

D.3 State whether a committee or other governance body has been specifically tasked with setting up and supervising these control mechanisms.

Yes  No

If so, give details of its functions.

Name of committee or body	Description of functions
Audit Committee	<p>The Audit Committee is responsible for supervising the Company's internal control arrangements.</p> <p>The Audit Committee assesses whether the Company has the necessary organisation, staff and procedures to identify and control its main operating, legal and financial risks. To do this, the committee must verify that the Company has the following systems in place and that they function correctly:</p> <ul style="list-style-type: none"> <li>- A system for identifying and describing the Company's main operating processes and documenting them in operating rules and instruction manuals.</li> <li>- 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.</li> <li>- A budgeting system that allows the Company to set quantitative objectives in advance within a strategic framework and analyze the causes of any significant deviations between actual and budgeted results.</li> </ul>
External auditor	<p>At regular intervals the external auditor is asked to assess and report on the Company's internal audit mechanisms. These mechanisms will be reviewed in 2008.</p>

**D.4 Identify and describe the processes for compliance with the various regulations that affect your Company and/or its group.**

The Company has the necessary organization to guarantee compliance with applicable law. Specifically, it has a legal department, a tax department and a finance department, each of which, in its area of competence, works to ensure that current (external and internal) regulations are respected.

In addition, the Board Regulations charge the Secretary with a duty to ensure that the Company acts, in form and substance, within the law, respecting both statutory obligations and company procedures and rules of governance.

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

**E General Meeting**

E.1 Indicate whether the quorum requirements for general shareholders' meetings differ from the minimum specified in the Public Limited Companies Law (LSA). If so, give details.

Yes  No

	% difference from quorum under LSA Art. 102 for general purposes	% difference from quorum under LSA Art. 103 for special purposes
Quorum on first call		
Quorum on second call		

Description of the differences
The quorum for General Meetings on first call is 25% of the issued voting shares. There is no quorum requirement on second call. There are no differences with respect to the minimum requirements under the Public Limited Companies Law.

E.2 Indicate whether the majority rules for the adoption of resolutions in General Meetings differ from the provisions of the Public Limited Companies Law (LSA). If so give details:

Yes  No

Describe the difference.

	Qualified majority different from that specified in LSA Art. 103.2 for purposes envisaged in Art. 103.1	Others purposes requiring a supermajority
% established by the Company for the adoption of resolutions		
Describe the differences		
There are no differences.		

- E.3 List any rights of shareholders in relation to General Meetings which are different from those established under the Public Limited Companies Law.

In relation to General Meetings, shareholders have all the rights established in the Public Limited Companies Law.

In addition, the shareholders may make proposals, suggestions or comments and raise issues related to the business or interests of the Company.

- E.4 State what measures, if any, have been taken to promote shareholder participation in General Meetings.

The Company complies with all the requirements established by law and the Articles of Association relating to the convening and holding of General Meetings. As a specific measure, the Company uses the corporate web site to inform shareholders of the proposals to be submitted to the Meeting and to make available all the necessary documentation. After the Meeting, the web site also reports the resolutions adopted. Furthermore, the Company responds to queries submitted by shareholders by post and by e-mail.

- E.5 State whether General Meetings are chaired by the Chairman of the Board of Directors. If applicable, give details of any measures taken to ensure the independence and smooth functioning of the General Meeting:

Yes  No

Describe the measures taken
-----------------------------

Under the General Meeting Regulations:

- The Chairman guides the deliberations and ensures orderly conduct of the debates.
- The debate may be organised so that shareholders may speak once on each agenda item or once on all the agenda items on which they wish to speak.

- As a general rule, the Chairman will reply to issues raised by shareholders, although he or she may also ask other directors or managers of the Company to reply. In particular, if a question falls within the remit of the Audit Committee, the Chairman may ask the Chairman of the Audit Committee or, in the Chair's absence, another committee member to reply.

- The Chairman may limit the time available for those who have the floor, as well as determine that an item has been sufficiently discussed in the case of a difference of opinion between the shareholders present if in a prudent time of at the most one hour it has not been possible to harmonise these opinions, so deciding to proceed to the vote immediately.

When, in view of the complexity of the issue raised, the Chairman considers it impossible to provide an adequate reply in the Meeting, a reply shall be given in writing and published on the Company website.



E.6 State any changes made to the General Meeting Regulations during the year.

At the General Meeting held on May 30, 2007, Articles 5 ("Functions") and 26 ("Adoption of resolutions") of the General Meeting Regulations were amended to include the following points, in line with the recommendations of the Unified Code approved by the CNMV on May 22, 2006:

- Attribution of certain decisions to the General Meeting (transactions entailing changes to the structure of the Company),
- Separate voting on issues that are substantially independent, and
- Option of splitting the vote of financial intermediaries

E.7 Give data for attendance at General Meetings held in the financial year to which this report refers:

Date of General Meeting	Attendance data				Total
	% present in person	% present by proxy	% remote voting		
			Electronic voting	Other	
30-05-2007	19.76	62.01			81.77

E.8 State briefly the resolutions passed at the General Meetings held during the financial year to which this report refers, indicating the percentage of votes with which each resolution was passed.

At the General Meeting held on May 30, 2007 the shareholders resolved to:

1. Approval of both individual and consolidated annual accounts for the financial year ended December 31, 2006.
2. Approval of the management of the Board of Directors during the year.
3. Approval of the proposed distribution of profit and dividend payment.
4. Nomination, ratification and re-election of Directors.
  - To re-elect Nicholas Brookes, Enrique Piñel López and Manuel Soto Serrano as directors.
  - To appoint Alfonso Tolcheff Alvarez as a director.
  - To ratify the appointment of Santos Martínez-Conde Gutiérrez-Barquín and Alfredo Lafita Pardo as directors.
5. Amend the General Meeting Regulations (Articles 5 "Functions" and 26 "Adoption of resolutions") and report on the amendment of the Board Regulations.
6. Give the Company authority to purchase own shares subject to the limits and requirements established in Spain's Public Limited Companies Law (*Ley de Sociedades Anónimas*) and to use the shares purchased under this and previous authorities to implement remuneration plans for executive directors and senior management consisting of the assignment of shares or stock options, and to empower the Board of Directors to reduce share capital as necessary.
7. Reduction of share capital by one million euros by cancelling one million own shares held in treasury and to amend Article 5 of the Articles of Association.
8. Transfer two hundred thousand euros to voluntary reserves, this being the surplus of the legal reserve established by the Company in compliance with Article 214 of the Public Limited Companies Law.
9. Authorisation to the Board of Directors to implement the resolutions adopted by the Meeting.
10. Approval of the minutes of the Meeting.

These resolutions were passed as follows:

**Resolution 1.** By majority, with 52,067,537 votes in favour, 1,326 votes against and 348,599 abstentions.

**Resolution 2.** By majority, with 52,301,635 votes in favour and 115,827 abstentions.

**Resolution 3.** By majority, with 48,858,624 votes in favour, 2,841,161 votes against and 717,677 abstentions.

**Resolution 4.** By majority, with 52,279,911 votes in favour and 137,551 abstentions, in all the votes on the election, re-election or ratification of directors (separate votes were taken on each election, re-election or ratification).

**Resolution 5.** By majority, with 52,301,635 votes in favour and 115,827 abstentions.

**Resolution 6.** By majority, with 52,407,223 votes in favour and 10,239 abstentions.

**Resolution 7.** By majority, with 52,407,223 votes in favour and 10,239 abstentions.

**Resolution 8.** By majority, with 52,301,635 votes in favour and 115,827 abstentions.

**Resolution 9.** By majority, with 52,302,374 votes in favour and 115,088 abstentions.

**Resolution 10.** By majority, with 52,302,374 votes in favour and 115,088 abstentions.

E.9 State whether the Articles of Association specify a minimum number of shares for attendance at General Meetings:

Yes  No

Number of shares required to attend General Meetings	25
------------------------------------------------------	----

E.10 State and explain the Company's policies with respect to the appointment of proxies at General Meetings.

The Company has no policy on the appointment of proxies in General Meetings and the directors do not solicit proxies from shareholders.

E.11 Indicate whether the Company is aware of the policy of institutional investors with regard to participation in company decisions?

Yes  No

Describe the policy
---------------------

E.12 State the web address and means of access to corporate governance information on the Company's website.

URL: [www.cf-alba.com](http://www.cf-alba.com)

Means of access: Main Menu / Information for shareholders and investors / Corporate Governance.

**F Degree of compliance with corporate governance recommendations**

Indicate the Company's degree of compliance with the recommendations of the Unified Code on Good Corporate Governance.

In cases where the Company does not comply with a recommendation, explain what recommendations, rules, practices or criteria it follows.

1. The bylaws 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.9 , B.1.22 , B.1.23 and E.1 , E.2.

Complies  Explain

2. When a dominant and a subsidiary company are stock market listed, the two 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: C.4 and C.7

Complies  Complies partially  Explain  Not applicable

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

- a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;
- b) Any acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose;
- c) Operations that effectively add up to the Company's liquidation.

Complies  Complies partially  Explain

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Complies  Explain

5. Separate votes should be taken at the General Shareholders' Meeting 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 bylaws, with votes taken on all articles or groups of articles that are materially different.

See section: E.8

Complies  Complies partially  Explain

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

See section: E.4

Complies  Explain

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 its 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  Complies partially  Explain

8. The Board should see the core components of its mission as 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 in full should reserve the right to approve.

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

- i) The strategic or business plan, management targets and annual budgets;
- ii) Investment and financing policy;
- iii) Design of the structure of the corporate group;
- iv) Corporate governance policy;
- v) Corporate social responsibility policy;
- vi) Remuneration and evaluation of senior officers;
- vii) Risk control and management, and the periodic monitoring of internal information and control systems;
- viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B.1.10, B.1.13, B.1.14 and D.3

- 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.
- See section: B.1.14.
- ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.
- See section: B.1.14.
- iii) The financial information listed companies must periodically disclose.
  - iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
  - v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions 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").

However, Board authorisation need not be required for related party transactions that simultaneously meet 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 go through 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: C.1 and C.6

Complies  Complies partially  Explain

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Complies  Explain

10. External directors, proprietary and independent, should occupy an ample majority of Board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2 , A.3, B.1.3 and B.1.14.

Complies  Complies partially  Explain

11. In the event that some external director can be deemed neither proprietary nor independent, the Company should disclose this circumstance and the links that person maintains with the Company or its senior officers, or its shareholders.

See section: B.1.3

Complies  Explain  Not applicable

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by proprietary directors and the remainder of the Company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

- 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 with a plurality of shareholders represented on the Board but not otherwise related.

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

Complies  Explain

13. The number of independent directors should represent at least one third of all Board members.

See section: B.1.3

Complies  Explain

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her 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: B.1.3 and B.1.4

Complies  Complies partially  Explain

15. When women directors are few or non existent, the Board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

- a) The process of filling Board vacancies has no implicit bias against women candidates;
- b) The company makes a conscious effort to include women with the target profile among the candidates for Board places.

See sections: B.1.2, B.1.27 and B.2.3.

Complies  Complies partially  Explain  Not applicable

The absence of female directors on the Board of Directors is due to the fact that, at the time they were appointed, the current directors were the most suitable people for the job, without regard to their gender. The recommendation of the Unified Code will be taken into consideration in future appointments.

16. 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 should organise and coordinate regular evaluations of the Board and, where appropriate, the Company's chief executive, along with the chairmen of the relevant Board committees.

See section: B.1.42

Complies  Complies partially  Explain

17. When a 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 external directors; and to lead the Board's evaluation of the Chairman.

See section: B.1.21

Complies  Complies partially  Explain  Not applicable

18. The Secretary should take care to ensure 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 bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;
- c) Are informed by those good governance recommendations of the Unified Code that the Company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full Board meeting; the relevant appointment and removal procedures being spelled out in the Board's regulations.

See section: B.1.34

Complies  Complies partially  Explain

19. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

Complies  Complies partially  Explain

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.1.30

Complies  Complies partially  Explain

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies  Complies partially  Explain  Not applicable



Article 15.6 of the Unified Code specifically states that “when directors or the Secretary express concerns about some proposal or, in the case of directors, about the Company’s performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book”.

During 2007 no situation occurred in which this rule was applicable.

22. The Board in full should evaluate the following points on a yearly basis:

- a) The quality and efficiency of the Board’s operation;
- b) Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;
- c) The performance of its committees on the basis of the reports furnished by the same.

See section: B.1.19

Complies  Complies partially  Explain

The first Board assessment was carried out in relation to financial year 2007.

23. 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 bylaws or Board Regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B.1.42

Complies  Explain

24. 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 external assistance at the Company’s expense.

See section: B.1.41

Complies  Explain

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

Complies  Complies partially  Explain

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

- a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;
- b) Companies should lay down rules about the number of directorships their Board members can hold.

See sections: B.1.8, B.1.9 and B.1.17

Complies  Complies partially  Explain

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 on 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. Moreover, the experience the directors gain on other Boards benefits Alba.

27. The proposal for the appointment or renewal of directors which the Board submits to the General Shareholders' Meeting, 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: B.1.2

Complies  Complies partially  Explain

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director's classification as executive, proprietary or independent non executive; in the case of proprietary directors, stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments as a director of the Company, and;
- e) Shares or stock options of the Company held by them.

Complies  Complies partially  Explain

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: B.1.2

Complies  Explain

The Articles of Association do not establish any rule in this respect, but to date this recommendation has been followed.

30. 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 B.1.2

Complies  Complies partially  Explain

No situation arose during 2007 in which this recommendation, which is reflected in the Board Regulations, would have applied.

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, 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 director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the Company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies  Explain

32. Companies should establish rules obliging directors to inform the Board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of 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 124 of the Public Limited Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Complies  Complies partially  Explain

33. 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 must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the Board; director or otherwise.

Complies  Complies partially  Explain  Not applicable

Article 15.5 of the Board Regulations specifically states that "Directors should clearly state their opposition when they consider that a proposal submitted to the Board is contrary to the Company's interests. 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 2007 no situation occurred in which this rule was applicable.

34. Directors who give up their place 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 such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Complies  Complies partially  Explain  Not applicable

During 2007 no situation occurred in which this rule, which is reflected in Article 19.5 of the Board Regulations, was applicable

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:
- a) The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise ;
  - b) Variable components, in particular:
    - i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.
    - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance related remuneration;

- iii) The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and
  - iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre set targets or benchmarks.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.
- d) The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:
- i) Duration;
  - ii) Notice periods; and
  - iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

Complies  Complies partially  Explain

36. Remuneration comprising the delivery of shares in the Company or other companies in the group, share options or other share based instruments, payments linked to the Company's performance or membership of pension 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.

See sections: A.3 , B.1.3

Complies  Explain

This type of remuneration is not currently used, but if it were, the Articles of Association specify that it would be applicable only to executive directors.

37. External 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  Explain

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

Complies  Explain  Not applicable

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they 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  Explain  Not applicable

40. The Board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the Board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Complies  Complies partially  Explain

The Board has prepared a report on the directors' remuneration policy which will be made available to the shareholders when the General Meeting is announced. The report concerns the remuneration policy approved by the Board. It addresses the points mentioned in Recommendation 35 and describes the role played by the Nomination and Remuneration Committee in preparing the remuneration policy.

However, given the legal uncertainty surrounding such consultative votes, the Board of Directors does not consider it appropriate to submit this report to a vote as a separate item on the General Meeting agenda. The lack of a vote does not diminish the transparency of directors' remuneration, as can be seen in this annual corporate governance report (Section B.1.11) and in the notes to the financial statements.

In any case, if any form of share-based remuneration were to be adopted, the authority of the General Meeting would be required, as the Public Limited Companies Law and the Company's Articles of Association stipulate.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

- a) A breakdown of the compensation obtained by each company director, to include where appropriate:
- i) Participation and attendance fees and other fixed director payments;
  - ii) Additional compensation for acting as chairman or member of a Board committee;
  - iii) Any payments made under profit sharing or bonus schemes, and the reason for their accrual;
  - iv) Contributions on the director's behalf to defined contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined benefit schemes;
  - v) Any severance packages agreed or paid;
  - vi) Any compensation they receive as directors of other companies in the group;
  - vii) The remuneration executive directors receive in respect of their senior management posts;
  - viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.
- b) An individual breakdown of deliveries to directors of shares, share options or other share based instruments, itemised by:
- i) Number of shares or options awarded in the year, and the terms set for their execution;
  - ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
  - iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
  - iv) Any change in the year in the exercise terms of previously awarded options.
- c) Information on the relation in the year between the remuneration obtained by executive directors and the Company's profits, or some other measure of enterprise results.

Complies  Complies partially  Explain

In some cases the Company provides information (in this annual corporate governance report and in the notes to the consolidated financial statements) on the remuneration of individual directors, where individual figures can be given or can be calculated insofar as the remuneration accrues to all directors equally; in other cases, the information is grouped and broken down to provide sufficient detail.

42. When the Company has an Executive Committee, the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

See sections: B.2.1 and B.2.6

Complies  Complies partially  Explain  Not applicable

43. 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.

Complies  Explain  Not applicable

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

The rules governing the make up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration 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 external 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) Committees should be chaired by an independent director.
- d) They 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: B.2.1 and B.2.3

Complies  Complies partially  Explain



Corporación Financiera Alba, S.A. complies with this recommendation, with a single qualification concerning the role of Chairman of the Nomination and Remuneration Committee, which is held by a shareholder-nominated 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.

45. 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, as the case may be, separate Compliance or Corporate Governance committees.

Complies  Explain

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

Complies  Explain

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Complies  Explain

48. The head of internal audit should 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  Complies partially  Explain

In Corporación Financiera Alba, the internal audit function is part of the control function, which is carried out by financial management. On matters of internal audit, financial management reports to the Audit Committee, which is responsible for risk detection and internal audit systems.

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

- a) The different types of risk (operational, technological, financial, legal, reputational...) the Company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off balance sheet risks;
- b) the risk level the Company sees as acceptable;
- c) 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 section: D

Complies  Complies partially  Explain

50. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.
- c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- d) Establish and supervise a mechanism whereby staff can 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) Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.
- b) 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.
- c) 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 same.
  - ii) The Committee should ensure that the Company and the auditor adhere to current regulations on the provision of non audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
  - iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

- d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 and Mr.3

Complies  Complies partially  Explain

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies  Explain

52. 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 or acquisition of shares in special purpose vehicles 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: B.2.2 and B.2.3

Complies  Complies partially  Explain

53. 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 Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Complies  Complies partially  Explain

54. The majority of Nomination Committee members or Nomination and Remuneration Committee members, as the case may be should be independent directors.

See section: B.2.1

Complies  Explain  Not applicable

55. 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 the handover proceeds in a planned and orderly manner.
- c) Report on the senior officer appointments and removals which the chief executive proposes to the Board.
- d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Complies  Complies partially  Explain  Not applicable

56. 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  Complies partially  Explain  Not applicable

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

- a) Make proposals 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: B.1.14, B.2.3

Complies  Complies partially  Explain  Not applicable

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

Complies  Explain  Not applicable

**G Other Information of Interest**

If you consider that there is any other relevant principle or aspect of your Company's corporate governance practices that has not been addressed by this Report, please give details.

Use this section to give any additional information, clarification or qualification relating to other sections of this report, provided such additional information is relevant and not a repetition.

In particular, state whether your Company is subject to the corporate governance legislation of countries other than Spain and, if so, include any information that the Company is obliged to disclose that is not required in this report.

**Section A.2. Box one**

- Banca March, S.A.

Juan, Carlos, Leonor and Gloria March Delgado own 100% of the shares of Banca March, S.A. On May 24, 2004 they 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 shareholders' agreement is referred to in Section A.6. Banca March, S.A.'s 65.35% shareholding in Corporación Financiera Alba, S.A. therefore includes the shareholdings of Juan and Carlos March Delgado mentioned in Section A.3.

**Section A.8.**

During 2007, 2,529,305 treasury shares were purchased and one million were cancelled.

**Section B.1.2.**

Luis Angel Rojo Duque ceased to be a director of the Company as his term expired.

After the end of the financial year, Alfonso Tolcheff Alvarez tendered his resignation as a director on account of his appointment to a post that is incompatible with membership of the Board of Directors of this Company.

**Section B.1.11.a) Second box**

The contributions relate to alternative pension schemes.

**Section B. 1.11.c)**

The average directors' remuneration, irrespective of status, was 36,000 euros per person. The figure for shareholder-nominated directors' remuneration includes the additional remuneration awarded to the Co-Chairmen, amounting to 78,000 euros each. Also, directors who serve on Board committees receive an additional payment of 6,000 euros per year per committee.

**Section B.1.11. d) Second box**

The figure of 0.385% is the total directors' remuneration as a percentage of the profit for the year attributable to the group.

**Section B. 1.13.**

The guarantee or golden parachute clauses were authorised before the amendment to the Board Regulations approved on April 24, 2007, which gives power to authorise such clauses to the Board.

Payments for unfair dismissal consist of an amount no less than the fund set aside as a pension supplement or the value of one year of certain remuneration items increased by a 12th for each year with the Company.

**Section B.1.25.**

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.2.**

All transactions with Banca March, S.A. are part of the Company's ordinary activities and are conducted under normal market conditions.

**Binding definition of independent non-executive director:**

Indicate whether any of the independent non executive directors has or has had any relationship with the Company, its significant shareholders or its senior managers which, had it been sufficiently significant or important, would have disqualified him or her as an independent non executive director within the meaning of Section 5 of the Unified Code on Good Corporate Governance:

Yes  No

Name of director	Type of relationship	Explanation

**This annual corporate governance report was approved unanimously by the Board of Directors of the Company at its meeting on March 26, 2008.**

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

Yes  No

Name of director who did not vote to approve this report	Reasons (against, abstention, non-attendance)	Explain the reasons