



## **CORPORATE GOVERNANCE POLICY** **OF CORPORACION FINANCIERA ALBA, S.A.<sup>1</sup>**

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### **1. Introduction**

The Corporate Bylaws (Article 33) of Corporación Financiera Alba, S.A. (hereinafter, "ALBA" or the "Company") establish that the Board of Directors will approve its Regulation, with a report to the General Shareholders' Meeting, setting out the basic rules for its organisation and functioning, while furthermore aiming to achieve the utmost professionalism and efficacy in its actions, promoting the participation of its members and placing the corporate interest and that of the shareholders before the Directors' own, all the above in accordance with respect for the Law, the Corporate Bylaws themselves, and the standards of conduct applicable to its members.

The Board Regulation, with reference to its mission (Article 5), establishes that it is to perform its functions with uniform purpose and independent judgment, dispensing the same treatment to all shareholders and being guided by the interests of the Company. It likewise establishes that the Board will ensure that, in its relationship with stakeholders, the Company respects Laws and Regulations, complies in good faith with its obligations and contracts, respects standard conduct and good practice in the sectors and regions where it operates, and observes with any additional social responsibility principles that it might voluntarily have espoused.

The policy of the Board is to delegate regular management of the Company to the CEO and the executive team, focusing its activities on the approval of the Company's strategy and the organisation required for the practical implementation thereof, in addition to supervision and oversight to ensure that

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<sup>1</sup> Approved by the Board of Directors at its meeting held on 17 June 2019. This Policy replaces that approved by the Board of Directors at its meeting held on 26 October 2015.

Senior Management fulfil the objectives set and respect the corporate purpose and interest.

Meanwhile, in reference to those responsibilities of the Board that may not be delegated, and in particular general policies and strategies of the Company that must be approved by the Board of Directors, the Board Regulation establishes that these include the Corporate Governance policy (Article 5.2.2.c).

Likewise, the Board of Directors has approved the ALBA Code of Ethics and Conduct of ALBA and the companies of its group, serving to reflect the corporate identity and commitments given to the business community and the different stakeholders with regard to Company activities.

In consideration of the above, this Corporate Governance Policy must be applied and interpreted by taking into account the various Corporate Governance standards of the Company, and in particular corporate values, behavioural standards and guidelines set by the Code of Ethics and Conduct.

## **2. Purpose**

Corporación Financiera Alba, S.A. establishes in its Code of Ethics and Conduct and in its Corporate Social Responsibility Policy, the corporate values that govern its relationship with the different stakeholders, and which help to achieve strategies and maximise Company value on a sustained basis. This Policy sets out in summary the principles revealing both the will of the Company to comply with the regulations in force, and also its alignment with recommendations in the sphere of Corporate Governance, which the Company has progressively espoused. The clear aim of these principles is for them to be maintained at the organisation, since without prejudice to any updates, they help to shape the inherent Corporate Governance culture of ALBA. This Policy aims to align the interests of the Company with those of its shareholders and other stakeholders, by protecting and fostering values shared by all, while at the same time attempting to underpin trust, stability, progress and the social and economic development of society at large.

## **3. Principles**

The principles on which the ALBA Corporate Governance Policy is based and which provide the reference point for the Company's actions in its relationship with its stakeholders are set out below:

- Consolidate, develop and foster mechanisms for the relationship with shareholders, investors and key stakeholders, so as to improve relations, increase commitment and strengthen their trust.
- Promote the informed participation of Company shareholders at its General Meetings.
- Adopt the necessary measures so as to guarantee the proper exercise of shareholder rights at General Meetings.
- Exert control and supervision as required in the different activities of the Company, with the Board of Directors taking direct responsibility in

accordance with those functions attributed to it and that may not be delegated.

- Maintain appropriate balance and proportionality of powers in the structure and composition of the Board of Directors by adopting the necessary measures to allow it to act with uniform purpose and independent judgment, while maintaining appropriate separation between management and supervision functions, pursuing the corporate interest and that of the shareholders, in addition to the sustainability of the Company.
- Maintain appropriate procedures for the selection of Directors, so as to guarantee a reasonable balance and diversity among the members of the Board of Directors in performing their mission.
- Foster diversity of knowledge, experience and gender in the composition of the Board of Directors.
- Establish appropriate mechanisms to define the duties and responsibilities of Directors, and to uncover and resolve possible situations of conflict of interest between the Directors and the Company.
- Follow a Board remuneration policy based on principles of moderation, consistency with the effort actually dedicated, and alignment with the long-term strategies and interests of the Company and its shareholders.
- Submit the remuneration policy and the overall annual remuneration of the Board of Directors before the General Shareholders' Meeting, in addition, on a consultative basis, to the annual report on the remuneration of the Board of Directors.
- Ensure the quality and efficiency of the functioning and performance of the Board of Directors, of the Chairman of the Board, the Chief Executive of the Company and of the Board Committees, and perform an annual evaluation of said functioning and performance.
- Facilitate the training of Directors with regard to the different areas and activities of the Company.
- Achieve orderly succession of the Chairperson of the Board and the Chief Executive of the Company to ensure its continuity and sustainability.
- Identify, analyse and, where applicable, adopt best practice as regards Corporate Governance, following the principle of operational excellence acknowledged by the Company.
- Ensure transparency and quality of information, so that the public information of the Company, both financial and non-financial, is presented in a clear, reliable, straightforward, ordered and comprehensible manner for its different stakeholders.
- Review, update and continuously improve the content and structure of the corporate website.
- Foster an understanding of the principles and values that underlie the Corporate Governance Policy, both internally at the organisation, and externally throughout all its stakeholders.

#### **4. ALBA Corporate Governance Practices**

In the light of the aforementioned principles, the practices to be followed by the Company, which jointly make up the ALBA Corporate Governance Policy, are set out below.

#### 4.1. With regard to Company shareholders.

##### a) Commitment to shareholders.

With the aim of developing and fostering mechanisms for relationship and dialogue with shareholders and investors, ALBA will take into account and evaluate requests for suggestions from different shareholders and investors, with a particular focus on those of an institutional nature, and the most significant proxy advisors and other stakeholders,, in order at all times to maintain an optimal relationship, to increase the Company's commitment and to strengthen the trust of all, while constantly respecting equal treatment for all shareholders.

ALBA will likewise provide its shareholders with appropriate and systematic information reflecting the environmental, social, corporate good governance, sustainability and diversity goals that form part of the Company's corporate interest.

In order to facilitate direct communication with the shareholders, their engagement with the Company and the exercise of their rights, ALBA will ensure that they are properly identified, requiring the collaboration of intermediaries where necessary, in accordance with the legislation in force from time to time.

##### b) General Shareholders' Meeting.

In accordance with the principle of promoting informed accessibility on the part of its shareholders at General Meetings, the Company publishes and provides to shareholders duly in advance all documentation regarding the various items on the agenda of the General Meetings, offering them the necessary support in order to exercise their voting rights.

Shareholders may ask to be handed or sent the documentation regarding the various items comprising the agenda of the General Meetings, in printed format, and at no expense to them.

Furthermore, in order to guarantee the proper exercise of shareholder rights at General Meetings, the Company maintains mechanisms and adopts measures to facilitate the exercise of such rights, in accordance with the Law and best Corporate Governance practice.

In particular, shareholders representing at least three percent of the capital stock may request the publication of a supplement to the announcement of the General Meeting, including one or more items on the agenda, and may propose resolutions regarding matters already included or that should be included on the agenda of the General Meeting once it has been called.

Shareholders may, meanwhile, request in writing any information or clarification that they might deem necessary, or submit any written questions they might deem relevant as regards the items included on the announced agenda, and request details or clarifications or submit written questions regarding information available

to the public that the Company has submitted to the National Securities Market Commission since the last General Shareholders' Meeting was held.

The Company provides an Electronic Shareholder Forum on its website, available to both individual shareholders and any associations they might establish, to facilitate communication prior to a General Meeting being held. The Forum may publish any proposals to be presented in order to supplement the Agenda declared when the meeting was announced, requests for support for said proposals, initiatives to achieve the necessary percentage to exercise a minority right established in Law, or offers or requests for voluntary representation.

The Company encourages attendance by shareholders at the General Meeting by holding the event at a venue offering optimal conditions to stage and follow the proceedings, at a central location in the same city as the registered office, while also guaranteeing accessibility on the part of those with a disability and the elderly.

General Meetings are broadcast live via the Company website.

#### **4.2. With regard to the Board of Directors and its Committees.**

##### **a) Basic functions and functioning of the Board.**

In order to exert the control and supervision required over areas of relevance for the Company, the Board is attributed the following basic functions, among other responsibilities that cannot be delegated:

- Approve the basic operational guidelines of the general policies and strategies of the Company and of the Group, including the strategic or business plan of the Company, the investment policy, the corporate governance policy, the corporate social responsibility policy, the remunerations policy proposal, etc.
- Approve the policy for control and management of the main risks facing the Company, and conduct periodic monitoring of the internal control, prevention and information systems.
- Maintain supervision of the executive team.
- Supervise compliance and development of the Company's corporate governance system.
- Supervise the process of preparing and presenting the Company's financial and non-financial information.

In order to perform its direct responsibilities, and all other functions, the Board of Directors meets at least once per quarter. Furthermore, on the initiative of the Chairman it meets often as he might deem appropriate for the sound functioning of the Company.

Likewise, Directors comprising at least one third of the members of the Board may call a meeting, indicating the agenda, if, following a request submitted to the Chairman, he has failed to call a meeting within a period of one month, without just cause.

The Board draws up an annual plan of ordinary meetings, and has a catalogue of the matters to be discussed.

b) Balance of powers in the structure and composition of the Board of Directors.

The Board of Directors performs its functions with uniform purpose and independence of judgment, pursuing the corporate interest and that of the shareholders, in addition to the sustainability of the Company. This requires that appropriate balance and proportionality of powers be maintained in the composition of the Board:

- Independent Directors.

Taking into account the shareholding distribution and capitalisation of ALBA, the number of independent Directors will normally represent at least one third of the members of the Board of Directors. (R.17)

- Board Committees.

(i) Audit and Compliance Committee

The Company has an Audit and Compliance Committee comprising external Directors, the majority of the members and the Chairperson being independent Directors. All of them, and in particular the Chairperson, will be appointed in accordance with their knowledge and experience in the field of accounting, auditing, or both.

This Committee performs, among other functions, supervision of the economic/financial information of ALBA, of internal control and risk management systems, those regarding relations with the external accounts auditor, and those corresponding to the supervision of fulfilment of the behavioural regulations and rules of Corporate Governance.

The Regulation of the Board of Directors governs the actions of the Company's Audit Committee in its four main areas, namely: the system of risk identification and internal control; the review and approval of financial information; the external auditing of the annual accounts; and the fulfilment of the legal system and internal regulations.

The Audit Committee also has its own Regulations, detailing the nature, functions, composition, functioning, relationships with the Order Directors, shareholders, Senior Management, external and internal auditors, in addition to evaluation and reports.

(ii) Appointments and Remuneration Committee

The Company has an Appointments and Remunerations Committee comprising external Directors, the majority of the members and the Chairperson being independent Directors. Overall this Appointments and Remunerations Committee

will have access to know-how and experience in the field of corporate governance, analysis and strategic evaluation of human resources, selection and management of executives, performance of senior managerial functions, design of policies or plans for the remuneration of directors and senior positions.

The fundamental responsibilities assigned to this Committee cover: the evaluation and selection of directors and senior executives, proposals or reports on the appointment and discharge of Directors, the remuneration policy of the Board of Directors, compliance with the Directors' duties and management of the process of evaluation of the Board and its specialist committees, in addition to examination and organisation of the succession of the Chairperson of the Board and the Chief Executive.

The Regulation of the Board of Directors governs the composition and functions of the Appointments and Remunerations Committee of the Company, each of which is detailed.

The Appointments and Remunerations Committee may approve its own Regulation in order to make detailed provision for its nature, functions, composition, functioning, relations with the Board of Directors, shareholders, Senior Management, external auditor, proxy advisors and other stakeholders, in addition to evaluation and reports.

### (iii) Investments Committee

The Company also has in place an Investments Committee, comprising a minimum of three and a maximum of six Directors, appointed by the Board of Directors in accordance with their knowledge, skills and experience and the tasks of the Committee. Consideration is likewise given to the possibility that its meetings may be attended by any other Director who might so wish, with the right to speak but not to vote.

This Committee is entrusted with the following key functions: report on the Company's investment strategy; reach decisions regarding investment or divestment, or report on those for which the Board is responsible, in accordance with the established thresholds; monitor the investments made and their alignment with the objectives and principles of the Investments Policy; propose measures or decisions to optimise the investments made; and set out proposals for the modification of stakes or divestment.

- Powers of the Board of Directors that cannot be delegated.

The Board of Directors of ALBA maintains an extensive list of direct responsibilities set aside for the Board of Directors in the Board Regulation, which may not be delegated.

### c) Appointment of Directors.

The Company applies procedures for the selection of Directors to guarantee a reasonable balance and diversity within the Board of Directors so as properly to

perform its mission, all the above in accordance with the Policy approved for this purpose. To this end, when candidates are evaluated in the selection process, consideration is given to the skills, experience, training, age, gender, disability, professionalism, suitability, independence of judgment, knowledge, qualities, capacities and availability to perform the functions, with the Appointments and Remunerations Committee playing a key role in this process.

The Company likewise has other instruments in place to guarantee the appropriate selection of Directors, such as the directorial selection policy and other internal documents approved by the Appointments and Remunerations Committee, including the functions shared by all members of the Board of Directors; the requirements that directorial candidates must fulfil; gender diversity, the objective for the representation of the under-represented gender and guidelines to achieve this; an evaluation of the time and dedication required of the Directors, and the maximum number of Boards per Director.

#### d) Responsibilities of the Directors.

In accordance with the applicable regulations, the Company defines the duties and responsibilities of the Directors, in general, and the duties of diligence and loyalty in particular, establishing a complete internal regulation in accordance with the provisions of the legislation in force.

The duties of the Directors covered by said internal regulation include in particular the following:

- Duty of diligent administration, in other words of the Director must act with the diligence of a responsible business operator, attending meetings of the Board of Directors and its Committees with due information and preparation, providing appropriate dedication and actively participating in debates.

Within the sphere of strategic and business decisions, subject to corporate powers of discretion, the standard of diligence of a responsible business operator will be deemed to have been fulfilled if the Director has acted in good faith, without any personal interest in the matter decided, with sufficient information and in accordance with an appropriate decision-making procedure.

- Duty of loyalty, which means that Directors must perform their position as faithful representatives, acting in good faith and in the best interest of the Company. This duty includes, among other aspects, obligations to serve notice of any situation of conflict of interest and to refrain from involvement in debates connected with such issues, to submit their transactions with the Company for prior authorisation, and to report any relevant situation or event as to their actions as Directors. This likewise includes a prohibition on the use of corporate assets to obtain a material benefit, and the exploitation of business opportunities of the Company, for their own benefit or that of related persons.



- Duty of secrecy with regard to confidential information, being obliged to maintain the secrecy of any information, data, reports or background that they might learn as a consequence of performing their position, even after they have left their post.

- Duty of directorial information, being required to inform the Company of the stake that they hold in its capital stock, and any stock options or derivatives linked to the share price, along with information on any legal, official or other claims that, given their significance, could impact on the reputation of the Company.

Directors must likewise comply with the standards of conduct established in securities market legislation, as well as any internal standards approved by the Company from time to time.

The Directors must furthermore respect and align their conduct with the principles and obligations established in the Code of Ethics and Conduct of the Company.

#### e) Conflicts of interest.

In order to apply appropriate mechanisms serving to ascertain and resolve possible situations of conflict of interest between the Directors and the Company, it establishes controls and adopts measures to prevent Directors who are potentially affected from intervening in those matters in which they could have a personal interest, being required to prioritise the corporate interest in their actions in all cases.

#### f) Remuneration policy of the Board of Directors.

The Company applies a remuneration policy for the Board of Directors the aim of which is to contribute to corporate strategy and to the long-term sustainability and interests of the Company, based on principles of moderation, correspondence to effective dedication, alignment between the long-term interests and strategies of the Company and its shareholders and other stakeholders. The remuneration policy aims to incentivise and enhance the loyalty of Directors, while ensuring that the amounts involved do not jeopardise their independence. To this end it conducts analyses of other comparable companies, maintains contact with its shareholders and evaluates the opinions of proxy advisors.

ALBA periodically reviews the remuneration structure of the Board of Directors to keep it aligned with Corporate Governance standards.

The remuneration policy of the Board of Directors and the annual report on this are submitted before the General Shareholders' Meeting, as a separate item on the Agenda.

#### g) Diversity on the Board of Directors.

The Company promotes diversity of knowledge, experience, training, gender and age in the composition of the Board of Directors and its Committees, as a factor allowing it to achieve its objectives from a plural and balanced perspective.

h) Evaluation of the Board of Directors.

The Company conducts an annual evaluation of the functioning and performance of the Board of Directors, of its Chairman, the Chief Executive and of the Board Committees. The process is performed under the coordination of the Chairperson with the key involvement of the Appointments and Remunerations Committee, and is reflected in the Annual Corporate Governance Report.

i) Directorial information and updating knowledge programme.

In order to facilitate the training of Directors as regards the different Company activities, it has in place a guidance and updating programme, allowing them to extend their knowledge of Company activities. The Board and the Directors are likewise provided with information as to notable regulatory developments for the Company or its Corporate Governance.

j) Secretary of the Board of Directors.

In order to ensure that the Company identifies, analyses and, where applicable, adopts best practice, principles and recommendations as regards Corporate Governance, the Secretary of the Board of Directors, within the context of the functions attributed to him by law and established in the bylaws, ensures that the actions and decisions of the Board of Directors take into account recommendations regarding sound Corporate Governance, and provide the Board and its Committees with the information they need in order to be able to analyse and propose the adoption of such best practices and recommendations, allowing the Company to monitor the evolution of these practices and appropriate dissemination among its stakeholders.

k) Standards of conduct.

The Company has in place a Code of Ethics and Conduct, with an Internal Regulation of Conduct in the Sphere of Securities Markets, and an internal procedure for the company as the target of market sounding, setting out the standards of conduct applicable to ALBA Directors and all other personnel of the Company and its group. These internal regulations establish control and monitoring bodies who report to the Audit Committee and to the Board of Directors once a year as to their actions.

The Company has also established a Whistleblowing Channel to receive, process and resolve grievances connected with any acts or conduct that could be in breach of the applicable regulations or the Code of Ethics and Conduct.

**4.3.** With regard to the principles of information transparency and dissemination of the Corporate Governance Policy.

a) The Company ensures transparency and the utmost quality of information so that the public information of the Company is presented in a clear, comprehensive, straightforward, ordered and comprehensible manner for the various stakeholders.

In particular, with regard to annual corporate information, the Company:

- Approves an Annual Corporate Governance Report which complies with the regulatory requirements governing its structure and content, and provides any additional information that would be appropriate for proper understanding and to facilitate an overview in the monitoring of recommendations as regards Corporate Governance.
- Produces an Annual Report on the Remuneration of the Directors in accordance with the regulatory requirements governing structure and content, providing information as to the Board remuneration policy and the monitoring thereof, and providing itemised information as to the remuneration of the different Directors. This report is submitted before the General Shareholders' Meeting for consultative approval.
- Produces an annual report setting out the relevant non-financial information, in accordance with the regulatory requirements governing the structure and content thereof, so as to provide information as to the Company's policies, the outcomes of these policies, the main risks and how they are managed, in addition to key non-financial indicators concerning environmental, social and personnel matters, human rights, anti-corruption and anti-bribery, scalability, subcontracting, suppliers and consumers, along with other significant non-financial information.

Meanwhile, when the Annual General Meeting has been announced, the Company publishes:

- The total number of shares and voting rights on the date of the announcement.
- The Directors' Reports and the Annual Accounts (Explanatory Notes, Balance Sheet, Profit and Loss Account, Statement of Changes in Net Worth and Statement of Cash Flows), together with the opinion of the accounts auditor and the proposed application of results.
- The Report on the independence of the Auditor.
- The Report on the activity of the Audit Committee during the previous financial year.
- The Report of the Audit Committee as to related-party operations during the previous financial year.
- The Report on the activity of the Appointments and Remunerations Committee during the previous financial year.
- The Report of the Appointments and Remunerations Committee on the Directorial Remunerations Policy.
- Information on the identity, CV, category and explanatory report regarding the appointment, ratification or re-election of Directors.
- The Report on the activities of the Investments Committee.
- The report containing non-financial information (Sustainability Report).

b) The Company has in place a corporate website which it keeps updated and periodically reviews in order to make any suitable improvements so as to

incorporate the most relevant information for its stakeholders, and to improve its accessibility, functionality and quality of information. The content and structure of the corporate website respect in all cases the provisions of the applicable regulations. Most of the information that can be accessed on the website is likewise available in English.

c) In order to foster an understanding of the principles and values that underlie this Corporate Governance Policy, both internally at the organisation, and externally among all its stakeholders, ALBA will take any actions it might deem necessary or appropriate in order effectively to promote its dissemination.

d) Lastly, in accordance with good corporate governance recommendations the Company has in place a Communication Policy, the purpose of which is to project the identity, values and activities of the Company by means of communication initiatives leading to the fulfilment of its strategies and objectives.

Madrid, 17 June 2019