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**IDENTIFICATION DATA OF THE ISSUER**

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|--------------------------------------|------------|
| End date of the period of reference: | 31/12/2018 |
|--------------------------------------|------------|

|                            |            |
|----------------------------|------------|
| CIF [Tax Identity Number]: | A-28060903 |
|----------------------------|------------|

Company Name:

**CORPORACION FINANCIERA ALBA, S.A.**

Registered Office:

CASTELLO, 77, 5ª PLANTA MADRID

## A. STRUCTURE OF THE PROPERTY

A.1. Complete the table below with details of the share capital of the company:

| Date of last change | Share capital (€) | Number of shares | Number of voting rights |
|---------------------|-------------------|------------------|-------------------------|
| 18/06/2018          | 58,240,000.00     | 58,240,000       | 58,240,000              |

Indicate if there are various classes of shares with different rights associated:

☐ Yes  
☒ No

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

| Name or company name of the shareholder | % shares carrying voting rights |          | % voting rights through financial instruments |          | % of total voting rights |
|-----------------------------------------|---------------------------------|----------|-----------------------------------------------|----------|--------------------------|
|                                         | Direct                          | Indirect | Direct                                        | Indirect |                          |
| BANCA MARCH, S.A.                       | 15.02                           | 0.00     | 0.00                                          | 0.00     | 15.02                    |
| GLORIA MARCH DELGADO                    | 3.69                            | 0.01     | 0.00                                          | 0.00     | 3.70                     |
| JUAN MARCH DELGADO                      | 11.74                           | 6.98     | 0.00                                          | 0.00     | 18.72                    |
| CATALINA MARCH JUAN                     | 4.27                            | 0.00     | 0.00                                          | 0.00     | 4.27                     |

Breakdown of the indirect holding:

| Name or company name of the indirect shareholder | Name or company name of the direct shareholder               | % shares carrying voting rights | % voting rights through financial instruments | % of total voting rights |
|--------------------------------------------------|--------------------------------------------------------------|---------------------------------|-----------------------------------------------|--------------------------|
| GLORIA MARCH DELGADO                             | AGROPECUARIA EL AGUILA, SA                                   | 0.01                            | 0.00                                          | 0.01                     |
| JUAN MARCH DELGADO                               | SURISLA, SA                                                  | 0.79                            | 0.00                                          | 0.79                     |
| JUAN MARCH DELGADO                               | M.B. DE INVERSIONES, SA                                      | 3.95                            | 0.00                                          | 3.95                     |
| JUAN MARCH DELGADO                               | FUNDACION JUAN MARCH                                         | 0.65                            | 0.00                                          | 0.65                     |
| JUAN MARCH DELGADO                               | FUNDACION INSTITUTO JUAN MARCH DE ESTUDIOS E INVESTIGACIONES | 1.59                            | 0.00                                          | 1.59                     |

State the most significant shareholder structure changes during the year:

| Most significant changes |
|--------------------------|
|--------------------------|

Change 1:

Termination of the voting agreement in relation to Banca March, S.A. and which affected Corporación Financiera Alba, S.A., existing between Mr Carlos, Mr Juan, Ms Leonor and Ms Gloria March Delgado (see section A.7 below)

Affected Shareholders 1:

Mr Carlos March Delgado  
Mr Juan March Delgado  
Ms Leonor March Delgado  
Ms Gloria March Delgado

Change 2:

Termination of the voting agreement in relation to Banca March and which affected Corporación Financiera Alba, S.A. (see section A.7. below) and decrease in shareholding by significant shareholder Banca March, S.A. (up from 20.001% to 15.022% in the year)

Affected Shareholders 2:

Banca March, S.A.

Ms GLORIA MARCH DELGADO has a 0.006% indirect shareholding in the share capital through AGROPECUARIA EL AGUILA, S.A.

Mr JUAN MARCH DELGADO is Chairman of the Board of Trustees of the JUAN MARCH FOUNDATION and the JUAN MARCH INSTITUTE OF STUDIES AND RESEARCH FOUNDATION

In addition, the following directors are regarded as significant shareholders:

Mr CARLOS MARCH DELGADO, whose shareholdings, direct and indirect, amount to 18.815%.

Mr JUAN MARCH DE LA LASTRA, whose shareholdings, direct and indirect, amount to 6.929%.

Mr JUAN MARCH JUAN, whose shareholdings, direct and indirect, amount to 4.351%.

For more information about their shareholdings, see section A.3. below.

**A.3.** In the following tables, list the members of the Board of Directors of the company who have voting rights with their shares in the company:

| Name or company name of the board member             | % shares carrying voting rights |          | % voting rights through financial instruments |          | % of total voting rights | % voting rights that <u>can be transmitted</u> through financial instruments |          |
|------------------------------------------------------|---------------------------------|----------|-----------------------------------------------|----------|--------------------------|------------------------------------------------------------------------------|----------|
|                                                      | Direct                          | Indirect | Direct                                        | Indirect |                          | Direct                                                                       | Indirect |
| MR JOSE DOMINGO DE AMPUERO Y OSMA                    | 0.02                            | 0.00     | 0.00                                          | 0.00     | 0.02                     | 0.00                                                                         | 0.00     |
| MR JOSE RAMON DEL CAÑO PALOP                         | 0.00                            | 0.00     | 0.00                                          | 0.00     | 0.00                     | 0.00                                                                         | 0.00     |
| MS CRISTINA GARMENDIA MENDIZABAL                     | 0.00                            | 0.00     | 0.00                                          | 0.00     | 0.00                     | 0.00                                                                         | 0.00     |
| MR JUAN MARCH DE LA LASTRA                           | 5.84                            | 1.09     | 0.00                                          | 0.00     | 6.93                     | 0.00                                                                         | 0.00     |
| MR CARLOS MARCH DELGADO                              | 17.58                           | 1.23     | 0.00                                          | 0.00     | 18.81                    | 0.00                                                                         | 0.00     |
| MR JUAN MARCH JUAN                                   | 3.10                            | 1.25     | 0.00                                          | 0.00     | 3.35                     | 0.00                                                                         | 0.00     |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN           | 0.00                            | 0.00     | 0.00                                          | 0.00     | 0.00                     | 0.00                                                                         | 0.00     |
| MR CARLOS GONZALEZ FERNANDEZ                         | 0.00                            | 0.00     | 0.00                                          | 0.00     | 0.00                     | 0.00                                                                         | 0.00     |
| % total voting rights held by the Board of Directors |                                 |          |                                               |          |                          | 30.12                                                                        |          |

Breakdown of the indirect holding:

| Name or company name of the board member | Name or company name of the direct shareholder | % shares carrying voting rights | % voting rights through financial instruments | % of total voting rights | % voting rights that <u>can be transmitted</u> through financial instruments |
|------------------------------------------|------------------------------------------------|---------------------------------|-----------------------------------------------|--------------------------|------------------------------------------------------------------------------|
| MR JUAN MARCH JUAN                       | PEÑA TAJADA, S.L.                              | 1.25                            | 0.00                                          | 1.25                     | 0.00                                                                         |
| MR CARLOS GONZALEZ FERNANDEZ             | NOBELIUM DE PONTI, S.L.                        | 0.00                            | 0.00                                          | 0.00                     | 0.00                                                                         |
| MR CARLOS MARCH DELGADO                  | DOÑA CONCEPCION DE LA LASTRA RAMOS-PAUL        | 0.42                            | 0.00                                          | 0.42                     | 0.00                                                                         |
| MR CARLOS MARCH DELGADO                  | SON DAVIU, S.L.                                | 0.81                            | 0.00                                          | 0.81                     | 0.00                                                                         |
| MR JUAN MARCH DE LA LASTRA               | ATACAMPA, SA                                   | 1.09                            | 0.00                                          | 1.09                     | 0.00                                                                         |

MR JOSÉ RAMÓN DEL CAÑO PALOP is a direct shareholder of 0.003% of the company.

MR CARLOS GONZÁLEZ FERNÁNDEZ is an indirect shareholder of 0.001% of the company through NOBELIUM DE PONTI, S.L.

MR SANTOS MARTÍNEZ-CONDE GUTIERREZ-BARQUIN is a direct shareholder of 0.003% of the company.

MS CRISTINA GARMENDIA MENDIZABAL is a direct shareholder of 80 shares of the company.



- A.4.** If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

| Name of related party                               | Nature of relationship | Brief description                                                           |
|-----------------------------------------------------|------------------------|-----------------------------------------------------------------------------|
| MR JUAN MARCH DELGADO, MS GLORIA MARCH DELGADO      | Family-related         | MR JUAN MARCH DELGADO and MS GLORIA MARCH DELGADO are brother and sister.   |
| MR CARLOS MARCH DELGADO, MS GLORIA MARCH DELGADO    | Family-related         | MR CARLOS MARCH DELGADO and MS GLORIA MARCH DELGADO are brother and sister. |
| MR JUAN MARCH DELGADO, MR CARLOS MARCH DELGADO      | Family-related         | MR JUAN MARCH DELGADO and MR CARLOS MARCH DELGADO are brothers.             |
| MR JUAN MARCH DELGADO, MR JUAN MARCH JUAN           | Family-related         | MR JUAN MARCH DELGADO and MR JUAN MARCH JUAN are father and son.            |
| MR JUAN MARCH DELGADO, MS CATALINA MARCH JUAN       | Family-related         | MR JUAN MARCH DELGADO and MS CATALINA MARCH JUAN are father and daughter.   |
| MR JUAN MARCH JUAN, MS CATALINA MARCH JUAN          | Family-related         | MR JUAN MARCH JUAN and MS CATALINA MARCH JUAN are brother and sister.       |
| MR CARLOS MARCH DELGADO, MR JUAN MARCH DE LA LASTRA | Family-related         | MR CARLOS MARCH DELGADO and MR JUAN MARCH DE LA LASTRA are father and son.  |

- A.5.** If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

| Name of related party | Nature of relationship | Brief description |
|-----------------------|------------------------|-------------------|
| No data               |                        |                   |

- A.6.** Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

| Name or company name of the related director or representative | Name or company name of the related significant shareholder | Company name of the group company of the significant shareholder | Description of relationship/post                            |
|----------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------|
| MR JUAN MARCH DE LA LASTRA                                     | BANCA MARCH, S.A.                                           | BANCA MARCH, S.A.                                                | MR JUAN MARCH DE LA LASTRA is Chairman of BANCA MARCH, S.A. |
| MR CARLOS MARCH DELGADO                                        | BANCA MARCH, S.A.                                           | BANCA MARCH, S.A.                                                | MR CARLOS MARCH DELGADO is a Director of BANCA MARCH, S.A.  |
| MR JUAN MARCH JUAN                                             | BANCA MARCH, S.A.                                           | BANCA MARCH, S.A.                                                | MR JUAN MARCH JUAN is a Director of BANCA MARCH, S.A.       |
| MR JUAN MARCH JUAN                                             | MR JUAN MARCH DELGADO                                       | MR JUAN MARCH DELGADO                                            | MR JUAN MARCH JUAN is the                                   |

|                                                    |                 |                 |                                                                                          |
|----------------------------------------------------|-----------------|-----------------|------------------------------------------------------------------------------------------|
|                                                    |                 |                 | son of MR JUAN MARCH DELGADO                                                             |
| MR SANTOS MARTINEZ-<br>CONDE GUTIERREZ-<br>BARQUIN | BANCA MARCH, SA | BANCA MARCH, SA | MR SANTOS MARTÍNEZ-<br>CONDE GUTIERREZ-<br>BARQUÍN is a Director of<br>BANCA MARCH, S.A. |

MR CARLOS MARCH DELGADO is a significant shareholder of BANCA MARCH, S.A.

BANCA MARCH, S.A. has endorsed MR JUAN MARCH DE LA LASTRA for its representation on the Board of Directors of CORPORACION FINANCIERA ALBA as a Dominical Director.

- A.7.** State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Capital Companies Act" or "LSC"). If so, describe these agreements and list the party shareholders:

☐ Yes  
☒ No

Corporación Financiera Alba, S.A. made public on 20 December 2018 (Relevant Event No. 273022) that siblings Leonor, Gloria, Juan and Carlos March Delgado had agreed not to void the clause relating to Corporación Financiera Alba, S.A. contained in the voting agreement on the shares of Banca March, S.A. that were underwritten on 4 December 2014 (Relevant Event No. 216264).

Accordingly, there is no shareholders' agreement at the present time relating to Corporación Financiera Alba, S.A. governing the exercise of voting rights at General Shareholders' Meetings or restricting or conditioning the free transferability of its shares.

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

☐ Yes  
☒ No

In the event that, during the financial year, there was any amendment or breach of these agreements, contracts or concerted actions, indicate this clearly:

Corporación Financiera Alba, S.A. made public on 20 December 2018 (Relevant Event No. 273022) that siblings Leonor, Gloria, Juan and Carlos March Delgado had agreed not to void the clause relating to Corporación Financiera Alba, S.A. contained in the voting agreement on the shares of Banca March, S.A. that were underwritten on 4 December 2014 (Relevant Event No. 216264).

Accordingly, there is no shareholders' agreement at the present time relating to Corporación Financiera Alba, S.A. governing the exercise of voting rights at General Shareholders' Meetings or restricting or conditioning the free transferability of its shares.

- A.8.** State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

☐ Yes  
☒ No

**A.9. Complete the following table with details of the company's treasury shares:**

At the close of the fiscal year:

| Number of direct shares | Number of indirect shares (*) | % total of share capital |
|-------------------------|-------------------------------|--------------------------|
|                         |                               | 0.00                     |

The General Shareholders' Meeting of the company held on 18 June 2018 agreed to the amortisation of all of the shares that were currently part of the company's treasury shares (60,000 shares), thereby reducing the amount of share capital. At year-end 2018, the company had no treasury stock shares.

(\*) Through:

| Name or company name of the direct owner of the stake | Number of direct shares |
|-------------------------------------------------------|-------------------------|
| No data                                               |                         |

Explain any significant changes during the year:

**Explain the significant fluctuations**

The General Shareholders' Meeting of the company held on 18 June 2018 agreed to the amortisation of all of the shares that were currently part of the company's treasury shares, which amounted to 60,000 shares, thereby reducing the amount of share capital. At year-end 2018, the company had no treasury stock shares.

**A.10. Provide a detailed description of the terms and conditions of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares:**

Buyback of shares in the Company is authorised by the General Assembly, up to the maximum permitted by Law, using a sale transaction and subject to the requirements of applicable provisions in this regard.

The authorisation extends to buybacks that, within the limit indicated, are conducted by subsidiaries of Corporación Financiera Alba, S.A., as well as applying the shares bought by virtue of this authorisation and prior authorisations to the execution of the Compensation Plans of Executive Board Members and Directors, which involve the transfer of shares or options on these shares.

The buyback price will be the price listed on the Stock Exchange on the date when the transaction is performed or authorised, where applicable, by the relevant stock exchange authority.

The authorisations in force in 2018 were granted by the General Shareholders' Meetings of 19 June 2017 (until 30 June 2018) and 18 June 2018 (until 18 June 2023).

**A.11. Estimated floating capital:**

|                            |       |
|----------------------------|-------|
|                            | %     |
| Estimated floating capital | 28.16 |

**A.12. State whether there are any restrictions (bylaw, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.**

[ ] Yes  
[ ✓ ] No

**A.13. State if the shareholders have resolved at a meeting to adopt measures to neutralise a takeover bid pursuant to the provisions of Act 6/2007.**

[ ] Yes

☒ No

Where applicable, explain the measures approved and the terms under which the restrictions may be inapplicable:

**A.14.** State if the company has issued shares that are not traded on a regulated EU market.

☐ Yes  
☒ No

If so, please list each type of share and the rights and obligations conferred on each type of share:

## **B. GENERAL SHAREHOLDERS' MEETING**

**B.1.** State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

☐ Yes  
☒ No

**B.2.** State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

☐ Yes  
☒ No

**B.3.** State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

The procedure for amending by Company's By-laws is regulated in the Capital Companies Act, which requires approval from the General Shareholders' Assembly, with the majorities provided in article 194 of the aforementioned Law, without establishing, in this regard, any specialisation in these Company By-laws.

Amendment of the Bylaws is expressly included among the powers of the Assembly, which are detailed in the Regulation of the General Shareholders' Assembly, without being subject to majorities other than those stipulated in the Law.

**B.4.** Give details of attendance at General Shareholders' Meetings held during the year of this report and of the two previous years:

| Data of General Shareholders' Meeting | Attendance data     |                  |                 |       |       |
|---------------------------------------|---------------------|------------------|-----------------|-------|-------|
|                                       | % physical presence | % representation | % remote voting |       |       |
|                                       |                     |                  | Electronic vote | Other |       |
| 08/06/2016                            | 43.15               | 49.44            | 0.00            | 0.00  | 92.59 |
| Of which floating capital             | 6.01                | 3.90             | 0.00            | 0.00  | 9.91  |
| 19/06/2017                            | 67.96               | 24.73            | 0.00            | 0.00  | 92.69 |
| Of which floating capital             | 0.20                | 8.71             | 0.00            | 0.00  | 8.91  |
| 18/06/2018                            | 67.87               | 23.24            | 0.00            | 0.00  | 91.11 |
| Of which floating capital             | 0.11                | 6.40             | 0.00            | 0.00  | 6.51  |

**B.5.** State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

☐ Yes

☒ No

**B.6.** State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

☒ Yes

☐ No

|                                                                      |    |
|----------------------------------------------------------------------|----|
| Number of shares needed to attend the General Shareholders' Meetings | 25 |
| Number of shares required for distance voting                        | 25 |

**B.7.** State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting:

☐ Yes

☒ No

**B.8.** State the address and manner of access to the company's website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website:

Website: [www.corporacionalba.es](http://www.corporacionalba.es)

Access path: Main Menu/Shareholders and Investors.



## C. MANAGEMENT STRUCTURE OF THE COMPANY

### C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the General Shareholders' Meeting:

|                                                              |    |
|--------------------------------------------------------------|----|
| Maximum number of board members                              | 15 |
| Minimum number of board members                              | 7  |
| Number of directors set by the General Shareholders' Meeting | 12 |

C.1.2 Please complete the following table on members of the Board:

| Name of the board member                   | Representative | Category of the board member | Position on the board            | Date first appointed | Date last appointed | Selection procedure                     |
|--------------------------------------------|----------------|------------------------------|----------------------------------|----------------------|---------------------|-----------------------------------------|
| MR CARLOS MARCH DELGADO                    |                | Proprietary                  | CHAIRMAN                         | 22/06/1988           | 08/06/2016          | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR JUAN MARCH DE LA LASTRA                 |                | Executive                    | FIRST VICE PRESIDENT             | 28/05/2008           | 08/06/2016          | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR JUAN MARCH JUAN                         |                | Executive                    | SECOND VICE PRESIDENT            | 23/03/2011           | 10/06/2015          | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN |                | Executive                    | MANAGING DIRECTOR                | 27/09/2006           | 18/06/2018          | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR JOSE DOMINGO DE AMPUERO Y OSMA          |                | Independent                  | INDEPENDENT DIRECTOR-COORDINATOR | 29/05/2013           | 19/06/2017          | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MS CRISTINA GARMENDIA MENDIZABAL           |                | Independent                  | BOARD MEMBER                     | 18/12/2013           | 19/06/2017          | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MS MARÍA EUGENIA GIRÓN DAVILA              |                | Independent                  | BOARD MEMBER                     | 08/06/2016           | 08/06/2016          | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR CARLOS GONZALEZ FERNANDEZ               |                | Independent                  | BOARD MEMBER                     | 10/06/2015           | 10/06/2015          | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MS CLAUDIA PICKHOLZ                        |                | Independent                  | BOARD MEMBER                     | 08/06/2016           | 08/06/2016          | GENERAL SHAREHOLDERS'                   |

| Name of the board member          | Representative | Category of the board member | Position on the board | Date first appointed | Date last appointed | Selection procedure                     |
|-----------------------------------|----------------|------------------------------|-----------------------|----------------------|---------------------|-----------------------------------------|
|                                   |                |                              |                       |                      |                     | MEETING AGREEMENT                       |
| MR ANTONIO MARIA PRADERA JAUREGUI |                | Independent                  | BOARD MEMBER          | 10/06/2015           | 10/06/2015          | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR RAMON CARNE CASAS              |                | Executive                    | BOARD MEMBER          | 25/05/2011           | 10/06/2015          | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR JOSE RAMON DEL CAÑO PALOP      |                | Executive                    | BOARD SECRETARY       | 27/05/2009           | 19/06/2017          | GENERAL SHAREHOLDERS' MEETING AGREEMENT |

|                               |    |
|-------------------------------|----|
| Total number of board members | 12 |
|-------------------------------|----|

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

| Name of the board member   | Director type at time of leaving | Date of last appointment | Date director left | Specialised committees of which he/she was a member | Indicate whether the director left before the end of the term |
|----------------------------|----------------------------------|--------------------------|--------------------|-----------------------------------------------------|---------------------------------------------------------------|
| MR JUAN MARCH DELGADO      | Proprietary                      | 11/06/2014               | 18/06/2018         | None                                                | NO                                                            |
| MR JOSE NIETO DE LA CIERVA | Proprietary                      | 10/06/2015               | 19/03/2018         | Audit and Compliance Committee                      | YES                                                           |

**Reason for leaving and other observations**

Mr Juan March Delgado: No renewal after completion of mandate  
Mr José Nieto de la Cierva: New professional activities and personal reasons

C.1.3 Complete the following tables regarding the members of the Board and their categories:

| EXECUTIVE BOARD MEMBERS                  |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name or company name of the board member | Position on the company's organisational chart | Background                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| MR JUAN MARCH DE LA LASTRA               | FIRST VICE PRESIDENT                           | Bachelor's degree in Business Administration and Management from University Carlos III of Madrid. Master's degree in Global Markets (JP Morgan New York). He is currently President of Banca March, S.A. He is entrusted with the representation of Banca March, S.A. on the Board of Directors of Corporación Financiera Alba as a Proprietary Director. He is also a member of the Board of Directors of Viscofan, S.A. He began his professional activity at JP Morgan and has been Managing Director and President of March Gestión de Fondos SGIIC, S.A. and of March Gestión de Pensiones SGFP, S.A. |

|                                            |                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MR JUAN MARCH JUAN                         | SECOND VICE PRESIDENT | Bachelor's degree in Business Administration and Management from CUNEF and Executive MBA from IESE. He is currently a Director and member of the Delegated Committee of Banca March, S.A. and Vice-Chairman of Artá Capital, SGEIC, S.A.U. He is currently a member of the Board of Directors Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and of Mecalux. He previously conducted his professional activity at Goldman Sachs, London in the department offering consultancy service for the Natural Resources and Energy, Industry, Transportation and Infrastructure sectors. He was a member of the Boards of Directors of Cobra and of the Pepe Jeans/Hakect Group, among others.                                                           |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN | MANAGING DIRECTOR     | Civil Engineer. Master's degree in Business Administration and Management from ICADE. Diploma in Nuclear Technology from ICAI. He has been Managing Director of Corporación Financiera Alba, S.A. since 2006. He is currently a Director of Banca March, S.A. He is also a Director of Artá Capital, SGEIC, S.A.U., of Deyá Capital SCR, S.A. and of Deyá Capital IV, SCR, S.A. Prior to joining the March Group, he developed his career at Sener Técnica Naval e Industrial, S.A., Técnicas Reunidas, S.A., Bestinver, S.A., Corporación Borealis, S.A. and Banco Urquijo, S.A. He is also a member of the Boards of Directors of Acerinox, S.A., Indra Sistemas, S.A., Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and CIE Automotive, S.A. |
| MR JOSE RAMON DEL CAÑO PALOP               | BOARD SECRETARY       | State Attorney (not practising). He has been Secretary of the Board and Director of Legal Services of the National Securities Market Commission and the Bank of Spain, as well as a member of various working groups of the European Commission and the European Central Bank. Secretary of the Board of Corporación Financiera Alba, S.A. and its Committees, and member of the Board of Directors of various companies of the March Group.                                                                                                                                                                                                                                                                                                                                              |
| MR RAMON CARNE CASAS                       | BOARD MEMBER          | Industrial Engineer from the Polytechnic University of Barcelona and MBA from INSEAD. He is currently President and Director General of Artá Capital, SGEIC, S.A. He has previously worked at Procter & Gamble, Torras Papiers France and was a member of Mercapital (from 1992 to 2011). He is a member of the Board of Directors of Mecalux, Terberg Ros Roca Ltd, Satlink, Alvinasa and Energyco/Gascan. He has previously been a member of the Board of ACS Services, Communications and Energy, Continental Auto, Roads and Constructions, Yoigo, Wineries Lan, Lasem Group, Emergia, Quirón Hospital Group, Pepe Jeans, Flex and Panasa.                                                                                                                                            |

|                                         |       |
|-----------------------------------------|-------|
| Total number of executive board members | 5     |
| % of the total board                    | 41.67 |

During 2018 MR JUAN MARCH DE LA LASTRA was regarded as Executive Director, but is also entrusted with the representation of BANCA MARCH, S.A. at Corporación Financiera Alba, S.A. and is a significant shareholder.  
DON JUAN MARCH JUAN is regarded as Executive Director but is also a significant shareholder.

#### EXTERNAL PROPRIETARY BOARD MEMBERS

| Name or company name of the board member | Name or company name of the significant shareholder represented or that proposed their appointment | Background                                                                                                                                                                                                                                                                                                     |
|------------------------------------------|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MR CARLOS MARCH DELGADO                  | MR CARLOS MARCH DELGADO                                                                            | Bachelor of Laws Director of Banca March, S.A., Vice-Chairman of the Board of Trustees of the Juan March Foundation and the Juan March Institute of Studies and Research. He has been a Director of the Group of Carrefour, S.A., Chairman of the Spanish section of the Association for the European Monetary |



| EXTERNAL PROPRIETARY BOARD MEMBERS        |                                                                                                    |                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name or company name of the board member  | Name or company name of the significant shareholder represented or that proposed their appointment | Background                                                                                                                                                                                                                                                                                                                 |
|                                           |                                                                                                    | Union, Founding Partner and First Chairman of the Institute of Economic Studies, Chairman of the Spanish Group at the Trilateral Commission, member of the International Committee of JP Morgan and the Columbia University International Advisory Board. He was awarded the Legion of Honour by the Government of France. |
| Total number of proprietary board members |                                                                                                    | 1                                                                                                                                                                                                                                                                                                                          |
| % of the total board                      |                                                                                                    | 8.33                                                                                                                                                                                                                                                                                                                       |

During 2018 MR JUAN MARCH DE LA LASTRA was regarded as Executive Director, but is also entrusted with the representation of BANCA MARCH, S.A. at Corporación Financiera Alba, S.A. and is a significant shareholder.  
DON JUAN MARCH JUAN is regarded as Executive Director but is also a significant shareholder.

| EXTERNAL INDEPENDENT BOARD MEMBERS       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name or company name of the board member | Background                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| MR JOSE DOMINGO DE AMPUERO Y OSMA        | Industrial Engineer (Bilbao ES de Ingenieros) and Master of Business Administration (University of Southern California). He has, among other positions, been a Board Member of San Telmo Ibérica Minera, Vice-Chairman of Naviera Vizcaína, President of S.A. de Alimentación, Vice-President of BBVA Bancomer, President of Bodegas y Bebidas, Vice-President of Banco Bilbao Vizcaya Argentaria, Vice-President of Iberdrola, President of Cementos Lemona, as well as Spokesperson for the Management Board of the Asociación para el Progreso de la Dirección [Association for the Progress of Management] y member of the Board of Directors of Círculo de Empresarios Vascos [Circle of Basque Businesspeople]. He is currently President of Autopista Vasco-Aragonesa S.A., Executive President of Viscofan, S.A., a board member at Tubacex, S.A. and member of the Spanish-US Council Foundation.                                                                                                                                                                                                                                                                              |
| MS CRISTINA GARMENDIA MENDIZABAL         | Biologist, specialising in Genetics. PhD in Molecular Biology (Centro de Biología Molecular Severo Ochoa, CSIC). MBA at the IESE Business School at the University of Navarra. Former Minister of Science and Innovation (2008-2011). In 2001, she participated in founding the biotech group Genetrix. She is also a founding member of Ysios Capital Partners, which manages two funds specialising in Life Sciences & Healthcare. She has been Executive Vice-President and Finance Director of the Amasua Group, and President of the Asociación de Empresas Biotecnológicas [Association of Biotechnology Companies] (ASEBIO), serving on the Board of Directors of CEOE. She chairs the listed Spanish-German company EXPEDION AG. She serves on the Board of Directors of Mediaset Comunicación España, S.A., Compañía de Distribución Integral Logista Holdings, S.A. Everis Spain, S.L.U., Ysios Capital Partners and Pelayo Mutua de Seguros. She is a member of the professional council of ESADE, de la Fundación Mujeres por África and of the Social Council of the Universidad de Sevilla. President of the COTEC Foundation and owner of the Fundaciones Pelayo y SEPI. |
| MS MARÍA EUGENIA GIRÓN DAVILA            | Advanced Industrial Engineer at ICAI and Masters in Business Administration from Harvard Business School. She began her career at First National Bank of Chicago (Spain), where she went on to Solomon R. Guggenheim Foundation and Estée Lauder Companies, Inc. From 1992 to 1997, she was Director of the Strategy and International Divisions at Loewe S.A., from 1996 part of the LVMH Moët Hennessey Louis Vuitton group. In 1999, she led the purchase of Carrera y Carrera, S.A. alongside 3i, and was the Managing Director of the company for six years. In 2012, she became president of Le Chateau SAS, after the acquisition of Silvercloud Investments. A Member of the International Board of Oceana, of the Advisory Board of Suarez, of Pedro García and of South Summit, of the Patronatos de la Real Fábrica de Tapices and of IE University, President of the Fundación Diversidad and member of YPO (Young Presidents Organizations), WCD (Women Corporate Director), IWF (International Womens Forum), Go Beyond Early                                                                                                                                             |

| EXTERNAL INDEPENDENT BOARD MEMBERS        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name or company name of the board member  | Background                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|                                           | Stage Investments and of Rising Tide, as well as a member of the Management Board of the Instituto de Consejeros y Administradores [Institute of Board Members and Directors]. She has also authored various books on the premium sector and is a faculty member at IE and other business schools.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| MR CARLOS GONZALEZ FERNANDEZ              | Bachelor of Economic and Business Sciences from the University of Bilbao and a Chartered Accounts. He spent 35 years of his career with Arthur Anderson, a firm that merged with Deloitte in 2003. He was appointed a member in 1985 and, after occupying various management positions, was elected as the President of Arthur Andersen in 2000, directing the merger with Deloitte in 2003 and being confirmed as Chairman of the new firm after the merger. He has served on the Global Board of Deloitte and the European Executive Committee. He has been on the Management Board of organisations such as Círculo de Empresarios, la Asociación para el Progreso de la Dirección and the Instituto de Estudios Económicos, and has also been a member of Trusts of foundations such as the Príncipe de Asturias, Cotet and Albéniz. In 2009, he left Deloitte and, since then, has worked on the Advisory Boards or Board of Directors of various companies, for example, the Board of Directors of Novagalicia Banco and of NH Hoteles, where he was Chairman of the Audit Committee. He is currently a Director of the Board of Directors of Cosentino S.A.                                                         |
| MS CLAUDIA PICKHOLZ                       | An American citizen, she received a degree in Economics from Rutgers University (New Brunswick, USA), an MBA from Harvard School of Business Administration (Boston, USA) and took the TCL Programme at INSEAD (Fontainebleau, France). She began work at the Irving Trust Company, as an analyst for Europe and Latin America, then joining McKinsey & Company as a Consultant. In 1987, she moved to SC Johnson Wax Española, S.A., becoming the Marketing Director. Then, in 1994, she joined Coca Cola, first in Spain, as the Marketing Director and the Director of Planning and Control. Later, in the United Kingdom, at Coca Cola as the Director of Marketing for European Customers. She was the Managing Director of McCann-Erickson Madrid, joining Kodak, S.A. in 2003, where she undertook responsibilities as the Marketing and Communications Director and the Strategic Products Director for Europe, Africa and the Middle East. Most recently, she has been the General Director for Spain and Latin America of Elsevier, S.A. and currently is an independent Director of Quabit Inmobiliaria, S.A. and General Director for the Iberian Peninsula and Latin America of TCC (The Continuity Company). |
| MR ANTONIO MARIA PRADERA JAUREGUI         | Civil Engineer. In 1979, he began work as the director of Banco Bilbao, where he remained until 1985. In 1988, he was appointed the Executive Director of Nerisa, where he remained until 1993. In 1993, he moved to SEAT as the Director of Strategy. In 1995, he played an important role in creating the Instituto Sectorial de Promoción y Gestión de Empresas, S.A. (INSSEC), becoming the Managing Director and remaining in the position until 2010. He is currently Chairman of the Board of Directors of Cie Automotive, S.A. and President of Global Dominion Access, S.A. and a Board Member of Tubacex, S.A.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Total number of independent board members | 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| % of the total board                      | 50.00                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

Indicate if any board member, described as being independent, collects any sum or bonus from the company, or from their own group, from a source other than the board member's compensation, or does or has maintained, during the last financial year, a business relationship with the company or with any company in the group, either in their own name or as a significant shareholder, board member or senior executive of an organisation that does or has maintained this business relationship.

Where applicable, an analytic statement by the board on the reasons why it considers that said director can perform his duties as an independent director will be included.

| Name or company name of the board member | Description of the relationship | Reasoned statement |
|------------------------------------------|---------------------------------|--------------------|
| No data                                  |                                 |                    |

**OTHER EXTERNAL BOARD MEMBERS**

The other external board members will be identified and the reasons why they cannot be considered as proprietary or independent members as well as their links, either with the company, its directors or its shareholders will be detailed:

| Name or company name of the board member | Reasons | Company, Director or shareholder to whom the director is linked | Background |
|------------------------------------------|---------|-----------------------------------------------------------------|------------|
| No data                                  |         |                                                                 |            |

|                                              |     |
|----------------------------------------------|-----|
| Total number of other external board members | N/A |
| % of the total board                         | N/A |

Indicate the fluctuations which, where applicable, occurred during the period in the category of each board member:

| Name or company name of the board member | Date of change | Previous category | Current category |
|------------------------------------------|----------------|-------------------|------------------|
| No data                                  |                |                   |                  |

C.1.4 Complete the following table with information relating to the number of female board members at the close of the past 4 years, as well as the category of each:

|                   | Number of female board members |                  |                  |                  | % of the total board members of each category |                  |                  |                  |
|-------------------|--------------------------------|------------------|------------------|------------------|-----------------------------------------------|------------------|------------------|------------------|
|                   | Fiscal Year 2018               | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 | Fiscal Year 2018                              | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 |
| Female Executives |                                |                  |                  |                  | 0.00                                          | 0.00             | 0.00             | 0.00             |
| Proprietary       |                                |                  |                  |                  | 0.00                                          | 0.00             | 0.00             | 0.00             |
| Independent       | 3                              | 3                | 3                | 1                | 50.00                                         | 50.00            | 42.86            | 20.00            |
| Other External    |                                |                  |                  |                  | 0.00                                          | 0.00             | 0.00             | 0.00             |
| Total             | 3                              | 3                | 3                | 1                | 25.00                                         | 21.43            | 20.00            | 7.69             |

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

- [ ☒ ] Yes  
 [ ☐ ] No  
 [ ☐ ] Partial Policies

If yes, please describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of board members.

In the event that the company does not apply a diversity policy, explain the reasons why.



**Description of policies, objectives, measures and how they have been implemented, including results achieved**

In the Selection of Candidates for Director Policy approved by the Board of Directors in its session of 26 October 2015, among the objectives and principles of candidate selection, it is stipulated that individuals must be selected whose appointment encourages diversity of knowledge, experience and gender within the Board. Likewise, it is stipulated that, as part of candidate selection, efforts will be made to achieve a proper equilibrium on the Board as a whole which improves decision-making and contributes a variety of perspectives to debating the matters under its responsibility.

The Appointments and Remunerations Committee, in its session of 26 October 2015, approved the requirements that candidates for the various classifications of Board Members of Corporación Financiera Alba, S.A. must meet:

1. Executive Board Members will be selected bearing in mind their knowledge of the activities of the company, their professional background and experience, which will be suited to performing executive duties in the company.
2. In order to elect proprietary board members, who are appointed on the proposal of the significant shareholder, gender diversity must be respected, avoiding gender discrimination and candidates must also have a suitable professional background and experience for the company.
3. In the case of independent Board Members, the professional background and experience of the candidate must be taken into account, ensuring that it is different from the other Board members. It is expressly stipulated that gender and nationality or habitual residence are kept in mind if this is relevant for offering the Board a different point of view.

During 2018 the Appointments and Remuneration Committee has made the corresponding follow-up of the Selection of Candidates for Director Policy, without the selection of any new member of the Board of Directors during this year.

- C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female board members and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:**

**Explanation of measures**

In 2015, the Appointments and Remuneration Committee, set the guidelines identified for reaching the target for the presence of Female Board Members on the Board of Directors, which involved:

- Including female candidates in all the Board Member selection processes.
- Including, to the extent possible, a comparable number of candidates of each gender in the selection process.
- When the quality of the candidates is the same, in terms of training and experience, provided the representation target has not been met, the selection of female candidates will be prioritised.

These guidelines were ratified by the Appointments and Remuneration Committee in its meeting of 24 October 2016.

Similarly, in 2015 the Appointments and Remuneration Committee set a target for representation for the least represented gender on the Board of Directors as well as guidelines for reaching this target. In 2016, the Appointments and Remuneration Committee agreed to set, as the target representation for the least represented gender, 30% of all members for 2020.

In 2018, the number of three female Board Members on the Board of Directors was maintained.

**In cases when, where applicable, in spite of the measures adopted, there are few or no female board members, explain the reasons justifying this:**

**Explanation of reasons**

-

- C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for board members. Specifically, explain how this policy is advancing the objective that the number of female board members should represent, at least, 30% of the total number of members on the Board of Directors in 2020.**

The Selection of Candidates for Director Policy of Corporación Financiera Alba was approved by the Board of Directors in its session of 26 October 2015. However, this Policy essentially formalised criteria and practices that were already being followed in the Company for the selection of candidates for Board Members of the Company.

In this regard, the findings of the Appointments and Remuneration Committee concerning the compliance of the Board Member selection process is that the policy has been adequately followed, both in terms of the targets and criteria of the selection process, as well as the procedural aspects and the attributes that the candidates should possess.

Regarding the objective that in 2020 the number of female Directors represent at least 30% of the total number of Board members, it was set at the meeting of the Appointments and

Remuneration Committee of 24 October 2016.

**C.1.8** Explain, where applicable, the reasons proprietary board members were appointed at the request of shareholders whose equity stake is below 3% of the capital:

| Name or company name of the shareholder | Reason |
|-----------------------------------------|--------|
| No data                                 |        |

Indicate if formal requests for presence on the board from shareholders whose equity stake is equal or greater than that of others at whose request proprietary board members were appointed were not granted. Where applicable, explain the reasons why these were not granted:

☐ Yes  
☒ No

**C.1.9** State the powers delegated by the Board of Directors, as the case may be, to board members or Board committees:

| Name or company name of the board member or committee | Brief description                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN               | The managing director has powers that have been delegated and that involve the staff of the company, as well as extensive powers to represent the company, for procurement and for investment and disinvestment, subject to certain limits.                                                             |
| OPERATIONS COMMITTEE                                  | The Operations Committee has delegated the responsibility to adopt investment or divestiture decisions within certain limits, and in case of emergency the adoption of those investment or divestiture decisions that are competition of the Board of Directors, requiring to be ratified by the Board. |

**C.1.10** Identify any members of the Board who are also board members or representatives of board members in other companies of the group of which the listed company is a member:

| Name or company name of the board member   | Company name of the organisation of the group | Position      | Do they have executive-level duties? |
|--------------------------------------------|-----------------------------------------------|---------------|--------------------------------------|
| MR JUAN MARCH JUAN                         | ARTÁ CAPITAL, SGEIC, S.A.U.                   | VICE-CHAIRMAN | YES                                  |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN | DEYÁ CAPITAL, SCR, S.A.U.                     | CHAIRMAN      | NO                                   |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN | ARTÁ CAPITAL, SGEIC, S.A.U.                   | BOARD MEMBER  | NO                                   |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN | ARTA PARTNERS, S.A.                           | CHAIRMAN      | NO                                   |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN | DEYÁ CAPITAL IV, SCR, S.A.U.                  | CHAIRMAN      | NO                                   |
| MR RAMON CARNE CASAS                       | ARTÁ CAPITAL, SGEIC, S.A.U.                   | CHAIRMAN      | YES                                  |
| MR RAMON CARNE CASAS                       | ARTA PARTNERS, S.A.                           | BOARD MEMBER  | NO                                   |
| MR RAMON CARNE CASAS                       | DEYA CAPITAL II SCR, S.A.                     | BOARD MEMBER  | NO                                   |



| Name or company name of the board member | Company name of the organisation of the group | Position        | Do they have executive-level duties? |
|------------------------------------------|-----------------------------------------------|-----------------|--------------------------------------|
| MR JOSE RAMON DEL CAÑO PALOP             | DEYÁ CAPITAL, SCR, S.A.U.                     | BOARD SECRETARY | NO                                   |
| MR JOSE RAMON DEL CAÑO PALOP             | ARTÁ CAPITAL, SGEIC, S.AU.                    | BOARD SECRETARY | NO                                   |
| MR JOSE RAMON DEL CAÑO PALOP             | ARTA PARTNERS, SA                             | BOARD SECRETARY | NO                                   |
| MR JOSE RAMON DEL CAÑO PALOP             | ALBA PATRIMONIO INMOBILIARIO, SAU.            | BOARD MEMBER    | NO                                   |
| MR JOSE RAMON DEL CAÑO PALOP             | DEYÁ CAPITAL IV, SCR, SAU.                    | BOARD SECRETARY | NO                                   |
| MR JOSE RAMON DEL CAÑO PALOP             | ALBA EUROPE, S.A.R.L.                         | BOARD MEMBER    | NO                                   |

C.1.11 List any legal-person board members or legal entity board member representatives of your company who are members of the Board of Directors or legal entity board member representatives of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

| Name or company name of the board member   | Name of the listed company                                                             | Position     |
|--------------------------------------------|----------------------------------------------------------------------------------------|--------------|
| MR JUAN MARCH DE LA LASTRA                 | VISCOFAN, SA                                                                           | BOARD MEMBER |
| MR JUAN MARCH JUAN                         | BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, S.A. | BOARD MEMBER |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN | ACERINOX.S.A.                                                                          | BOARD MEMBER |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN | INDRA SISTEMAS, S.A.                                                                   | BOARD MEMBER |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN | BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, SA   | BOARD MEMBER |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN | CIE AUTOMOTIVE, S.A.                                                                   | BOARD MEMBER |
| MR JOSE DOMINGO DE AMPUERO Y OSMA          | TUBACEX, SA                                                                            | BOARD MEMBER |
| MR JOSE DOMINGO DE AMPUERO Y OSMA          | VISCOFAN, SA                                                                           | CHAIRMAN     |
| MR ANTONIO MARIA PRADERA JAUREGUI          | TUBACEX, SA                                                                            | BOARD MEMBER |
| MR ANTONIO MARIA PRADERA JAUREGUI          | CIE AUTOMOTIVE, S.A.                                                                   | CHAIRMAN     |
| MR ANTONIO MARIA PRADERA JAUREGUI          | GLOBAL DOMINION ACCESS, SA                                                             | CHAIRMAN     |
| MS CRISTINA GARMENDIA MENDIZABAL           | MEDIASET ESPAÑA COMUNICACIÓN, SA.                                                      | BOARD MEMBER |
| MS CRISTINA GARMENDIA MENDIZABAL           | COMPAÑIA DE DISTRIBUCION INTEGRAL LOGISTA HOLDINGS, SA.                                | BOARD MEMBER |

**C.1.12** State whether the company has established rules on the number of boards on which its board members may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

☒ Yes  
☐ No

**Explanation of the rules and identification of the document where this is regulated**

According to the provisions of Article 41 of the Board of Directors Regulation of Corporación Financiera Alba, Board Members must be adequately dedicated to their duties and, to this end, the maximum number of Boards of other companies on which the Board Members may serve is six, even if the Board Members consider all positions on the boards of a single group of companies or organisations in which one of these companies has a significant stake as a single position.

**C.1.13** State the total remuneration received by the Board of Directors:

|                                                                                                 |       |
|-------------------------------------------------------------------------------------------------|-------|
| Remuneration accrued in the year by the Board of Directors (thousands of euros)                 | 3,916 |
| Amount of rights accumulated by current board members in terms of pensions (thousands of euros) |       |
| Amount of rights accumulated by former board members in terms of pensions (thousands of euros)  |       |

According to the Board of Directors Remunerations Policy, of which an amendment was approved by the General Assembly held on 19 June 2017, the remuneration collected by all Board Members, regardless of the type of Board Member, is 65,000 euros per year each. The additional remuneration collected by Co-Presidents is 78,000 euros per year each. The additional remuneration for Board Members who belong to the Audit and Compliance Committee and the Operations Committee is 15,000 euros per year, and for those belonging to the Appointments and Remuneration Committee, to the Operations Committee or to any new committee that is created, is 10,000 euros per year.

There are no "rights accumulated by Board Members in terms of pensions". However, in the Annual Report on Board Member Compensation (Section C.1.a.-iii- Long term savings schemes) the figure of the mathematical provisions which apply on the reference date of the report is included as "accumulated funds".

**C.1.14** Identify senior management staff who are not also executive directors and state their total remuneration accrued during the year:

| Name or company name             | Position(s)  |
|----------------------------------|--------------|
| MR NICOLAS JIMENEZ-UGARTE LUELMO | BOARD MEMBER |
| MR ANDRES ZUNZUNEGUI RUANO       | BOARD MEMBER |
| MR IGNACIO MARTINEZ SANTOS       | BOARD MEMBER |
| MR JAVIER FERNANDEZ ALONSO       | BOARD MEMBER |
| MR CARLOS ORTEGA ARIAS-PAZ       | BOARD MEMBER |

|                                                              |       |
|--------------------------------------------------------------|-------|
| Total senior management compensation (in thousands of euros) | 2,424 |
|--------------------------------------------------------------|-------|

**C.1.15** State whether the Board rules were amended during the year:

☐ Yes  
☒ No

**C.1.16** Specify the procedures for selection, appointment, re-election and removal of board members. Detail the competent bodies, the formalities to be followed and the criteria to be used in each of the procedures.

**Selection and Appointment:**

In relation to the appointment of Directors, the Board approved a selection policy for candidates during its meeting 26-10-2015, in which reference is made to the selection targets and principles, the selection process, the qualities the candidates must have and the limits on applying as a candidate.

Moreover, Article 16 of the Board Regulation contains the following provisions:

1. The Board Members will be appointed by the General Shareholders' Meeting or, on a temporary basis, by the Board.
2. The proposals for Board Member appointments submitted by the Board to the General Shareholders' Meeting and the appointment agreements adopted by this body by virtue of the co-opting powers must respect the provisions of the Regulation with regards to the distribution of Board Members among executives and external Board Members and, among these, between proprietary and independent board members. Likewise, the Board will ensure the selection procedures promote diversity in terms of gender, experience and

knowledge and that they do not include implicit biases which could imply any discrimination.

3. Once there is a vacancy, the Chairman or any Board Member may propose candidates, whose selection will be deliberated by the Board. Proposals for appointment or re-election of Board Members which are made by the Board to the General Assembly, as well as their temporary appointment for co-opting, will be approved by the Board:

a) As proposed by the Appointments and Remuneration Committee, in the case of Independent Directors.

b) Following a report from the Appointments and Remuneration Committee for the remaining Directors.

The proposal must be accompanied by an explanatory report from the Board (for the General Assembly) and from the Appointments and Remuneration Committee.

Re-election:

According to art. 17 of the Regulation of the Board of Directors, the re-election proposals for Board Members which the Board decides to submit to the General Shareholders' Meeting must undergo a formal preparation process, which will include the report from the Appointments and Remuneration Committee and deliberations, by the Board, of the quality of work and dedication to the post during the preceding mandate, whose deliberation will be carried out in the absence of the Board Director affected by the re-election.

Evaluation:

The evaluation process of the Board and its Committees is conducted annually by preparing a questionnaire which is sent to the Board Members and which addresses matters related both to the powers of these bodies and to their actions. The questionnaires are answered by the Board Members and their answers serve as the basis for the Board's assessment, which is prepared by the Appointments and Remuneration Committee and referred to the Board for its approval. Furthermore, based on the recommendations of the Code of Good Governance for Public Companies of the CNMV (Comisión Nacional del Mercado de Valores [National Securities Market Commission]) of 2015, every three years, in addition to completing a questionnaire, the company has the Board assessed by an external consultant, and Board Members are interviewed by the consultant. The last assessment by an external consultant was conducted in 2017 in reference to 2016.

The areas assessed in 2018 were as follows: Corporate Governance in general; composition and diversity of the Board; powers of the Board; frequency of the meetings, progress and attendance at the meetings; dedication of the Board Members; reporting to the Board Members; actions of the Chairman, of the Managing Director and the Secretary of the Board; performance of the Board Members; Committees on the Board; training of the Board Members; application of the Code of Ethics and Conduct and the Internal Regulation for Conduct on the Securities Market and the Criminal and Fraud Prevention Policy.

Termination:

Art. 19 of the Board Regulation contains the following provisions concerning termination of the Board Members:

1. Board Members will leave their position once the period for which they were appointed has passed, or when decided by the General Shareholders' Meeting.

2. Board Members must leave their position vacant for the Board and formalise, if the Board considers this appropriate, the corresponding resignation, in the following cases:

a) When the Board Member reaches 70 years.

b) When they are affected by any of the cases of incompatibility or prohibition provided by law.

c) When affected by circumstances that may impair the company's credit and reputation.

d) When they are seriously admonished by the Audit Committee on the grounds that they violated their obligations as Board Members.

e) When the reasons for which they were appointed are no longer relevant and, specifically, when an Independent Board Member or a Proprietary Board Member loses their respective status.

3. Once external Board Members, both proprietary and independent, have been elected by the General Shareholders' Meeting, the Board will not propose their termination before reaching the statutory period for which they were appointed, except for just cause, deemed as such by the Board itself, and first informing the Appointments and Remuneration Committee.

4. Board Members must inform the Board of the criminal cases in which they are involved as defendants, as well as subsequent procedural events.

If a Board Member was prosecuted or an order to proceed to a public hearing was issued against this Board Member for any of the crimes indicated in article 213 of the LSC (Ley de Sociedades de Capital [Capital Companies Act]), the Board will assess the case as soon as possible and, in light of the specific circumstances, will decide whether or not the Board Member should remain in their position. All this will be reported in the IAGC (Informe Anual de Gobierno Corporativo [Annual Corporate Governance Report]).

5. When a Board Member leaves their position before the end of their mandate, either due to resignation or any other reason, the Board Member will explain the reasons in a letter sent to all members of the Board. Nonetheless, this termination will be reported as a significant event, and the grounds for the termination will be reported in the IAGC.

### **C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:**

#### **Description of changes**

Based on the self-assessment performed by the Board of Directors, changes to the internal organisation or to the procedures applicable to their activities were not considered necessary, without prejudice that some recommendations for improvement were implemented during the 2018 fiscal year.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, from external advisors, regarding the function and composition of the Board and its committees and any other area or aspect that has been evaluated.

#### **Description of the evaluation process and evaluated areas**

The assessment process of the Board and its Committees in 2018 was conducted under the coordination of the Chairman of the Board, with the participation of the Board Members (by answering questions prepared to address this matter), the various Committees (by preparing reports concerning their activities) and the Appointments and Remuneration Committee. The questionnaire sent to the Board Members addresses matters related both to the function and the composition of these bodies and to their actions. The questionnaires were answered by the Board Members and their answers were used for the Board's assessment, which is prepared by the Appointments and Remuneration Committee and referred to the Board for its approval.

The areas assessed were as follows: Corporate Governance in general; composition and diversity of the Board; powers of the Board; frequency of the meetings, progress and attendance at the meetings; dedication of the Board Members; reporting to the Board Members; actions of the Chairman, of the Managing Director and the Secretary of the Board; performance of the Board Members; Committees on the Board; training of the Board Members; application of the Code of Ethics and Conduct and the Internal Regulation for Conduct on the Securities Market and the Criminal and Fraud Prevention Policy.

### **C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external**



advisor or any group company maintains with the company or any company in its group.

-

**C.1.19 State the situations in which board members are required to resign.**

Board Members, according to the provisions of the Board Regulation, must leave their position vacant for the Board and formalise, if the Board considers this appropriate, the corresponding resignation, in the following cases:

- a) When the Board Member reaches 70 years.
- b) When they are affected by any of the cases of incompatibility or prohibition provided by law.
- c) When they are affected by circumstances that could prejudice the credibility and reputation of the company and, specifically, when they are prosecuted for an alleged crime or are undergoing disciplinary proceedings for serious or very serious misconduct brought by the authorities supervising the Securities Market.
- c) When they are seriously admonished by the Audit Committee on the grounds that they violated their obligations as Board Directors, and
- e) When the reasons for which they were appointed are no longer relevant and, specifically, when an Independent Board Member or a Proprietary Board Member loses their respective status.

**C.1.20 Are qualified majorities other than those established by law required for any specific decision?**

- ☐ Yes  
☒ No

If so, please describe any differences.

**C.1.21 Explain whether there are any specific requirements, other than those relating to board members, to be appointed as chairman of the Board of Directors:**

- ☐ Yes  
☒ No

**C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of board members:**

- ☐ Yes  
☒ No

As a general rule for all Board Members, when they reach 70 years of age, they must make their position available to the Board, and the Board may ask them to formalise their resignation.

**C.1.23 State whether the Articles of Association or the Board Rules establish any term limits or any other stricter requirements for independent board members in addition to those required by law:**

- ☐ Yes  
☒ No

**C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a board member may have, as well as if any limit regarding the category of board member to whom votes may be delegated and whether a board member is required to delegate to a board member of the same category. If so, please briefly describe the rules.**

Board Members may delegate their representation and voting rights to another Board Member in the event that they are absent at the Board's sessions. These rights must be delegated in a letter sent to the Chairman.

A maximum number of proxies per Board Member has not been established. Non-executive Board Members may only delegate their representation rights to another non-executive Board Member.

**C.1.25 State the number of meetings held by the Board of Directors during the year. Also indicate, where applicable, occasions when the board met without the Chairman in attendance. Board Members represented with specific instructions will be counted as being in attendance.**



|                                                                        |   |
|------------------------------------------------------------------------|---|
| Number of meetings of the board                                        | 9 |
| Number of meetings of the board without the attendance of the Chairman | 0 |

Also indicate, where applicable, occasions when the board met without the Chairman in attendance. Board Members represented with specific instructions will be counted as being in attendance.

State the number of meetings held by the coordinating board member with the other board members, where there was neither attendance nor representation of any executive director:

|                                 |   |
|---------------------------------|---|
| Number of meetings of the board | 1 |
|---------------------------------|---|

Indicate the number of meetings held during the financial year by the various committees of the board:

|                                                                        |   |
|------------------------------------------------------------------------|---|
| Number of meetings held by the AUDIT AND COMPLIANCE COMMITTEE          | 8 |
| Number of meetings held by the APPOINTMENTS AND REMUNERATION COMMITTEE | 7 |
| Number of meetings held by the OPERATIONS COMMITTEE                    | 3 |
| Number of meetings held by the INVESTMENT MONITORING COMMITTEE         | 4 |

C.1.26 State the number of meetings held by the Board of Directors during the year and the data on its members' attendance:

|                                                                                                                                                    |        |
|----------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Number of meetings with physical attendance by at least 80% of board members                                                                       | 9      |
| % face-to-face attendance based on total votes during the financial year                                                                           | 96.55  |
| Number of meetings with face-to-face attendance, or representations made with specific instructions, from all board members                        | 9      |
| % of votes issued with face-to-face attendance and representations made with specific instructions about the total number of votes during the year | 100.00 |

Of the Members on the Board of Directors, nine Board Members attended all the meetings, two missed only one meeting, and only one missed two meetings. In each case, those absent delegated representation to another Board Member, with instructions. On the other hand, it is also worth mentioning that no meeting was held with this body in the absence of the Chairman or the Managing Director.

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

[ ✓ ] Yes  
[ ] No

Identify, where applicable, the person or people that certified the company's individual and consolidated annual accounts for presentation to the board:

| Name                                          | Position                   |
|-----------------------------------------------|----------------------------|
| MR SANTOS MARTINEZ-CONDE<br>GUTIERREZ-BARQUIN | CHIEF EXECUTIVE<br>OFFICER |
| MR IGNACIO MARTINEZ SANTOS                    | CHIEF FINANCIAL OFFICER    |

**C.1.28** Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

Among its various functions, the Audit and Compliance Committee liaises with the External Auditors and, as part of this work, it must monitor that the opinion of the audit report on the annual accounts does not contain any kind of reservations. The audit reports concerning the company's annual accounts have never contained reservations.

**C.1.29** Is the secretary of the Board also a board member?

☒ Yes  
☐ No

If the secretary is not a board member, please complete the following table:

**C.1.30** State, the specific measures established by the company to ensure the independence of its external auditors, as well as, if any, the measures to preserve the independence of the financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

It is the responsibility of the Audit and Compliance Committee, among other tasks and according to the Law, to ensure the independence of external Auditors and, especially, to receive information concerning matters which could jeopardise their independence.

In this sense, the Audit and Compliance Committee is responsible for the selection process of the auditors and to receive written confirmation of the auditors on their independence and to issue a report on the Committee's opinion in this regard. It also authorises the provision of services other than legal audit in accordance with the Policy on the External Auditor's Provision of Services other than the Legal Audit that it approved in 2017.

On the other hand, the Company fully respects, as it respects to it, the prohibitions and incompatibilities stipulated in the Audit Law, after the promulgation of Law 22/2015 of 20 June.

With regards to financial analysts and investment banks, at this time, there is no established procedure aimed at guaranteeing the independence of these bodies, though the company has always acted transparently with them.

With regards to rating agencies, this is not applicable as at this time there is no relationship with any of them.

**C.1.31** State whether, during the fiscal year, the Company has changed its external auditor. Where applicable, identify the incoming and outgoing auditor:

☐ Yes  
☒ No

In the event that there were disagreements with the outgoing auditor, explain these disagreements:

☐ Yes  
☒ No

**C.1.32** State whether the audit firm performs other tasks for the company and/or its group other than auditing assignments and, if so, declare the sum of the fees received for these tasks and the percentage this represents of the fees invoiced to the company and/or its group:

☒ Yes  
☐ No

|                                                                                  | Company | Group companies | Total |
|----------------------------------------------------------------------------------|---------|-----------------|-------|
| Amount of assignments other than auditing (thousands of euros)                   | 12      | 0               | 12    |
| Amount of assignments other than auditing/ amount of auditing assignments (in %) | 23.07   | 0.00            | 11.32 |

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to the shareholders at the General Shareholders' Meeting to explain the content and extent of the aforementioned qualified opinion or reservations.

☐ Yes  
☒ No

C.1.34 State the number of consecutive years the current audit firm has been auditing the individual and/or consolidated financial statements of the company. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

|                                         | Individual | Consolidated |
|-----------------------------------------|------------|--------------|
| Number of uninterrupted financial years | 2          | 2            |

  

|                                                                                                                                            | Individual | Consolidated |
|--------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------|
| No. of financial years audited by the current audit firm/No. of financial years for which the company or its group has been audited (in %) | 6.06       | 6.06         |

C.1.35 State whether there is a procedure whereby board members have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

☒ Yes  
☐ No

#### Explanation of procedure

It is the responsibility of the Chairman, Chief Executive Officer and the Board Secretary to prepare and facilitate the rest of the Directors all information necessary for the adoption of the proposed agreements in the agenda of each Board of Directors meeting, in advance of at least three business days from the date of the respective meeting.

Furthermore, the board members have a duty to request and the right to collect from the Company the appropriate and necessary information for the fulfilment of its obligations and shall be channelled through the Chairman. They may also obtain any advice they may need about any aspect of the Company. This is channelled through the Chairman.

The External Board Members may mutually agree on the engagement of the expert Company, which shall be communicated to the Company President and shall be implemented by the Managing Director, and may be vetoed by a majority of two-thirds of the Board if it is not deemed accurate for the performance of its duties or is not reasonable.

In the Audit and Compliance Committee, the Secretary shall provide its members with the resources and documentation to fulfil their duties and it is also anticipated that external information and advice may be collected on any aspect of the Company, in this latter case by prior communication and approval by the Chairman, which will not be rejected except for justified reasons.

C.1.36 State whether the company has established rules whereby board members must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation:

☒ Yes  
☐ No

**Explain the rules**

Board Members must inform the Board of the criminal cases in which they are involved as defendants, as well as subsequent procedural events.

If a Board Member is prosecuted or an order to proceed to a public hearing was issued against this Board Member for any of the crimes indicated in article 213 of the Capital Companies Act, the Board will assess the case as soon as possible and, in light of the specific circumstances, will decide whether or not the Board Member should remain in their position. All this will be reported, in a logical manner, in the Annual Corporate Governance Report.

**C.1.37** State whether any member of the Board of Directors has notified the company that he/she has been tried or notified that legal proceedings have been filed against him/her, for any offences described in Article 213 of the LSC:

[ ] Yes  
[✓] No

**C.1.38** Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The company has not adopted any agreement coming into force in case of a change of control of the company as a result of a takeover bid.

**C.1.39** Identify individually for board member, and generally in other cases, and provide detail of any agreements made between the company and its board members, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

| Number of beneficiaries               | 12                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type of beneficiary                   | Description of the agreement                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Executive Board Members and Directors | The compensation payable in the event that the relationship with the Directors and Board Members performing executive duties at Corporación Financiera Alba, S.A. ends, at the request of the Company, will not be below the fund established or mathematical provision as a pension supplement or the amount of a one-year instalment of all the compensation items, plus one twelfth of this yearly instalment for each year that passed since the date of seniority at the group, whichever is greater. |

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

|                                                  | Board of Directors | General assembly |
|--------------------------------------------------|--------------------|------------------|
| Body authorising the clauses                     | ✓                  |                  |
|                                                  | Yes                | No               |
| Is the general assembly informed of the clauses? | ✓                  |                  |

The contracts that must be approved by the company's bodies are those of the executive Board Members. In the Board of Directors Remuneration Policy approved by the General Shareholders' Meeting of 18 June 2018, there is still a section concerning the basic conditions of the contracts of these Board Members, including a section concerning compensation for early cancellation or termination of the contractual relationship between the company and the Board Member

However, according to the provisions of article 249 bis. h) and 529 quincecies 3.e) and g) of the Capital Companies Act, as well as articles 5.2.1. h) and 36. e) and g) of the Regulation of the Board of Directors of Corporación Financiera Alba, S.A., it is the responsibility of the Board of Directors, after informing the Appointments and Remunerations Committee, to appoint and dismiss Directors who reported directly to the Board or any of its members, as well as establishing the basic condition of their contracts and the compensation policy applicable to these Directors. The Board of Directors of Corporación Financiera Alba, S.A., in its meeting of 18 June 2018, approved the basic conditions and



the Remuneration Policy for the Directors of the Company, following the Remuneration Policy of the Board of Directors approved by the General Shareholders' Meeting on that same date.

## C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external board members that comprise them:

| AUDIT AND COMPLIANCE COMMITTEE |          |             |
|--------------------------------|----------|-------------|
| Name                           | Position | Category    |
| MR CARLOS GONZALEZ FERNANDEZ   | CHAIRMAN | Independent |
| MS CLAUDIA PICKHOLZ            | MEMBER   | Independent |
| MS MARÍA EUGENIA GIRÓN DAVILA  | MEMBER   | Independent |

  

|                                   |        |
|-----------------------------------|--------|
| % executive board members         | 0.00   |
| % of proprietary board members    | 0.00   |
| % of independent board members    | 100.00 |
| % of other external board members | 0.00   |

In 2018, faced with the departure a member of the Audit and Compliance Committee, the substitution system agreed by the Board of Directors in its meeting of 19 June 2017 was used.

Explain the duties exercised by this committee, other than those that are established by law, and describe the rules and procedures it follows for its organisation and operation. For each one of these duties, briefly describe its most important actions during the year and how it has exercised in practice each of the duties attributed thereto by law, in the articles of association or other corporate resolutions.

Since 2017 (Recommendation 19 of the CNMV Technical Guide 3/2017) the Audit and Compliance Committee has its Regulation.

a) Duties: 1. Informs the General Shareholders' Meeting about issues in relation to matters within its competence and, in particular, the result of the audit and how this has contributed to the integrity of the financial information and its function in that process. 2. Supervises the effectiveness of the company's internal control, internal audit and risk management systems, discussing with the auditor any significant weaknesses in the internal control system detected in the audit, without impinging upon their independence, and may present recommendations or proposals to the Board and timeframes for monitoring it. 3. Oversees the development and presentation of financial information, and submits recommendations or proposals to the Board to safeguard its integrity. 4. Refers proposals for selection, appointment, re-election and replacement of the accounts auditor to the Board, and is responsible for the selection process, the conditions for its procurement and gathers information concerning the audit plan and its execution from the auditor, in addition to preserving the auditor's independence in the exercise of their duties. 5. Establishes appropriate relations with the external auditor in order to receive information concerning matters that could threaten its independence, for examination by the Committee, and any other Committee involved in the account audit process, as well as on the authorisation of services, other than those prohibited, in the independence system, as well as other communications provided in account auditing legislation and in audit standards. Receives annually the declaration of their independence from the external auditors in relation to the entity or entities linked to it directly or indirectly, and the detailed and individualised information of the additional services of any kind rendered and the corresponding fees received. 6. Issues annually, prior to the account audit report, an opinion report on whether the independence of auditor of accounts or companies is compromised, and with the assessment of the provision of the additional services referred, individually considered and collectively, and in relation to the regime of independence or the regulation of the auditing activity. 7. Informs the Board in advance about the matters set forth in the Law, articles of association and Board Rules, and in particular, the financial information to be published periodically; the creation or acquisition of interests in special purpose entities or domiciled in countries or territories that are considered tax havens; and related parties. 8. Supervises the compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy.

b) Composition and organisation: A minimum of 3 and up to 5 members, chosen between external or non-executive board members. Most must be Independent Directors, as well as the Chairperson, and one of them, at least, designated in consideration of accounting and auditing. As a whole, it will have relevant technical knowledge concerning the area of activity of the Company. Its Secretary will be from the Board, whether or not he/she is a member. Substitutes may be appointed from among the cited Board Members, in case of vacancies, absences or conflicts of interest. The post lasts until the mandate as board member is terminated, and there is a possibility of re-election. It will be summoned in advance with a minimum of five days' notice and will include the agenda. For it to be validly in session, the majority of its members, present or represented, may be convened and represented by another member. Agreements are adopted based on a majority of those present or represented. The Chairperson has a vote in the event of a tie. It periodically informs the Board, via its Chairperson, of its activities, and advises and proposes measures within the scope of their duties.

c) Actions: In 2018, it had 3 members and held 8 meetings. During 2018, the following Committee actions are highlighted in the following areas: 1. Review of periodic financial information: it made suggestions and intended to publish them on the Company's website. 2. External audit and relations with the auditors: it was briefed on Annual Accounts for the year, about the review of the first half of 2018 financial statements and the 2018 audit planning. It assessed the external auditor and reported on its independence. 3. Risk identification and internal control system: Six meetings addressed risk management and monitoring, examining follow-up reports, or being informed by the company's persons in charge of risk management. 4. Internal audit: It approved its Activities Plan for 2018, was informed of its duties and reported to the Board as well as the follow-up of the SCIIF. Evaluated the Internal Audit Service. 5. Review of non-financial information: It favourably reported the Sustainability Report 2017. 6. Regulatory compliance and others: It was informed of the adaptation to the new Data Protection Regulation. It strongly reported the new Code of Ethics and Conduct and the Compliance Function Charter. Examined Compliance Follow-up reports. Monitored the effectiveness of the Crime Prevention Model. Issued the Related Operations Report in 2017 and examined the Annual Corporate Governance Report project. It assessed its performance in 2017, without changes in the internal organisation and company procedures. Its action report is published with the summoning of the General Shareholders' Meeting.

Identify the board members who are member of the audit committee and have been appointed taking into account their

knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

|                                        |                              |
|----------------------------------------|------------------------------|
| Names of board members with experience | MR CARLOS GONZALEZ FERNANDEZ |
| Date of appointment of the chairperson | 30/09/2015                   |

| APPOINTMENTS AND REMUNERATION COMMITTEE |          |             |
|-----------------------------------------|----------|-------------|
| Name                                    | Position | Category    |
| MS CRISTINA GARMENDIA MENDIZABAL        | CHAIRMAN | Independent |
| MS MARÍA EUGENIA GIRÓN DAVILA           | MEMBER   | Independent |
| MR CARLOS MARCH DELGADO                 | MEMBER   | Proprietary |

|                                   |       |
|-----------------------------------|-------|
| % executive board members         | 0.00  |
| % of proprietary board members    | 33.33 |
| % of independent board members    | 66.67 |
| % of other external board members | 0.00  |

Explain the duties exercised by this committee, other than those that are established by law, and describe the rules and procedures it follows for its organisation and operation. For each one of these duties, briefly describe its most important actions during the year and how it has exercise in practice each of the duties attributed thereto by law, in the articles of association or other corporate resolutions.

a) Duties.

According to the provisions of the Board Regulation, the main duties of the Appointments and Remuneration Committee are as follows:

- Assessing the skills, knowledge and experience needed on the Board of Directors. To this end, it will define the duties and abilities needed in the candidates who must fill vacant positions and will assess the time and dedication needed so that they can efficiently perform their tasks.
- Establish a representation target for the least represented gender on the board of directors and prepare guidelines on how to reach this target.
- Refer proposals for the appointment of independent Board Members to the Board of Directors, for their appointment by co-opting, or to submit them for a decision by the General Shareholders' Assembly, as well as proposals for re-election or dismissal of these board members by the General Shareholders' Meeting.
- Announce proposals for the appointment of remaining Board Members for their appointment by co-opting or to submit them for a decision by the General Shareholders' Meeting, as well as proposals for re-election or dismissal of these board members by the General Shareholders' Meeting.
- Announce proposals for the appointment and dismissal of senior executives and the basic conditions of their contracts.
- Examine and organise the succession of the Chairman of the Board of Directors and the company's top executive and, where applicable, make proposals to the board of directors so that this succession occurs in an orderly and organised fashion.
- Propose, to the Board of Directors, the remuneration policy for the board members and general directors, or individuals performing senior management duties, reporting directly to the Board, Executive Committees or Managing Directors, and individual compensation and other contractual conditions of the executive Board Members, ensuring these are observed.
- Periodically review the remuneration policy applied to Board Members and senior executives, including share-based remuneration systems and their application, in addition to guaranteeing that their individual remuneration is proportional to what is paid to other Board Members and senior executives of the company.
- Announce the appointment and separation proposal for the Secretary of the Board.
- Examine the information provided by the Board Members concerning their other professional obligations, in case these interfere with the level of dedication required.
- Review the ranking of the Board Members on an annual basis.
- Check information concerning the remuneration of Board Members and senior executives contained in the various corporate documents, including the annual report concerning Board Member remuneration, and ensure the compensation is transparent and that it is included in the Annual Report of information concerning Board Members' compensation.
- Ensure any conflicts of interest do not jeopardise the independence of the external advice provided to the Committee.

b) Composition and organisation

The Appointments and Remuneration Committee will be comprised of a minimum of three and a maximum of five Board Members, all external or non-executive, appointed by the Board of Directors from among its members. At least two of its members will be independent board members. The Board will appoint the Chairman. The Board Secretary will act as the Secretary. The Board may also appoint substitutes from among the Board Member categories indicated, in case of vacancies, absences or conflicts of interest.

The duration of the position will be for the period remaining up until the termination of the mandate as a Board Member, however re-election is possible.

The Committee will meet as many times as it is convened based on an agreement of the Committee or its Chairman and at least once per year.

Valid establishment requires that the majority of its members to be present or represented. Each Committee member may confer his/her rights of representation to another member.

Agreements will be adopted based on a majority of members that are present or represented. In case of a draw, the Chairman will have a casting vote.

c) Actions:

In 2018, the Appointments and Remuneration Committee was comprised of three members and met seven times.

The Appointments and Remuneration Committee has made proposals and has issued reports concerning the matters falling under its responsibility. Thus, during 2018 it reported the following issues: review of the remuneration of the Executive Directors and the Directors; the Remuneration Policy followed in 2017, the Annual Remuneration Report for that year, and the transparency of information on the Remuneration of the Directors in the Annual Accounts; the new Directors' Remuneration Policy applicable since July 2018 and the establishment of a variable remuneration plan; Directors' renewal, Directors' category, composition of Committees, and new members and renewals; the Board's self-assessment in 2017 and the Committee's activity in that year; the new Basic Terms and Conditions of the Contracts and the Remuneration Policy of the Directors. A summary of its activities is included in the corresponding report on the actions of the Appointments and Remuneration Committee, which is made public with the call to meeting of the company's General Shareholders' Meeting.

| OPERATIONS COMMITTEE                       |          |             |
|--------------------------------------------|----------|-------------|
| Name                                       | Position | Category    |
| MR ANTONIO MARIA PRADERA JAUREGUI          | CHAIRMAN | Independent |
| MR CARLOS GONZALEZ FERNANDEZ               | MEMBER   | Independent |
| MS MARÍA EUGENIA GIRÓN DAVILA              | MEMBER   | Independent |
| MR JUAN MARCH DE LA LASTRA                 | MEMBER   | Executive   |
| MR JUAN MARCH JUAN                         | MEMBER   | Executive   |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN | MEMBER   | Executive   |

|                                   |       |
|-----------------------------------|-------|
| % executive board members         | 50.00 |
| % of proprietary board members    | 0.00  |
| % of independent board members    | 50.00 |
| % of other external board members | 0.00  |

Explain the duties assigned to this committee, describe the procedures and rules for organisation and operation of the committee. For each one of these duties, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the articles of association or other corporate resolutions.

a) Duties

The Operations Committee will be given the following duties:

- Reporting on the Company's investment strategy.
- Reporting on the investment or disinvestment decision which fall under the responsibility of the Board of Directors in a plenary session. Investments or disinvestments of more than 200 million euros are considered to fall under the responsibility of the Board of Directors in a plenary session.
- Make investment and disinvestment decisions when these exceed the following amounts, and the amount provided in the section above is not reached:
  - (i) Investment or disinvestments in securities issued by entities which, at all times, form a direct or indirect part of the securities portfolio: 25 million euros.
  - (i) Investments in securities issued by entities which do not form a direct or indirect part of the securities portfolio: 10 million euros.
  - (iii) Property investments or disinvestments: 25 million euros.
- Make investment or disinvestment decisions which fall under the responsibility of the Board of Directors, in a plenary session, in emergencies. These decisions must be ratified by the Board of Directors in the first session of the Board held after adoption of the decision.
- Any other duties related with matters falling under its responsibility which are requested by the Board of Directors or by its Chairperson.

b) Composition and organisation

The Operations Committee will be comprised of a minimum of three and a maximum of six Board Members appointed by the Board of Directors and who have the knowledge, abilities and experience of the Board Members and the tasks of the Committee. And other Board Member who so desires may attend the session's Committee and may have a voice but no vote.

The Board of Directors will appoint the Chairman of the Committee from among its members and the Secretary of the Board of Directors or, failing this, the person appointed by the Committee for each session will act as the non-member Secretary.

The duration of the mandate of the members of this Committee will be of two years, unless the period remaining until termination of the mandate as a Board Member is less than two years, in which case the duration of the mandate will be the same as this period. Board Members may be re-elected to the position.

The Operations Committee will meet as many times as it is convened, based on an agreement of the Committee itself or its Chairman, with at least 24 hours' notice. Any person in the Company that the Committee considers appropriate may be. The meetings of the Operations Committee will normally take place at the corporate office, but can also be held in any other location determined by the Chairman and indicated in the call to meeting. Meetings may also be held by conference call or video conference, provided the Board Members



have the technical resources required and no Board Member opposes this.

Likewise, in order to better perform its duties, the Committee may solicit the advice of external professionals, first informing the Chairman of the Board of Directors and receiving the Chairman's approval.

The valid establishment of the Committee requires the majority of its members to be present or represented at the meeting. Each Committee member may confer his/her rights of representation to another member. This power of representation must be granted in writing. A fax or email sent to the Chairman of the Committee will be acceptable.

Agreements will be adopted based on a majority of members that are present or represented. In case of a draw, the Chairman will have a casting vote.

The Secretary of the Committee will prepare minutes of each of the sessions held which will be approved in the same session or the session immediately after. A copy of the minutes of the sessions will be sent to all Board Members.

**c) Additional regulation**

Matters not specifically stipulated by other provisions and which concern the operation of the Operations Committee itself may be regulated by the Operations Committee. The provisions of the Regulation of the Board of Directors concerning operation of the Board are also, in addition, applicable.

**d) Actions**

On 31 December 2018, the Operations Committee was comprised of six members, and had met on three occasions in 2018.

The Exchange Committee, within the scope of its competencies reported the Company's Investment Policy, and during 2018 it approved a proposed investment in a publicly traded company as well as increased shareholdings in some of its participated companies. A summary of its activities is included in the corresponding report on the actions of the Exchange Committee, which is made public at the General Shareholders' Meeting.

**INVESTMENT MONITORING COMMITTEE**

| Name                                       | Position | Category    |
|--------------------------------------------|----------|-------------|
| MR JOSE DOMINGO DE AMPUERO Y OSMA          | CHAIRMAN | Independent |
| MS CRISTINA GARMENDIA MENDIZABAL           | MEMBER   | Independent |
| MS CLAUDIA PICKHOLZ                        | MEMBER   | Independent |
| MR JUAN MARCH DE LA LASTRA                 | MEMBER   | Executive   |
| MR JUAN MARCH JUAN                         | MEMBER   | Executive   |
| MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN | MEMBER   | Executive   |

|                                   |       |
|-----------------------------------|-------|
| % executive board members         | 50.00 |
| % of proprietary board members    | 0.00  |
| % of independent board members    | 50.00 |
| % of other external board members | 0.00  |

Explain the duties assigned to this committee, describe the procedures and rules for organisation and operation of the committee. For each one of these duties, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the articles of association or other corporate resolutions.

**a) Duties**

As provided by the Board of Directors in its resolution of constitution, adopted on 27 March 2017, the Investment Monitoring Committee has the following functions:

- Receiving information concerning changes in the entities in which Corporación Financiera Alba, S.A. has an ownership interest, with a view to tracking its strategy, compliance with its business plans and budgets and general changes to the entities and their sectors.
- Tracking the investments made in order to check that they comply with the targets and principles of the Investment Policy approved by the Board of Directors.
- Analysis and assessment of significant milestones, both internal and external, affecting the value of the entities in which the company has an ownership interest and their activities, as well as tracking exceptional events or situations which could have a significant impact on the entities and the main decisions made by their management bodies.
- Measures or decisions proposed which are considered fitting for optimising the profitability of the investments.

**b) Composition and organisation**

The Investment Monitoring Committee will be comprised of a minimum of three and a maximum of six Board Members who have the knowledge, abilities and experience of the Board Members and the tasks of the Committee. The Board will appoint the Chairman of the Committee and the Secretary of the Board of Directors or, failing this, the person appointed by the Committee for each session will act as the non-member Secretary.

The duration of the position will be for the period remaining up until termination of the mandate as a Board Member, however re-election is possible.

The Investment Monitoring Committee will meet as many times as it is convened based on an agreement of the Committee or its Chairperson.

Valid establishment of the Committee requires the majority of its members to be present or represented at the meeting. Each Committee member may confer his/her rights of



representation to another member.

Agreements will be adopted based on a majority of members that are present or represented. In case of a draw, the Chairman will have a casting vote.

c) Additional regulation

Matters not specifically stipulated by other provisions and which concern the operation of the Investment Monitoring Committee itself may be regulated by the Investment Monitoring Committee. The provisions of the Regulation of the Board of Directors concerning operation of the Board are also, applicable in addition.

d) Actions

As at 31 December 2018, the Investment Track Committee was composed of six members and convened four times throughout the year.

The Investment Monitoring Committee has reported on matters falling under its responsibility. Thus, during 2018, it examined investments in five unlisted companies and a publicly traded company in the investment portfolio, and analysed the Committee's operations, establishing criteria for tracking investments. A summary of its activities is included in the corresponding report on the actions of the Investment Monitoring Committee, which is made public with the call to meeting of the General Shareholders' Meeting.

**C.2.2 Complete the following table with information concerning the number of female board members on the committees of the Board of Directors at the close of the last four financial years:**

|                                         | Number of female board members |       |                  |       |                  |       |                  |       |
|-----------------------------------------|--------------------------------|-------|------------------|-------|------------------|-------|------------------|-------|
|                                         | Fiscal Year 2018               |       | Fiscal Year 2017 |       | Fiscal Year 2016 |       | Fiscal Year 2015 |       |
|                                         | Number                         | %     | Number           | %     | Number           | %     | Number           | %     |
| AUDIT AND COMPLIANCE COMMITTEE          | 2                              | 66.66 | 1                | 33.33 | 1                | 33.33 | 1                | 33.33 |
| APPOINTMENTS AND REMUNERATION COMMITTEE | 2                              | 66.66 | 2                | 66.66 | 1                | 33.33 | 1                | 33.33 |
| EXCHANGE COMMITTEE                      | 1                              | 16.66 | 1                | 16.66 | 2                | 33.33 | 1                | 20.00 |
| INVESTMENT MONITORING COMMITTEE         | 2                              | 33.33 | 2                | 33.33 | N/A              | N/A   | N/A              | N/A   |

**C.2.3 State, where applicable, the existence of regulation for the committees of the board, the location where they may be consulted and the amendments made during the financial year. In turn, an indication will be given as to whether any annual report concerning the activities of each committee was voluntarily prepared.**

The regulation of the Audit and Compliance Committee is contained in the Regulation of the Board of Directors and in its own regulation, which was approved by the Board of Directors in its meeting of 23 October 2017, following Recommendation number 19 of the Technical Guide of the CNMV 3/2017 concerning Audit Committees in Public Interest Entities.

The regulation of the Appointments and Remuneration Committee is included in articles 35 and 36 of the Regulation of the Board of Directors.

The regulation of the Operations Committee is contained in the resolution creating and delegating the powers of this Committee, adopted at the meeting held on 23 March 2015.

The regulation of the Investment Monitoring Committee is contained in its founding resolution, adopted in a session of 27 March 2017.

The Regulations of the Board of Directors and the Audit and Compliance Committee are available on the company's website ([www.corporacionalba.es](http://www.corporacionalba.es)) as well as at the company's headquarters.

The resolution creating and delegating the powers of the Operations Committee is registered with the Commercial Register.

The Audit and Compliance Committee, Appointments and Remuneration Committee, Operations Committee and Investment Monitoring Committee submitted a report on their activities in the previous year.

## D. RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

- D.1.** Explain, where applicable, the procedure and competent bodies for approving transactions with related parties and intragroup transactions.

Report of the Audit and Compliance Committee and approval by the Board of Directors.

- D.2.** Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

| Name or company name of the significant shareholder | Name or business name of the company or entity of its group | Nature of the relationship | Type of transaction                   | Amount (thousands of euros) |
|-----------------------------------------------------|-------------------------------------------------------------|----------------------------|---------------------------------------|-----------------------------|
| BANCA MARCH, S.A.                                   | CORPORACIÓN FINANCIERA ALBA, S.A                            | Corporate                  | Dividends and other gains distributed | 11,661                      |
| BANCA MARCH, S.A.                                   | ARTÁ CAPITAL, SGEIC, S.A.U.                                 | Contractual                | Other                                 | 707                         |

All transactions made with Banca March, S A. constitute the company's ordinary traffic and are performed under normal market conditions.

- D.3.** Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and board members or directors of the company:

| Name or company name of board members or managers | Name or company name of the related party | Relationship | Type of transaction | Amount (thousands of euros) |
|---------------------------------------------------|-------------------------------------------|--------------|---------------------|-----------------------------|
| No data                                           |                                           |              |                     | N/A                         |

- D.4.** Report any significant transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, any intragroup transaction made with entities established in countries or territories that are considered a tax haven will be reported:

| Company name of the organisation in the group     | Brief description of the transaction | Amount (thousands of euros) |
|---------------------------------------------------|--------------------------------------|-----------------------------|
| MARCH ASSET MANAGEMENT, SGIIC, SA                 | OPERATIONAL LEASE AGREEMENT          | 193                         |
| MARCH-JLT, CORREDURIA DE SEGUROS Y REASEGUROS, SA | PROVISION OF SERVICES                | 2,033                       |
| MARCH VIDA, SA DE SEGUROS Y REASEGUROS            | INSURANCE PREMIUMS                   | 808                         |
| MARCH GESTION DE PENSIONES, SGFP, SA              | OPERATIONAL LEASE AGREEMENT          | 48                          |
| FUNDACIÓN JUAN                                    | Partnership agreement                | 300                         |

|       |  |  |
|-------|--|--|
| MARCH |  |  |
|-------|--|--|

- D.5.** State the amount of any transactions conducted with the company or entities of the group or other related parties that have not been reported in the previous sections:

| Company name of the related party | Brief description of the transaction | Amount (thousands of euros) |
|-----------------------------------|--------------------------------------|-----------------------------|
| No data                           |                                      | N/A                         |

- D.6.** Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its board members, senior management or significant shareholders.

According to the provisions of the Board Regulation, Board Members cannot directly or indirectly make professional or commercial transactions with the entity or with any of its subsidiary Companies, unless they inform the Board of Directors of these subsidiaries in advance and the Board of Directors, first informing the Audit and Compliance Committee, approves the transaction.

On the other hand, in the event of public requests to delegate voting powers made by the Board of Directors or any of its members, the direction in which the representative will vote must be indicated in the event that no instructions have been given by the shareholder. Furthermore, in case of a public request to delegate voting powers, the Director cannot exercise the voting power for the shares represented concerning matters on the agenda where there is a conflict of interest.

- D.7.** Is there more than one company in the group listed in Spain?

☐ Yes  
☒ No

## **E. RISK MANAGEMENT AND CONTROL SYSTEMS**

### **E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk:**

The ALBA Group has defined an Integrated Risk Management System which focuses mainly on:

- Enabling the identification and proactive and efficient assessment of Company risks, as well as monitoring and continually tracking these risks.
- Integrating, coordinating and directing the various efforts which, in terms of risk management, the company is performing.
- Achieving reasonable risk acceptance and reinforcing the responsibility of employees of the Company.
- Ensuring the control systems are aligned with the real risks of the Company.
- Facilitating and streamlining the application of corrective measures.

This Integrated Risk Management System was implemented at a corporate level to mitigate the risks encountered by the Group, given the nature and degree of complexity of its transactions and the environment in which it operates. This System unites three key components:

(i) Continued Risk Management process, understood as those activities performed by all individuals in the Company under the supervision of the Audit and Compliance Committee that are focussed on identifying those potential risk events that could affect it, managing the risks identified and ensuring reasonable security in achieving the company's targets.

By way of a summary, the continued risk management process involves performing the following activities:

- Identifying and assessing the risks that could affect the Company.
- Determine the level of risk that is can be tolerated, by defining key risk indicators (KRIs) for each critical risk and establishing tolerance levels for these risks.
- Identifying checks.
- Identifying the processes in which these risks and controls occur.
- Assessing the effectiveness of the checks in mitigating the risks identified.
- Design and implementation of action plans, as a response to the risks.

In this regard, the Alba Group has prepared the company's Risk Map, which shows, the company's key risks based on their impact and probability. In order for this map to effectively become a management tool that allows the company to make informed decisions, the map is reviewed and updated periodically to adjust it to the Company's current circumstances. In 2017, the company's Risk Map was updated, in accordance with the Audit and Compliance Committee as well as the Board of Directors. In 2018, the Risk Map was revised by concluding that the assessment of critical risks accurately reflects ALBA's situation, and no modification or update is necessary.

Likewise, the Company has prepared Risk Indexes for the most critical risks, identifying the key risk indicators with their corresponding tolerance levels, the checks associated and, where applicable, the action plans to be implemented. These Indexes allow the Company to periodically assess and monitor its risks and to determine the most appropriate response to these risks.

(ii) An organisational focus, with clearly defined and communicated roles and responsibilities. Full risk management affects all staff of the Company, as a result, it is vital to establish an organisational focus on risk management that is suited to the organisational structure and the Company's corporate culture.

Though the Integrated Risk Management System affects and involves all Company staff, the main participants, as are described in the next section (E 2), are as follows: risk managers, the Risk Control and Management Department, the Audit and Compliance Committee and the Board of Directors.

(iii) A tracking model, which identifies and provides the crucial information needed so that all those involved in the risk management process can make informed decisions concerning the risks.

This tracking model is cross-sectional as it allows the System to behave dynamically and, above all, to anticipate risks, rendering risk management and control, within the limits set by the Company, possible.

These components combine to form a model which allows appropriate management of risks and checks to mitigate risks at a corporate level.

### **E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.**

The Alba Group's Integrated Risk Management System involves all the Company's staff, though the main parties responsible for the System are as follows:

#### **a) Board of Directors.**

The Board of Directors has reserved the right to determine the risk control and management policy, including for tax risks, and to supervise the internal reporting and control systems.

In this regard, the Board of Directors is the main body responsible for the risk management system, since it develops the mechanisms needed so that all the relevant risks involved in the activities and business dealings of the Group are adequately identified, managed and controlled within the limits established.

#### **b) The Audit and Compliance Committee.**

The Audit and Compliance Committee, which has been entrusted, among other duties, with supervising the effectiveness of the company's internal checks, internal audits and risk management systems. It assesses whether or not the Group has the organisation, staff, policies and processes needed to identify and control its main risks.

#### **c) The Risk Control and Management Department.**

The Risk Control and Management Department is under the direct supervision of the Audit and Compliance Committee and has been expressly given the following duties, which are included in its Articles of Association, and which have been approved by the Board of Directors:

- Ensuring the smooth running of the risk control and management systems and, specifically, that all the important risks affecting the company are identified, managed and appropriately quantified.
- Actively participating in preparing the risk strategy and important decisions concerning its management.
- Ensuring that the risk control and management systems appropriately mitigate risks, as part of the policy identified by the Board of Directors.

#### **c) Risk Managers.**

These managers are responsible for monitoring the risks they have been assigned and for informing the Risk Control and Management Department of any relevant information



concerning the risks.

With regard to the risk management processes, it is noteworthy that, in addition to the aforementioned Risk Control and Management Department, Corporación Financiera Alba has Regulatory Compliance processes which are performed by the various operational and support departments, as well as an Internal Audit Service (SAI), which is defined as an advisory and control body in the service of the Audit and Compliance Committee, that is independent within the organisation as regards its actions, aimed at assessing the various areas and functional activities of the Company, as is stipulated in the Charter of the Internal Auditing Service.

The analysis and proposal of recommendations for improving the risk management processes, as well as performing independent assessments concerning the effectiveness and efficiency of internal checks are included among the duties entrusted to the Internal Audit Service, which works in partnership with the Risk Control and Management Department in order to avoid duplicating tasks and/or areas without sufficient coverage.

Likewise, and as regards crime prevention, Corporación Financiera Alba, S.A. has an Organisation and Management Model for preventing the commission of crimes, alongside the Crime Prevention Manual and the Risks and Controls Matrices, which were updated in 2017.

**E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives:**

The Group is subject to various risks inherent to the different sectors and markets in which it or its associated companies or companies in which it has holdings operate, and which could prevent it from achieving its targets and successfully executing its strategies.

As indicated above, the Alba Group has a Risk Map, which is a tool that makes it possible to put the risks that could affect corporate targets into context, in addition to identifying and prioritising the most relevant and critical risks, making it possible to make decisions concerning steps to take to mitigate these risks.

The Group has a risk tracking and updating system which makes it possible to identify and incorporate any new risk identified during the financial year in the company's map. Likewise, the system ensures that all key risks are reviewed at least twice per year. As a result of this review and analysis process, in 2017, three new risks were incorporated in the new corporate Risk Map, and three with a more moderate impact were removed.

As a result, in the process of identifying and assessing risks affecting the Group, the following risk factors were considered to inherently be the most relevant (in other words, before applying the checks established):

- Failure of the IT systems to adequately protect the critical data and infrastructures when faced with occurrences such as theft, corruption, unauthorised use of passwords, virus, sabotage or physical damage to these systems.
- Existence of macroeconomic and socio-political factors that could affect the Company's ability to maintain or increase profits.
- Failure or errors in the planning, execution and/or execution of specific investments/divestitures related activities that leverage the potential of the investments.
- Failure in evaluating and executing tax planning strategies that minimise tax obligations and are consistent with overall business targets.
- Failure or inability of management in evaluating (analysis, studies, due diligence) and adequately projecting possible investments/divestitures affecting the decisions and the performance of the Company.
- Failure or incompetence in tracking and periodically assessing the profitability, effectiveness and continuity of the investment criteria defined by the Company.
- Failure in defining and coordinating mechanisms for responding to and compensating for interruptions to the normal course of business and damage to the Company's assets due to natural catastrophes, terrorism or other such occurrences.
- Failure to make advantageous transactions involving property due to analysis/appraisal errors, a lack of organisational streamlining and/or poor communication.
- Failure to comply with the requirements established in applicable regulation of the CNMV, with regard to operations, communications and reporting, which could lead to penalties or damage the Company's reputation.
- Failure or incompetence in tracking and periodically assessing the profitability, effectiveness and conditions for maintaining and managing property, which could lead to losses for the Company.

The Crime Prevention Manual, by identifying criminal risks subject to affecting the Company, can detect crimes of corruption in business dealings, among other offences. Based on the risk tracking reports, there do not appear to be any in significant corruption risks affecting the Company. In addition, the Code of Ethics and Conduct, which has been approved in 2018, taking into account, in particular, the evolution of the legal regulation of criminal liability of legal persons, formally expresses the Company's conviction against any form of corruption.

**E.4. State whether the entity has risk tolerance levels, including tolerance for tax compliance risk:**

The Group's risk assessment and management model categorises risks into four classifications, based on the impact of the risk and the probability of occurrence, as well as the perceived degree of internal control mitigating these risks.

Based on these parameters, the risks are classified as:

- Minor risks: Risks whose inherent criticality is medium-low and whose perceived degree of internal control is medium-high. These risks are managed with a view to rationalising the efforts made to mitigate these risks, without this causing appreciable damage to the perceived degree of internal control.
- Average risks: Risks whose inherent criticality is medium-low and whose perceived degree of internal control is medium-low. These risks are tracked with a view to confirming that they maintain a medium-low level of inherent criticality, otherwise, the corresponding corrective measures will be taken.
- High risks: Risks whose inherent criticality is medium-high and whose perceived degree of internal control is medium-high. For this type of risk, the associated checks are assessed in order to confirm the effectiveness of their design and method, and to confirm that the checks adequately mitigate the risks.
- Critical risks: Risks whose inherent criticality is medium-high and whose perceived degree of internal control is medium-low. These risks are continually monitored by the Group's Management and action plans will be established to increase their degree of internal control, where necessary.

The Alba Group has identified Key Risk Indicators (KRIs) for all risks categorised as high and critical and has established tolerance levels for each of the risks. The results are periodically assessed and reported in the Group's Integrated Risk Management System tracking model (see detailed explanation in section E.6).

**E.5. State which risks, including tax compliance risks, have materialised during the year:**

During the 2018 financial year, the most relevant risks for the ALBA Group did not materialise.

**E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise:**

As stated in the previous sections, the Alba Group has appointed a Risk Manager for each risk assessed as being critical or high. The Risk Manager is responsible for monitoring each risk assessed and for informing the Risk Control and Management Department of relevant information concerning such risks, basically:

- Changes in the perception of the risk level.
- Effective operation of the checks identified for mitigation of these risks (and, where applicable, the potential effects).
- Values collected using the indicators and comparison with established tolerance levels.
- Status of the actions plans underway (if there is an action plan for this risk) and, where applicable, proposal of new action plans.

The effective operation of this key process of the Integrated Risk Management System is based on the existence of a Tracking Model (as indicated in section E.1) which is a cross-sectional component that allows the System to have dynamic behaviour and, above all, to anticipate risks, allowing for risk management and control within the limits set by the Group. Based on the same, persons in charge of risk management periodically provide relevant information to the Risk Unit, which conducts an independent and informed assessment of the Risk Unit and prepares the relevant risk report for the Audit and Compliance Committee, which is assigned to, among others, the role of monitoring the effectiveness of internal control of the company, internal audit and risk management systems.

The Integrated Risk Management System, alongside the Group's policies and management and control systems, have made it possible to identify risks and new threats sufficiently in advance, which are the focus of the tracking report that is submitted for inspection to the Board of Directors.

In 2016, a Regulatory Compliance assignment was formalised and implemented, with a view to coordinating, systematising and monitoring the various actions and efforts in this regard. The Board of Directors approved the compliance model established and its tracking. In 2018, tracking reports were drawn up and submitted to the Board of Directors, which has given their approval of them.

The Integrated Risk Management System (described in section E.1), together with the Risk Management Policy, the Risk Management and Control Function Charter, and the remaining elements of that System, such as the ongoing risk management process, the main participants (section E.2) allow the Board of Directors to identify and respond to issues arising in relation to the risks that may affect the Company.

## **F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (SCIIF)**

Describe the mechanisms comprising the risk control and management systems with regards to your entity's process for publishing financial information (SCIIF).

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

Report, according to its main characteristics, on the following, at the very least:

#### **F.1.1 Which bodies and/or units are responsible for: (i) the existence and maintenance of an appropriate and effective SCIIF; (ii) its establishment; and (iii) its supervision.**

The Internal Control over Financial Reporting (SCI F) is part of the Group's risk management and control system, whose purpose is to ensure reasonable security over the reliability of the financial information that Corporación Financiera Alba, S.A. (hereinafter, "ALBA" or the "Group"), as a listed company, distributes to the stock markets.

The bodies in the Group responsible for the existence and maintenance of an appropriate and effective SCIIF, as well as its duties, are as follows:

The Board of Directors, which has ultimate responsibility in this regard, according to the provisions of article 5 section 2.2.b) of the Regulation of the Board of Directors.

The Audit and Compliance Committee, for its part, is responsible for supervising the effectiveness of the company's internal checks and audit services, as well as supervising the process of preparing and presenting regulated financial information and the company's internal control systems in this regard. Following Recommendation number 19 of the Technical Guide of the CNMV 3/2017, on Audit Committees of Public Interest Entities, the Board of Directors, at its meeting held on 23 October 2017 approved the Regulations of the Audit and Compliance Committee.

According to this Regulation, the Audit and Compliance Committee is responsible for:

- "Periodically reviewing the internal control and risk management systems, so that the main risks are identified, managed and suitably reported."
- "Reviewing the process for preparing the Company's financial information, in order to establish its integrity, technological quality and internal check quality, compliance with regulatory requirements, proper delimitation of the consolidation perimeter, proper application of generally accepted accounting principles and standards, which are duly documented in an Accounts Plan, and compliance with remaining legal requirements concerning this information."
- "Ensure the independence of the department assuming internal audit duties."
- "Review updates to financial information on the Company's website".

The Audit and Compliance Committee is supported by the Internal Audit Service ("SAI"), which is responsible for, among other matters, the preparation and execution of an annual action plan; ensuring compliance with established standards and instructions; assessing the sufficiency and application of internal checks; informing the Audit and Compliance Committee of irregularities detected and tracking accepted recommendations. These responsibilities are formalised in the Charter of the Internal Audit Service, which were updated in the session of the Board of Directors of 13 November 2017.

On the other hand, Financial Management is responsible for designing, establishing and operating the SCIIF, as well as identifying and assessing risks and determining the checks to be established.

#### **F.1.2 If these exist, especially as regards the process of preparing financial information, the following items:**

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining lines of responsibility and authority, with proper distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for proper distribution throughout the entity:

The Board of Directors, as established in its Regulation:

- Is responsible for approving the definition of the structure of the Group of companies, as well as the corporate governance policy. Additionally, on the suggestion of the company's top executive, the Board decides to appoint and potentially to dismiss the Group's senior executives.
- Likewise, the Board reserves, as part of its duties, the right to approve the company's general Policies and strategies and, in particular, the strategic or business Plan, as well as management targets, the Group's investment and financing Policy, determination of

the Risk and Management Policy and the determination of the company's tax strategy. The Board also reserves the power to supervise and check that Management has met the targets set and is respecting the Company's purpose and corporate interests.

Financial Management is principally responsible for preparing the financial information. This Management department establishes the structure of those responsible for financial information and the status of the internal control system for financial information, in addition to coordinating and supervising its actions.

The Board of Directors, via the corresponding areas and departments, distributes relevant information concerning the Company including, but not limited to, information concerning the summons of the general shareholders' assembly, its agenda, relevant events, internal corporate governance regulation and the Annual Report, among other information.

The distribution media used ensures unrestricted communication, in time and form, including its possible publication on the website and/or intranet, having approved and published a company communication Policy.



- **Code of conduct, approval body, degree of distribution and instruction, principles and values included (indicating if there are specific mentions in the register of operations and preparation of financial information), body responsible for analysing compliance failures and proposing corrective measures and penalties:**

The ALBA Group has had a Code of Ethics and Conduct since December 2011.

Following the favourable report from the Audit and Compliance Committee, the Board of Directors on 22 October 2018, approved a new Code of Ethics and Conduct, which has taken into account, in particular, the evolution of the legal regulation of criminal liability of legal persons.

The Code of Ethics and Conduct of Corporación Financiera Alba, S.A. and the companies in its Group is a formal expression of the values and principles which must govern the conduct of the entities in the ALBA group and the individuals accountable to the Group in the performance of its activities and duties, its labour, commercial and professional relations, with a view to achieving a universally accepted corporate ethic.

The Board of Directors is responsible for reviewing and updating the Code of Conduct and for enhanced supervision of effective compliance with the Code of Conduct, in addition to the adoption of measures which may be required to make the Code consistent with other corporate governance regulations and procedures.

The Code of Ethics and Conduct has been sent individually to all persons to whom the Code applies, by sending the Code to its recipients. The Code was accepted in writing and is available on the company's intranet and on the corporate web page.

Training concerning the Code is mainly provided with the training on criminal prevention and using reminders or digital communications concerning its most relevant aspects. In 2018, a reminder of the main points of the Code was sent to recipients of the Code. Likewise, a copy of the Code is given to new hires for their written adherence.

The Group's Code of Conduct is based on the following values:

- Supporting and respecting internationally recognised human rights.
- Ethical and legal conduct.
- Fair and respectful treatment with employees and co-workers, ensuring equal opportunities and non-discrimination of individuals.
- Respect of the interests of others related to the Company, including customers, suppliers, authorities, shareholders and other stakeholders.
- Professionalism and correction of conduct in the development of business in accordance with corporate policies.
- Prudence when performing activities, assuming risks and in relations with customers and suppliers.
- Commitment to the United Nations Global Compact.
- Respect toward the environment.
- The treatment of information with rigour, integrity and transparency.

Likewise, it addresses matters of:

- Conflicts of interest and provides guidelines for reporting such conflicts.
- Improper use or application of goods, business opportunities, confidential information and privileged information.
- Obligation to internally report possible failures to comply with the Code, or alternatively to use the Complaints Channel.
- Relationships with shareholders, government agencies, and Suppliers, contractors and collaborators as well as the defence of competitors.
- Bribes and gifts.
- Preventing money laundering and terrorism financing.
- Dedication and incompatibilities.

Furthermore, section 6.14 of the Code expressly stipulates that: "ALBA considers the veracity of information as a basic principle of its actions, as a result, Affected Persons must truthfully convey information they must report, both internally and externally, and, under no circumstances will they knowingly provide incorrect or inaccurate information which may cause errors or confusion.

The economic and financial information will faithfully reflect the economic, financial and equity circumstances of ALBA, according to generally accepted accounting principles and international financial information standards that apply. To this end, no Affected Person will conceal or distort the information on ALBA's accounting registers or reports, which will be complete, accurate and true."

For its part, sections 6.17 and 6.19 provide that:

"The information sent to shareholders will be true and complete and will provide an adequate reflection of the Company's circumstances."

"Correspondence concerning financial information or other matters sent on behalf of ALBA will, under no circumstances, contain misleading or fictitious data or data which has not been thoroughly checked."

The body responsible for ensuring compliance with the Code and proposing corrective measures, where applicable, is the Tracking Committee of the Code of Ethics and Conduct.

- **A complaints channel allowing people to inform the audit committee of financial and accounting irregularities, in addition to any failures to comply with the code of conduct and irregular activities in the organisation, stating, where applicable, if this information is confidential:**

The 2011 Code of Ethics and Conduct contemplated a "confidential complaints channel," which was effectively implemented.

Given the importance of internal reporting channels, an annex to the Code of Ethics and Conduct approved in 2018 is now included, which outlines a more detailed procedure for handling complaints that allows one to confidentially report any acts or conduct committed that may be contrary to applicable regulations or the Code of Ethics and Conduct within the company, in the performance of third parties that are in contract with the company or to its detriment.

The description of the operations of the channel includes the identity of the individuals to whom these complaints can be sent (these are the Chairman of the Audit and Compliance Committee or the Monitoring Committee of the Code of Ethics and Conduct) and the options for sending this complaint (email or ordinary post sent to the address of the managers indicated).

Preliminary examination for the admission or filing of the complaint is commissioned to the Chairman of the Audit and Compliance Committee. The complaints will be processed by the Monitoring Committee of the Code of Ethics and Conduct, unless the complaints are against one of its members, in which case the Chairman of the Audit and Compliance



Committee will carry out the preliminary inspection and handle the complaint.

This Monitoring Committee is comprised of the Secretary of the Board, the Chief Financial Officer, the Director of Investments and a member of the Legal Department.

In addition, the Crime Prevention Model, updated in 2017, can also be referenced and which aims to:

- Raise awareness among and training Board Members, Directors and employees of the Group concerning the importance of regulatory compliance, especially the prevention of criminal proceedings.
- Inform employees of the consequences of violating the provisions of the Code of Ethics and Conduct and the Crime Prevention Manual.
- Expressly record the clear condemnation of Corporación Financiera Alba, S.A. of any illegal conduct which, in addition to contravening legal provisions, is contrary to the Group's values.

In 2018, the Audit and Compliance Committee considered appropriate the monitoring of the Crime Prevention Model for the first half of 2018.

- Periodical training and updating programmes for staff involved in preparing and reviewing financial information, as well as the assessment of the SCIIF, covering, at the very least, accounting, audit, internal control and risk management regulation:

Staff involved in preparing and reviewing financial information, as well managing and supervising the SCIIF, receives, based on their various responsibilities, periodical training concerning accounting, auditing, internal control and risk management regulation.

In this manner, Financial Management periodically makes training efforts for staff involved in preparing the Financial Statements and managing the Group's SCI F. These training actions are primarily focused on deepening knowledge and update to International Financial Reporting Standards (IFRS) and legislation and other regulations concerning Internal Control of Financial Information.

Likewise, the staff of the Internal Audit Service is updated on a continued basis concerning changes to Internal Controls, especially Financial Information and Risk Management.

Additionally, Financial Management and other areas involved in the preparation, review and reporting of financial information have received various publications updating accounting, financial, internal control and tax regulation.

## **F.2. Assessment of financial information risks.**

Report the following, at the very least:

### **F.2.1 Describe the main characteristics of the risk identification process, including risks associated with errors or fraud, with regard to:**

- Whether the process exists and is documented:

In fiscal year 2011, the Group undertook an examination process for identifying business risks of all kinds (operational, technological, financial, legal, reputational, environmental etc.) that could affect the achievement of its targets. The result of this was an initial version of the Risk Map for this which was duly documented, examined by the Audit Committee and approved by the Board of Directors.

The Risk Map is periodically revised. As a result, in 2016, it was revised and in 2017, it was updated.

In 2018, the Risk Map was revised by concluding that the assessment of critical risks accurately reflects ALBA's situation, and no modification or update is necessary.

Likewise, the ALBA Group has a process for identifying and assessing specific risks concerning financial information, both in terms of its consolidated accounts, the entity and business processes. The process is updated annually at the very least.

The process is based on the consolidated financial information and uses this information to categorise accounting headings and notes, as well as identifying those which are the most relevant, according to quantitative (material aspects) and qualitative criteria.

The categorised headings and notes are associated with the Group's processes or business areas, in order to classify these processes or business areas in terms of their relevance in generating financial information.

The most important processes or areas are analysed and documented). These documents identify and analyse transaction flows, possible risks of error or fraud in the financial information, associated checks which mitigate these risks and features such as Integrity, Existence & Occurrence, Rights & Obligations, Measurement & Valuation and Presentation.

The process and criteria used for assessing these risks are documented in the "ALBA Group's Internal Control System on Financial Information (SCIIF) Manual".

- If the process covers all targets associated with financial information (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), if it is updated and how frequently:

As discussed above, the significant processes or areas generating financial information are analysed on an annual basis at a minimum, in order to identify possible risks of error or fraud involving the financial information, and as regards its objectives of Integrity, Existence & Occurrence, Rights & Obligations, Measurement & Valuation and Presentation.

- The existence of an identification process for the consolidation perimeter, bearing in mind, among other aspects, the possible existence of complex corporate structures, instrumental or special purpose entities:

Financial Management is responsible for analysing the companies that are included and those that are no longer part of this perimeter, as well as any change to the percentage ownership interest in these companies. Both the establishment and acquisition of ownership interests in companies and the sale of these interests or the liquidation of these interests are subject to internal authorisation processes that make it possible to clearly identify incoming items, outgoing items and changes to the consolidation perimeter.

The consolidation perimeter of the Alba Group is submitted to the Management Committee and the Audit and Compliance Committee every six months.

The main duties of the Audit and Compliance Committee are to review the "process for preparing the Company's financial information, with a view to confirming its integrity, technological quality and for internal control, as well as compliance with regulatory requirements, proper delimitation of the consolidation perimeter, proper application of generally accepted accounting principles and standards, and compliance with remaining legal requirements concerning this information."

- If the process takes other types of risks into account (operational, technological, financial, legal, fiscal, reputational, environmental etc.), to the extent that these affect the financial statements:

The process for identifying risks of error or fraud in the financial information takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental etc.), to the extent that these affect the financial statements. These risks are assessed and managed by the Company (according to the description in Section E of this Report).

- What governance body in the entity supervises the process:

### **F.3. Control activities.**

Report, indicating its main characteristics, if it has at least:

- F.3.1 Procedures for reviewing and authorising financial information and the SCIIF description which will be published on the stock markets, indicating those responsible for this information, as well as documents describing the flows of activities and checks (including those associated with the risk of fraud) of the various types of transactions that can have a material effect on the financial statements, including the closing of accounts procedure and specific reviews of opinions, estimates, valuations and relevant forecasts**

According to the provisions of the Regulation of the Board of Directors:

- The approval of financial information to be made periodically is the responsibility of the Board of Directors (including the description of the Group SCIIF).
- Likewise, when the financial statements are submitted for deliberation by the Board of Directors, they must first be certified with regard to their accuracy and integrity, by the Managing Director and the Chief Financial Officer.

Likewise, according to the provisions of the Regulation of the Audit and Compliance Committee:

- The main duties of the Audit and Compliance Committee are to review the "process for preparing the Company's financial information, with a view to confirming its integrity, technological quality and for internal control, as well as compliance with regulatory requirements, proper delimitation of the consolidation perimeter, proper application of generally accepted accounting principles and standards, and compliance with remaining legal requirements concerning this information."

The information review process takes the following flow:

The ALBA Group has a procedure for closing the accounts and performs a specific review of opinions, estimates, valuations and relevant forecasts. The respective units make the estimates, ratings or projections of those aspects that they are competent and the reasonableness of them is valued by the Financial Management; they are subsequently submitted to the Audit and Compliance Committee and the Board of Directors, as part of the exposure of the financial statements.

The Group publishes financial information on a quarterly basis. This information is prepared by Financial Management which performs, as part of the account closure process, the control activities identified in the process, as well as analysing and reviewing the information prepared. The information prepared is then sent to the Audit and Compliance Committee for its supervision.

The six monthly financial reports and the individual and consolidated annual accounts of ALBA, the Report and the Annual Corporate Governance Report (which includes, by way of additional information, a description of the SCIIF) are reviewed by the Audit and Compliance Committee before being reviewed by the Board of Directors. Likewise, the Audit and Compliance Committee reviews the remaining financial information and any other relevant information before submitting this information to the markets or to the supervisory bodies.

The Group has an internal financial information control system based on the COSO [Committee of Sponsoring Organisations of the Treadway Commission] model, which provides reasonable certainty with regards to achieving the targets of this system, in other words: effectiveness and efficiency of the operations, safeguard of the assets, reliability of the financial reports and compliance with the applicable laws and regulations.

The principles and criteria for defining and managing the SCIIF are documented in the Group's SCIIF Manual. The Group has documents describing the flows of activities and checks (including those associated with the risk of fraud) of the various kinds of transactions that can have a real impact on the financial statements. These documents include the significant and matrix processes for risks and checks.

According to the SCIIF Manual, Financial Management is responsible for identifying and documenting these significant processes in addition to being responsible for managing the internal SCIIF certification process for evaluating its efficiency.

- F.3.2 Internal control policies and procedures for information systems (among others, concerning security of access, change control, operation of these changes, operational continuity and segregation of duties) which support the relevant processes of the entity with regard to preparing and publishing financial information.**

Among the checks considered for mitigating or managing risks of error in the financial information, there are some related to more relevant IT applications, such as checks of user access permits or those related to the integrity of the transfer of information between applications.

Additionally, the Group has guidelines or regulations and internal control procedures on information systems regarding software acquisition and development, system infrastructure acquisition, software installation and testing, change management, service level management, third-party service management, system security and access, incident management, operations management, operations continuity and segregation of duties.

These guidelines and procedures are applied to all the information systems, including those that support the relevant financial information generation processes, and on the infrastructure needed for its operation.

This entire internal network of IT infrastructure is controlled by a Department of internal professionals responsible for defining and executing the Group's IT strategy, as well as supporting users, operating the system and IT security.

Likewise, the ALBA Group has systems security and contingency programmes.

The ALBA Group's SCIIF Manual provides that, on an annual basis, the systems manager of the ALBA group certifies the effectiveness of the internal checks established for the IT systems.

Likewise, the ALBA Group has systems security and contingency programmes.

### **F.3.3 Internal control policies and procedures intended to supervise management of the activities subcontracted to third parties, as well as those assessment, calculation or valuation matters entrusted to independent experts that could have a material impact on the financial statements.**

Generally speaking, the ALBA Group does not subcontract important duties to third parties that have a direct impact on the financial information, evaluations, calculations or valuations that could have a material impact on the financial statements, with the exception of the valuation of its investments in property and actuarial valuation of pensions.

There are internal checks for selecting the property valuation provider, which include the following supervisory criteria: Type and frequency of the reports; competence and independence of the provider; methodology and validation of the information and database used for the analysis; reasonability of the hypotheses and criteria applied; methodology for reviewing the findings and Reports prepared.

With regard to the actuary valuation of pensions, the existence of the policies used as well as the coherence and consistency of the databases used is checked.

## **F.4. Information and communication.**

Report, indicating its main characteristics, if it has at least:

### **F.4.1 A specific service responsible for defining and keeping accounting policies up-to-date (accounting policies area or department), as well as resolving doubts or conflicts associated with their interpretation, maintaining smooth communication with those responsible for operations in the organisation, as well as an updated accounting policies manual that is sent to the departments through which the entity operates.**

Financial Management is responsible for defining and keeping accounting policies up-to-date as well as resolving doubts or conflicts associated with their interpretation and maintaining smooth communication with those responsible for operations in the organisation. To this end, accounting changes are periodically identified and communicated to the various Management supervisors. Likewise, in the event that application queries arise, these are referred to and resolved by the Head of Administration and the Chief Financial Officer.

The ALBA Group considers that accounting standards are directly applicable, given the low level of complexity of its transactions. Accounting standards are kept up-to-date and are at the disposal of Financial Management staff.

### **F.4.2 Mechanisms for capturing and preparing financial information in coherent formats that are applicable to and can be used by all the departments of the entity or group that support the main financial statements and the notes, as well as the information detailed concerning the SCIIF.**

The ALBA Group has mechanisms for capturing and preparing financial information, with suitable formats and applications, which is used by all the departments. Centralised and uniform IT systems are used for the Group. Likewise, there are checks that are needed for the IT systems and a supervisory and review process is performed by Financial Management.

## **F.5. Supervision of operation of the system.**

Report, indicating their main characteristics, at least concerning:

### **F.5.1 The SCIIF supervisory activities performed by the audit committee as well as if the entity has an internal audit service whose powers include supporting the committee in its task of supervising the internal control system, including the SCIIF. Likewise, the scope of the SCIIF evaluation performed during the financial year will be reported, as well as the procedure used by the individual that performed the evaluation for announcing their**



results, if the entity has an action plan that details any corrective measures, and if its impact on the financial information has been considered.

The Regulation of the Board of Directors and the Regulation of the Audit and Compliance Committee entrust the following duties to the Audit and Compliance Committee:

- Supervising the efficiency of the internal control of the company, the internal audit and the risk management systems, including tax risks, discussing significant weaknesses in the internal control system that are detected as part of the audit with the accounts auditor.
- Supervising the process for preparing and presenting the mandatory financial information.

The SCIIF supervisory activities performed by the Audit and Compliance Committee essentially include:

- Tracking the process of evaluating the SCIIF by Financial Management.
- Reviewing the process for preparing the Company's financial information, with a focus in confirming its integrity, technological quality and for internal control, as well as compliance with regulatory requirements, proper delimitation of the consolidation perimeter, proper application of generally accepted accounting principles and standards, and compliance with remaining legal requirements concerning this information.
- Reviewing the periodical financial statements that must be submitted by the Company to the markets and its supervisory bodies, prior to approval by the Board, in its plenary session.
- Evaluating and approving the proposals suggested by Management concerning changes to the accounting principles and standards.
- Supervising Management's decisions of adjustments proposed by the external auditor, as well as familiarising itself with and, where applicable, mediating in disagreements between them.
- Reviewing, with the support of the Internal Audit Service, the design and operation of the internal control system, in order to evaluate its effectiveness and,
- Holding periodical meetings with external auditors, internal auditors and senior management in order to review, analyse and discuss the financial information, the perimeter of companies they cover and the accounting criteria applied, as well as, where applicable, significant internal control weaknesses identified.

Additionally, the Audit and Compliance Committee is responsible for overseeing the definition of the Annual and Strategic Internal Audit Plan as well as its development in the SCIIF.

Likewise, since 2011, the Group has had an Internal Audit Service, whose Articles of Association provide that it is its responsibility to ensure that this process happens and that the checks established work effectively. Its role is targeted towards assisting the Group in maintaining effective checks, by evaluating the efficiency and effectiveness of them and driving efforts of continuous improvement. The Articles of Association of the Internal Audit Service were updated in the session of the Board of Directors of 13 November 2017.

According to the Group's SCIIF Manual, the Audit and Compliance Committee has entrusted performing this duty to the Internal Audit Service (SAI). The SCIIF supervision process, via the SAI, includes the following tasks:

- Validating the SCIIF model with regard to the definition of the SCIIF scope or the documents concerning the significant processes (Narrative and Risk and Control Matrixes).
- Reviewing and evaluating the process and the findings concerning the effectiveness resulting from the annual review performed by Financial Management.
- Include, as part of the Internal Audit Strategic Plan and the Internal Audit Annual Plan, where applicable, the SCIIF processes to be reviewed.
- Assess and communicate the results obtained from the SCIIF supervision process and the checks on the processes involving the affected department and the Financial Management.
- Inform the Audit and Compliance Committee of the degree of progress of the supervision, the results obtained and the weaknesses detected, where applicable, when presenting the degree of progress and results of the internal audit works for the financial year.

Finally, the Group's SCIIF Manual sets criteria for categorising issues based on their potential impact on financial information and probability of occurrence after detection and subsequent communication and monitoring process.

**F.5.2 If there is a discussion procedure in which the accounts auditor (according to the provisions of the NTA), the internal audit service and other experts can inform senior management and the audit committee or board members of the entity of significant internal control weaknesses identified during the annual account review processes or other processes entrusted to them. Likewise, an announcement will be made as to whether there is an action plan addressing the correction or mitigation of the weaknesses observed.**

Generally speaking, the discussion procedure concerning significant internal control weaknesses identified is based on periodical meetings which the various agents hold.

To this end, the Audit and Compliance Committee holds meetings with the SAI and Financial Management for the bi-annual and for the annual closure and, also, with the External Auditor, for the annual closure, in order to discuss any relevant aspect of the process of preparing the resulting financial information.

Specifically, the Regulation of the Board of Directors and the Regulation of the Audit and Compliance Committee provide that the Audit and Compliance Committee must:

- Discuss the significant weaknesses in the internal control system detected when performing the audit with the accounts auditors or audit firms.
- Establish appropriate relations with the accounts auditors or audit firms in order to receive information concerning matters that could threaten their independence, for examination by the Committee, and any other matter related to the process of performing the accounts audit, as well as other announcements provided in accounts auditing legislation and in auditing standards.

For its part, the Articles of Association of the Internal Audit Service provide that the Audit and Compliance Committee must maintain free and open communication with the Director of the Internal Audit Service. Specifically, the Director of the Internal Audit Service has direct access to the Audit and Compliance Committee, with which it will address the following matters, among others:

- The significant events observed when performing the internal audits.



- The degree of compliance with the most relevant recommendations.
- The most significant risks and the level of Internal Control in the Group, bearing in mind the results of the audits performed and the evaluation of the Internal Control performed by the Internal Audit Service.
- Coordination with external auditors and the remaining individuals responsible for supervising the Internal Control.

Likewise, Financial Management also holds meetings with the SAI, both for the bi-annual closure and for the annual closure, and with External Auditors for the annual closure, with a view to addressing significant questions concerning the financial information.

#### **F.6. Other relevant information.**

In addition to the SCIIF supervision process (entrusted to the Internal Audit Service), according to the ALBA Group's SCIIF Manual, in 2017 the corresponding process for the annual evaluation of the effectiveness and validity of the process was performed by Financial Management.

Likewise, the purpose of the Regulatory Compliance service is to provide reasonable security that Alba is complying with key legal and normative requirements, identifying the main legislative and normative obligations of the company, designing a compliance model and a monitoring and tracking model for the Compliance activities. In 2017, the Crime Prevention Model was updated with this in mind. In 2018, the Board of Directors approved a Charter of the Compliance Function for the Compliance Unit to establish adequate control and careful management of regulatory obligations.

#### **F.7. Report of the external auditor.**

Report on:

- F.7.1** If the SCIIF information sent to the markets was submitted for review by the external auditor, in which case the entity should include the corresponding report as an appendix. Otherwise, it should explain its reasons for this.

The SCIIF information sent to the markets was submitted for review by the external auditor, who will issue the corresponding report alongside the report for the company's annual accounts.

## **G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Indicate the degree to which the company follows the recommendations of the Code of good governance for listed companies.

In the event that any recommendation is not followed or is followed partially, include a detailed explanation of the reasons why so that shareholders, investors and the market in general have sufficient information for assessing the procedures of the company. General explanations will not be acceptable.

1. The Articles of Association of listed companies do not limit the maximum number of votes that a single shareholder can make, nor do they contain restrictions hindering the gain of control of the company by the buyback of its shares on the market.

Complies [ X ]      Explain [ ]

2. When a parent company and a subsidiary are listed, both publicly define, in a detailed manner:

- a) The respective areas of activity and any business relations between them, as well as those of the listed subsidiary company with other companies in the group.
- b) Mechanisms provided for resolving any conflicts of interest which could arise.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not Applicable [ X ]

3. During the sessions of the regular general shareholders' meeting, in addition to the distribution, in writing, of the annual corporate governance report, the chairman of the board of directors verbally informs shareholders, with sufficient detail, of the most relevant aspects of the company's corporate governance and, in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies [ X ]      Complies partially [ ]      Explain [ ]

4. The company has established and promotes a policy of communication and contact with shareholders, institutional investors and proxy advisors that fully respects standards against market abuse and gives similar treatment to shareholders in the same position.

And the company makes this policy public on its website, including information concerning the way in which the company has put into practice and identified the spokespersons or individuals responsible for implementing the policy.

Complies [ X ]      Complies partially [ ]      Explain [ ]

5. The Board of Directors has not made a proposal to delegate powers to the General Shareholders' Meeting, with a view to issuing shares or convertible bonds without a pre-emptive right, for an amount greater than 20% of the capital at the time of the delegation.

When the Board of Directors approves any issuance of shares or convertible bonds, without a pre-emptive right, the company immediately publishes the reports (referred to in commercial legislation) concerning the fact that this right was excluded on its website.

Complies [ X ]      Complies partially [ ]      Explain [ ]

6. The listed companies that prepare the reports that are detailed below, either voluntarily or because it is mandatory, publish the reports on their website sufficiently in advance of the ordinary general assembly, even though their distribution is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies [ X ]      Complies partially [ ]      Explain [ ]

7. The company directly broadcasts the general shareholders' assemblies on its website.

Complies [ X ]      Complies partially [ ]

8. The Audit Committee ensures that the Board of Directors endeavours to present the accounts to the general shareholders' assembly without limitations or reservations in the audit report and, in exceptional cases where there are reservations, both the chairman of the audit committee and the auditors clearly explain the content and scope of these limitations or reservations to the shareholders.

Complies [ X ]      Complies partially [ ]      Explain [ ]

9. The company permanently makes the requirements and procedures it will accept for proving ownership of shares, the right to attend the general shareholders' assembly and the exercise or delegation of voting rights public on its website.

These requirements and procedures encourage attendance and the exercise of shareholders' rights and are applied in a non-discriminatory manner.

Complies [ X ]      Complies partially [ ]      Explain [ ]

10. When any legitimate shareholder exercises, prior to the general shareholders' assembly, the right to add to the agenda or to make new agreement proposals, the company:

- a) Immediately distributes the agreed additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not Applicable [ ]

11. In the event that the company has planned to pay attendance fees to the General Shareholders' Meeting, establish a general policy for these fees and ensure this policy is sustainable beforehand.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not Applicable [ X ]

12. The board of directors performs its duties with unity of purpose and independence, treating all shareholders in the same position in the same way and allowing itself to be guided by the interests of the company, which are understood as achieving a profitable and long-term sustainable business which promotes the continuity of the business and maximising the economic value of the company.

In the search for the interests of the company, in addition to respecting laws, regulations and conduct based on good faith, ethics and respect of commonly accepted customs and good practices, endeavour to reconcile the interests of the company itself with, where applicable, the legitimate interests of its employees, providers, customers and other stakeholders that could be affected, as well as the impact of the company's activities on the community as a whole and the environment.

Complies [ X ]      Complies partially [ ]      Explain [ ]

13. The board of directors is of the right size to operate efficiently and to allow for participation by board members, meaning that it should be comprised of between five and fifteen members.

Complies [ X ]      Explain [ ]

14. The Board of Directors has approved a board member selection policy which is:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Encourages diversity in knowledge, experience and gender.

The result of the prior analysis of the needs of the board of directors is detailed in the supporting report of the appointments committee which is published when summoning the General Shareholders' Meeting to which the ratification, appointment or re-election of each board member is submitted.

The board member selection policy is promoting the target that, in 2020, the number of female board members should represent, at least, 30% of the total members of the Board of Directors.

The appointments committee will check, on an annual basis, that the board member selection policy has been respected and this will be detailed in the annual corporate governance report.

Complies [ X ]      Complies partially [ ]      Explain [ ]

15. Proprietary and independent board members constitute a broad majority on the Board of Directors and the number of executive directors is the minimum required, bearing in mind the complexity of the corporate group and the percentage ownership interest of the executive directors in the company's capital.

Complies [ X ]      Complies partially [ ]      Explain [ ]

16. The percentage of proprietary board members among the total non-executive board members is no greater than the existing proportion between the capital of the company represented by these board members and the remaining capital.

This criterion may be mitigated:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.



- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies ☒ Explain ☐

17. The number of independent board members represents, at the very least, half of all board members.

However, when the company does not have a high market capitalisation or when, even if it does, it has a shareholder or various shareholders that act jointly and that control more than 30% of the share capital, the number of independent shareholders represents, at least, one third of all board members.

Complies ☒ Explain ☐

18. The companies keep the following information concerning their board members public on their website, and keep this information up-to-date:

- a) Professional background and biography.
- b) Any other Boards to which the board member belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are related.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares of the company and options on them, of which they own.

Complies ☒ Complies partially ☐ Explain ☐

19. The annual corporate governance report, after being checked by the appointments committee, explains the reasons why proprietary board members were appointed instead of shareholders whose equity stake is below 3% of the capital; and the reasons why formal requests for presence on the board made by shareholders whose equity stake is equal to or greater than that of others in whose stead proprietary board members were appointed were not accepted are explained.

Complies ☐ Complies partially ☐ Explain ☐ Not Applicable ☒

20. Proprietary board members resign when the shareholder they represent fully disposes of their equity stake. The corresponding number also resign when this shareholder decreases their equity stake to a level that requires a reduction in the number of their proprietary board members.

Complies ☒ Complies partially ☐ Explain ☐ Not Applicable ☐

21. The Board of Directors does not propose the dismissal of any independent board member before the end of the statutory period for which they were appointed, except when there is just cause considered to be acceptable by the board of board members, after informing the appointments committee. Specifically, just cause will be considered with merit when the board member occupies new positions or undertakes new obligations preventing them from dedicating the time needed to performing his/her role as a board member, failing to perform duties involved in their role or finding him/herself in any of the situations causing them to lose their independence, according to the provisions of applicable legislation.

The dismissal of independent board members may also be proposed as a result of takeover bids, mergers or other similar corporate transactions which involve a change to the company's capital structure, when these changes to the structure of the board of directors are brought about by the proportionality criteria indicated in recommendation 16.

Complies [ X ]      Explain [ ]

22. The companies should establish rules requiring board members to report and, where applicable, resign in cases that could damage the company's credibility and reputation and these rules specifically require them to inform the Board of Directors of the criminal cases in which they are involved as suspects, as well as subsequent procedural events.

If a board member was prosecuted or an order to proceed to a public hearing was issued against this board member for any of the crimes indicated in corporate legislation, the Board of Directors will assess the case as soon as possible and, in light of the specific circumstances, will decide whether or not the board member should remain in their position. And all of which the Board of Directors shall report, in a logical manner, in the annual corporate governance report.

Complies [ X ]      Complies partially [ ]      Explain [ ]

23. All board members should clearly express their opposition when they think that any proposed decision brought before the Board of Directors could be contrary to the interests of the company. Independent board members and other board members, especially those, who are not affected by the potential conflict of interest should do the same in the case of decisions that could adversely affect shareholders that are not represented on the Board of Directors.

When the Board of Directors makes significant or repeated decisions concerning those which the board member expressed serious reservations about, the board member can draw his/her conclusions and, if they decide to resign, explain their reasons in the letter referred to in the recommendation below.

This recommendation also applies to the secretary of the Board of Directors, even though the secretary is not a board member.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not Applicable [ ]

24. When a board member leaves his/her position before the end of his/her mandate, either due to resignation or any other reason, the board member will explain the reasons in a letter sent to all members of the board of directors. The reason for their departure will be reported in the annual corporate governance report, without prejudice to this departure being reported as a significant event.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not Applicable [ ]

25. The appointments committee will ensure that non-executive board members have sufficient time to properly perform their duties.

The regulation of the board establishes the maximum number of company boards on which its board members may serve.

Complies [ X ]      Complies partially [ ]      Explain [ ]

26. The board of directors will meet as frequently as necessary to effectively carry out their duties and, at least, eight times per year, based on the programme of dates and matters established at the beginning of the financial year. Each board member may individually propose other points on the agenda which were initially not included.

Complies [ X ]      Complies partially [ ]      Explain [ ]

27. Instances where the board members are absent should be reduced to an absolute minimum and should be quantified in the annual corporate governance report. When such absences must occur, the board member should grant a power of representation with instructions.

Complies [ X ]      Complies partially [ ]      Explain [ ]

28. When the board members or the secretary express concern about any proposal or, in the case of board members, concerning the running of the company and these concerns are not resolved in the board of directors, this is recorded in the minutes, at the request of the person who expressed the concerns.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not Applicable [ ]

29. The company should establish suitable options so that the board members may secure the advice needed in order to perform their duties including, if the circumstances so require, external advice paid for by the company.

Complies [ X ]      Complies partially [ ]      Explain [ ]

30. Regardless of the knowledge required of board members in order to perform their duties, the companies also offer board members knowledge update programmes when circumstances indicate that this is necessary.

Complies [ X ]      Complies partially [ ]      Explain [ ]

31. The agenda for the sessions should clearly indicate those points on which the board of directors must decide or reach an agreement so that the board members may first study or gather the information needed to reach a decision or adopt an agreement.

When, as an exception and in an emergency, the president wishes to submit decisions or agreements which are not on the agenda for the approval of the board of directors, the prior and express consent of the majority of board members present will be required, and this will be duly recorded in the minutes.

Complies [ X ]      Complies partially [ ]      Explain [ ]

32. The board members will be periodically informed of changes to the shareholding structure and the opinion of significant shareholders, investors and rating agencies of the company and the group.

Complies [ X ]      Complies partially [ ]      Explain [ ]

33. The president, who is responsible for the smooth running of the board of directors, in addition to performing the duties for which fall under the position's responsibility according to the law and the Articles of Association, prepares and submits a programme of dates and matters to address the board of directors, as well as organising and coordinating a periodical evaluation of the board, also, where applicable, that of the company's top executive. The president is also responsible for managing the board and ensuring it runs smoothly, ensuring that sufficient discussion time is dedicated to strategic matters, and agrees on and reviews the knowledge update programmes for each board member, when circumstances indicate that these are needed.

Complies [ X ]      Complies partially [ ]      Explain [ ]

34. When there is a coordinating board member, the Articles of Association or the regulation of the board of directors, in addition to the powers legally held, grants the following powers: chairing the board of directors in the absence of the president and vice-presidents, if there are any; repeating the concerns of non-executive board members; maintaining contact with investors and shareholders, establishing their point of view in order to form an opinion of their concerns, in particular, with regards to the corporate governance of the company; and coordinating the president's succession plan.

Complies [ ]      Complies partially [ ]      Explain [ ]      Not Applicable [ X ]

35. The Secretary of the Board of Directors above all ensures that, in its actions and decisions, the Board of Directors keeps in mind recommendations concerning good governance in this Code of Good Governance that is applicable to the company.

Complies [ X ]      Explain [ ]



36. The Board of Directors, in its plenary session, should assess, once per year, and adopt, where applicable, an action plan to correct the deficiencies detected with regards to:
- a) The quality and efficiency of the operation of the Board of Directors.
  - b) The operation and composition of its committees.
  - c) Diversity in the composition and responsibilities of the Board of Directors.
  - d) The performance of the Chairperson of the Board of Directors and the company's top executive.
  - e) The performance and contribution of each board member, paying special attention to those responsible for the various committees of the board.

The report the various committees submit to the board of directors will be used as the basis for evaluating these committees, and in order to evaluate the board of directors, the report submitted by the appointments committee will be used.

Every three years, the board of directors will be assisted by an external consultant for the evaluation. The external consultant will be verified by the appointments committee.

The business relations that the consultant or any company in its group maintains with the company or any company in its group must be shown in detail in the annual corporate governance report.

The process and areas evaluated will be described in the annual corporate governance report.

Complies ☒ [ X ]      Complies partially ☐ [ ]      Explain ☐ [ ]

37. When there is an executive committee, the ownership structure of the various classifications of board members will be similar to that of the board of directors itself and the secretary of the executive committee will also be the secretary of the board of directors.

Complies ☐ [ ]      Complies partially ☐ [ ]      Explain ☐ [ ]      Not Applicable ☒ [ X ]

38. The board of directors should always be aware of the matters discussed and the decisions adopted by the executive committee, and all members of the board of directors should receive a copy of the minutes of the sessions of the executive committee.

Complies ☐ [ ]      Complies partially ☐ [ ]      Explain ☐ [ ]      Not Applicable ☒ [ X ]

39. The members of the audit committee, and especially its president, should be appointed bearing in mind their knowledge and experience with accounting, auditing and risk management, and the majority of these members should be independent board members.

Complies ☒ [ X ]      Complies partially ☐ [ ]      Explain ☐ [ ]

40. Under the supervision of the audit committee, there is a department that performs internal audits, ensuring the smooth running of the information and internal control systems. This department, for all intents and purposes, reports to the non-executive president of the board or of the audit committee.

Complies ☒ [ X ]      Complies partially ☐ [ ]      Explain ☐ [ ]

41. The head of the department that performs internal audits presents their annual working plan to the audit committee, directly announces events which occur when implementing the working plan and delivers an activity report at the end of each



financial year.

Complies [ X ]

Complies partially [ ]

Explain [ ]

Not Applicable [ ]

42. In addition to the duties foreseen by law, the audit committee is also responsible for the following duties:

1. With regards to the IT and internal control systems:
  - a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
  - b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
  - c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.
2. With regards to the external auditor:
  - a) In the event that the external auditor resigns, examine the reasons for their resignation.
  - b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
  - c) Ensure the company informs the CNMV of the change of auditor, as a significant event, and accompany this announcement with a statement concerning any disagreements with the outgoing auditor and, if there were any, the substance of these disagreements.
  - d) Ensure that the company files a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
  - e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies ☒ [ X ]      Complies partially ☐ [ ]      Explain ☐ [ ]

43. The audit committee may summon any employee or director of the company, and even arrange for them to appear without any other director being present.

Complies ☒ [ X ]      Complies partially ☐ [ ]      Explain ☐ [ ]

44. The audit committee should be informed of structural and corporate operations and changes which the company plans to perform for its analysis and should first inform the board of directors of its economic circumstances and accounting impact and, especially, where applicable, concerning the exchange equation proposed.

Complies ☒ [ X ]      Complies partially ☐ [ ]      Explain ☐ [ ]      Not Applicable ☐ [ ]

45. The risk control and management policy should, at the very least, identify:

- a) The various types of risk, financial and non-financial (among others, operational, technological, legal, social, environmental, political and reputational risks) faced by the company, including, among the financial or economic risks, contingent liabilities and other off balance sheet risks.

- b) The set level of risk the company considers acceptable.
- c) The measures provided for mitigating the impact of the risks identified, in the event that these risks materialise.
- d) The information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off balance sheet risks.

Complies [ X ]      Complies partially [ ]      Explain [ ]

**46.** Under the direct supervision of the audit committee or, where applicable, of a specialist committee of the board of directors, there is an internal risk control and management service operated by an internal unit or department of the company, which is expressly given the following duties:

- a) Ensuring the smooth running of the risk control and management systems and, specifically, that all the important risks affecting the company are identified, managed and appropriately quantified.
- b) Actively participating in preparing the risk strategy and important decisions concerning its management.
- c) Ensuring that the risk control and management systems appropriately mitigate risks, as part of the policy identified by the board of directors.

Complies [ X ]      Complies partially [ ]      Explain [ ]

**47.** The members of the appointments and remuneration committee - or the appointments committee and the remunerations committee, if they are separated - are appointed ensuring they have the knowledge, skill and experience needed for the duties they are required to perform and that the majority of these members are independent board members.

Complies [ X ]      Complies partially [ ]      Explain [ ]

**48.** Companies with a high market capitalisation have a separate appointments and remunerations committee.

Complies [ ]      Explain [ ]      Not Applicable [ X ]

**49.** The appointments committee consults the president of the board of directors and the company's top executive, especially as regards to matters that concern executive board members.

Any board member can ask the appointments committee to take into consideration, if they are considered suitable in their opinion, potential candidates for covering vacant board member positions.

Complies [ X ]      Complies partially [ ]      Explain [ ]

**50.** The remunerations committee should perform its duties independently and, in addition to the duties assigned by law, should perform the following duties:

- a) Propose the basic conditions of senior management contracts to the Board.
- b) Check the observance of the Remuneration Policy established by the company.
- c) Periodically review the remuneration policy applied to board members and senior executives, including share-based remuneration systems and their application, in addition to guaranteeing that their individual remuneration is proportional to what is paid to other board members and senior executives of the company.
- d) Ensure any conflicts of interest do not jeopardise the independence of the external advice provided to the committee.

- e) Check information concerning the remuneration of board members and senior executives contained in the various corporate documents, including the annual report concerning board Member remuneration.

Complies [ X ]      Complies partially [ ]      Explain [ ]

51. The remunerations committee consults the president and the company's top executive, especially as it regards matters that concern executive board members and senior executives.

Complies [ X ]      Complies partially [ ]      Explain [ ]



52. Rules concerning the composition and operation of the supervisory and control committees are included in the regulation of the board of directors and are consistent with those applicable to legally mandatory committees, according to the recommendations above, including:

- a) They should be comprised exclusively of non-executive directors, with a majority of independent board members.
- b) Their presidents should be independent board members.
- c) The board of directors should appoint the members of these committees, bearing in mind the knowledge, skills and experience of the board members and the tasks of each committee, deliberate on its proposals and reports; and account, in the first plenary session of the board of directors after its meetings, for its activity and for the work performed.
- d) The committees can secure external advice, when they consider this necessary in order to perform their duties.
- e) Minutes will be prepared of its meetings which will be put at the disposal of all board members.

Complies [ X ]

Complies partially [ ]

Explain [ ]

Not Applicable [ ]

53. Supervision of compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy is under the responsibility of one or is distributed among various committees of the board of directors. These may include the audit committee, the appointments committee, the corporate social responsibility committee, if there is one, or a specialist committee which the board of directors, exercising its self-organisation powers, decides to create with this end in mind, and to which the following duties will, at a minimum, be given:

- a) Supervising compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervising the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluating the suitability of the company's corporate governance system, with a view to achieving its mission of promoting the interests of the company and keeping in mind, where applicable, the legitimate interests of remaining stakeholders.
- d) Reviewing the company's corporate social responsibility policy, ensuring it is focussed on value creation.
- e) Tracking the corporate social responsibility policy and practices, and changes in the degree of compliance.
- f) Supervising and evaluating relations processes with various stakeholders.
- g) Evaluating all matters concerning the company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinating the non-financial information reporting process and the diversity reporting process, according to applicable regulation and reference international standards.

Complies [ X ]

Complies partially [ ]

Explain [ ]

54. The corporate social responsibility policy includes the principles or commitments that the company voluntarily assumes in its relationship with the various stakeholders, and identifies, at the very least:

- a) The objectives of the corporate social responsibility policy and the development of supporting mechanisms.
- b) The corporate strategy for sustainability, the environment and social matters.
- c) Specific practices for matters related to: shareholders, employees, providers, social matters, the environment, diversity, fiscal responsibility, respect of human rights and prevention of illegal conduct.
- d) The methods or systems for tracking results of the application of the specific practices indicated in the previous section, associated risks and their management.
- e) Non-financial risk monitoring mechanisms, ethics and business conduct.
- f) Channels of communication, participation and dialogue with stakeholders.
- g) Responsible communication practices that avoid manipulation of information and protect integrity and honour.

Complies [ X ]      Complies partially [ ]      Explain [ ]

55. The company should announce, in a separate document or in the management report, matters related to corporate social responsibility, using, for this purpose, any of the internationally accepted methodologies.

Complies [ X ]      Complies partially [ ]      Explain [ ]

56. The board members' compensation should be whatever is needed to attract and retain board members with the background desired and to compensate the dedication, qualification and responsibility the position demands, but should not be so high as to compromise the independence of non-executive board members.

Complies [ X ]      Explain [ ]

57. Variable remuneration that is linked to the output of the company and personal performance should be confined to executive board members, as well as remuneration by awarding shares, options or rights to shares or instruments referenced to the value of the share or long term savings schemes such as pension plans, retirement schemes or other social welfare schemes.

The awarding of shares may be considered as remuneration for non-executive board members when it is conditional upon them keeping these shares until they leave their position as board members. The above will not apply to shares which the board member needs to sell, where applicable, to meet costs related to their acquisition.

Complies [ X ]      Complies partially [ ]      Explain [ ]

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

- c) Are based upon balancing short, medium and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not Applicable [ ]

59. Payment of an appreciable part of the variable components of the compensation should be deferred for a minimum period of time that is sufficient to confirm that the previously established output conditions have been met.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not Applicable [ ]

60. The remuneration related to the company's earnings takes into account any reservations included in the external auditor's report and that these earnings should be reduced accordingly.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not Applicable [ ]

61. A significant percentage of the variable remuneration of executive board members should be linked to the awarding of shares or financial instruments referenced to the value of the shares.

Complies [ X ]      Complies partially [ ]      Explain [ ]      Not Applicable [ ]



62. Once the shares or options or rights to shares corresponding to the compensation schemes have been awarded, board members may not transfer ownership to a number of shares that is equivalent to twice their fixed annual compensation, nor may they exercise the options or rights until a period of at least three years has passed since they were awarded.

The above will not apply to shares which the board member needs to sell, where applicable, to meet costs related to their acquisition.

Complies [ ☐ ]      Complies partially [ ☐ ]      Explain [ ☐ ]      Not Applicable [ ☒ ]

63. The contractual agreements should include a clause allowing the company to claim reimbursement of the variable components of the remuneration when the payment has not been adjusted to the output conditions or when the payment has been made based on data whose inaccuracy was subsequently demonstrated.

Complies [ ☒ ]      Complies partially [ ☐ ]      Explain [ ☐ ]      Not Applicable [ ☐ ]

64. Payments for termination of the contract should not exceed a set amount equivalent to two years of total annual remuneration and the payments should not be made until the company has demonstrated that the board member has met the previously established output criteria.

Complies [ ☒ ]      Complies partially [ ☐ ]      Explain [ ☐ ]      Not Applicable [ ☐ ]

## H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. Where applicable, the code in question will be identified, as well as the adherence date. In particular, it should mention if it has adhered to the Code of Good Tax Practice, 20 July 2010:

### SECTION G, Recommendation 10

In 2018, there was no situation in which this recommendation was applied.

### SECTION G, Recommendation 14

Since 2016, the Appointments and Remunerations Committee has already set, by way of a representation target for the least well-represented gender on the Board, that this gender should reach 30% of total members by 2020.

### SECTION G, Recommendation 20

In 2018, there was no situation in which this recommendation was applied.

### SECTION G, Recommendation 23

Article 15.5 of the Board Regulation specifically provides that "Board Members must clearly express their opposition when they think that any proposed decision brought before the Board of Directors could be contrary to the interests of the company. Independent board members and other board members, especially, who are not affected by the potential conflict of interest should do the same in the case of decisions that could prejudice shareholders that are not represented on the Board."

In 2018, there was no situation in which this standard was applied.

### SECTION G, Recommendation 28

Article 15.6 of the Board Regulation specifies that when the Board members or the Secretary express concern about any proposal or, in the case of Board members, concerning the running of the company and these concerns are not resolved by the Board, at the request of the person who expressed the concerns, they may request that this be recorded in the minutes of the meeting.

In 2018, there was no situation in which this standard was applied.

### SECTION G, Recommendation 31

In 2018, there was no situation in which this recommendation was applied.

### SECTION G, Recommendation 34

According to the provisions of article 529 septies 2 of the Capital Companies Act, the appointment of a Coordinating Board Member is only provided for cases in which the Chairman of the Board of Directors is also an Executive Director, which is not the case with Corporación Financiera Alba, S.A.

However, since this is considered as a good Corporate Governance practice and in order to facilitate its actions, the Board of Directors of Corporación Financiera Alba, S.A., in its session of 25 January 2016, appointed, with the abstention of the executive Board Members, one Coordinating Board Member from the independent Board Members.

### SECTION G, Recommendation 36

It is noteworthy that the internal assessment process of the Board of Directors was implemented under the coordination of the Chairman of the Board of Directors and with the participation of the Board Members (by answering questionnaires prepared for this purpose) of the various Committees (by preparing reports concerning its activities in the financial year) and with the intervention of the Appointments and Remunerations Committee.

The areas assessed were as follows: Corporate Governance in general; composition and diversity of the Board; powers of the Board; frequency of the meetings, progress and attendance at the meetings; dedication of the Board Members; reporting to the Board Members; actions of the Chairman, of the Managing Director and the Secretary of the Board; performance of the Board Members; Committees on the Board; training of the Board Members; application of the Code of Ethics and Conduct and the Internal Regulation for Conduct on the Securities Market and the Criminal and Fraud Prevention Policy.

The Board assessment report includes some findings concerning the smooth running of the Board.

### SECTION H.1.3.

The Company has adhered to the United Nations Global Compact since 22 December 2015.

This annual corporate governance report was approved by the company's Board of Directors, in its session of:

| 25/03/2019 |

State whether any board member has voted against or abstained from approving this report.

☐ Yes  
☒ No