Corporación Financiera Alba, S.A. and subsidiaries

Independent Auditor's Report on Corporación Financiera Alba, S.A. and subsidiaries

31 December 2019

(Together with the consolidated annual accounts and consolidated directors' report of Corporación Financiera Alba, S.A. for the year ended 31 December 2019)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Corporación Financiera Alba, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Corporación Financiera Alba, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2019 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of investments in associates ***See notes 4 e) and 10 to the consolidated annual accounts***	
Key audit matter	*How the matter was addressed in our audit*
The Group holds investments in associates amounting to Euros 3,253 million at 31 December 2019, which are accounted for using the equity method. There is a risk that the carrying amount associated with the net investment in the associate is higher than its recoverable amount, in particular in those entities the listed price of which is lower than the carrying amount on the Group's consolidated balance sheet. At each reporting date the Group assesses the possible existence of impairment of the aforementioned investments and, where applicable, it estimates their recoverable amount and determines the need to recognise the corresponding impairment of investments. The recoverable amount of the investment is determined, taking into consideration its value in use, by applying valuation techniques that require management's judgement and the use of assumptions and estimates. Due to the uncertainty and judgement associated with these estimates, as well as the significance of the carrying amount of the investments in associates, we have considered this valuation to be a key audit matter.	Our audit procedures included the following: - We assessed the design and implementation of the key controls relating to the processes of identifying possible evidence of impairment and estimating the recoverable amount of investments in associates. - We assessed the criteria used for this by management. We compared the information on the share prices of the investments in associates used for this assessment. - We evaluated the reasonableness of the methodology and assumptions used when estimating the recoverable amount, with the involvement of our valuation specialists. - We compared the information contained in the valuation model with estimates and perspectives of the future growth of the industry to which the associates belong, based on external sources of information. - We evaluated the sensitivity of the estimated recoverable amount to changes in the relevant assumptions and judgements, such as the future cash flows, the discount rate and the expected future growth rate, for the purpose of assessing its impact on the valuation. - Finally, we assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Emphasis of Matter

We draw attention to note 30 to the accompanying annual accounts, in which the Directors mention the event after the reporting period in relation to the health emergency triggered by the spread of Coronavirus disease 2019 (COVID-19) and the main consequences identified at the date of the authorisation to issue these consolidated annual accounts, considering the measures adopted by the Spanish government in Royal Decrees 463/2020 of 14 March 2020 and 8/2020 of 17 March 2020, as well as the difficulties of estimating the possible impacts that this situation could have. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2019 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility as regards the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to the consolidated non-financial information statement, as well as certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the consolidated directors' report, or where applicable, that the consolidated directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in section a) above has been provided in the consolidated directors' report, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2019, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

- Conclude on the appropriateness of the use by the Parent's Directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 1 April 2020.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 8 June 2016 for a period of three years, beginning after the year ended 31 December 2017.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Borja Guinea López
On the Spanish Official Register of Auditors ("ROAC") with No. 16210

1 April 2020

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CONSOLIDATED ANNUAL ACCOUNTS OF CORPORACIÓN FINANCIERA ALBA, S.A AND SUBSIDIARIES FOR 2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevailS.)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2019 AND 2018

(In millions of €)

ASSETS	Note	31/12/2019	31/12/2018
Investment property	6	324,5	327,3
Property, plant and equipment	7	24,8	7,9
Goodwill	8	122,7	5,0
Other intangible assets	9	104,4	38,1
Investments in associates	10	3.253,1	2.994,4
Investments at fair value through profit or loss	11	150,4	201,1
Other financial assets	12	69,2	63,9
Deferred tax assets	22	2,1	1,2
NON-CURRENT ASSETS		4.051,2	3.638,9
Non-current assets held for sale	10	312,7	-
Inventories		18,1	6,9
Trade and other receivables	13	118,0	231,6
Other financial assets	14	114,2	248,7
Cash and cash equivalents	14	77,8	142,0
CURRENT ASSETS		640,8	629,2
TOTAL ASSETS		**4.692,0**	**4.268,1**

EQUITY AND LIABILITIES	Note	31/12/2019	31/12/2018
Share capital	15	58,2	58,2
Retained earnings and other reserves		4.124,5	4.012,4
Interim dividend	3	(29,1)	(29,1)
Equity		4.153,6	4.041,5
Non-controlling interests	15	194,6	17,4
TOTAL EQUITY		4.348,2	4.058,9
Loans and borrowings	19	202,0	128,9
Other financial liabilities	12	20,3	9,0
Provisions	17	1,0	0,8
Deferred tax liabilities	22	54,8	39,0
NON-CURRENT LIABILITIES		278,1	177,7
Trade and other payables	18	49,0	18,7
Loans and borrowings	19	16,7	12,8
CURRENT LIABILITIES		65,7	31,5
TOTAL EQUITY AND LIABILITIES		**4.692,0**	**4.268,1**

The accompanying notes 1 to 30 form an integral part of the consolidated annual accounts at 31 December 2019

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(In millions of €)

	Note	2019	2018
Share of profit/(losses) of associates	10	84,5	161,4
Revenues	24	94,8	92,4
Other income		4,8	5,1
Supplies		(23,7)	(29,6)
Changes in fair value of investment property	6	2,8	0,2
Proceeds from disposal of and income from assets	6, 10 and 11	24,9	25,8
Impairment	10 and 12	51,9	(10,1)
Personnel expenses	25.a	(40,8)	(20,3)
Other operating expenses	24	(30,2)	(25,7)
Amortisation and depreciation		(11,0)	(11,9)
OPERATING PROFIT/(LOSS)		**158,0**	**187,3**
Finance income	25.b	6,6	14,6
Finance costs and exchange differences		(2,6)	(6,5)
Change in fair value of financial instruments	11 and 25.c	17,0	(30,9)
NET FINANCE INCOME/(COST)		**21,0**	**(22,8)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**179,0**	**164,5**
Income tax expense	22	(0,7)	(1,9)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**178,3**	**162,6**
CONSOLIDATED PROFIT FOR THE YEAR		**178,3**	**162,6**
Profit/(loss) attributable to minority interests		(0,9)	8,2
CONSOLIDATED PROFIT ATTRIBUTABLE TO THE GROUP		**179,2**	**154,4**
Earnings per share (Euros/share)	15	3,08	2,65

The accompanying notes 1 to 30 form an integral part of the consolidated annual accounts at 31 December 2019

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(In millions of €)

	Note	2019	2018
CONSOLIDATED PROFIT FOR THE YEAR		**178,3**	**162,6**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
Items that will not be reclassified to profit or loss	10	(18,0)	(26,0)
Share in other comprehensive income from investments in associates		(18,0)	(26,0)
Items that will be reclassified to profit or loss	10	8,1	9,5
Share in other comprehensive income from investments in associates		8,1	9,5
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**(9,9)**	**(16,5)**
TOTAL COMPREHENSIVE INCOME		**168,4**	**146,1**
Attributable to the Parent		169,3	137,9
Attributable to non-controlling interests		(0,9)	8,2

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(In millions of €)

	Share capital	Retained earnings and other reserves	Own shares	Interim dividend	Equity	Non-controlling interests	Total Equity
BALANCE AT 1 JANUARY 2018	58,3	3.935,2	(2,4)	(29,1)	3.962,0	34,1	3.996,1
Changes in consolidated equity of associates (note 10)	-	(16,5)	-	-	(16,5)	-	(16,5)
Profit for the year	-	154,4	-	-	154,4	8,2	162,6
Total income and expense for the year	-	137,9	-	-	137,9	8,2	146,1
Interim dividend for the prior year (note 3)	-	(29,1)	-	29,1	-	-	-
Dividends paid in the year (note 3)	-	(29,1)	-	(29,1)	(58,2)	(8,4)	(66,6)
Transactions with own shares (note 15)	(0,1)	(2,3)	2,4	-	-		-
Decrease due to disposal of Energyco Subgroup (note 2.3)	-	-	-	-	-	(16,1)	(16,1)
Other movements	-	(0,1)	-	-	(0,1)	(0,4)	(0,5)
BALANCE AT 31 DECEMBER 2018	58,2	4.012,4	-	(29,1)	4.041,5	17,4	4.058,9
Changes in consolidated equity of associates (note 10)	-	(9,9)	-	-	(9,9)	-	(9,9)
Profit/(loss) for the year	-	179,2	-	-	179,2	(0,9)	178,3
Total income and expense for the year	-	169,3	-	-	169,3	(0,9)	168,4
Interim dividend for the prior year (note 3)	-	(29,1)	-	29,1	-	-	-
Dividends paid in the year (note 3)	-	(29,1)	-	(29,1)	(58,2)	(1,7)	(59,9)
Transactions with own shares (note 15)	-	-	-	-	-	-	-
Increases due to business combinations	-	-	-	-	-	179,8	179,8
Other movements	-	1,0	-	-	1,0	-	1,0
BALANCE AT 31 DECEMBER 2019	58,2	4.124,5	-	(29,1)	4.153,6	194,6	4.348,2

The accompanying notes 1 to 30 form an integral part of the consolidated annual accounts at 31 December 2019

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(In millions of €)

	Note	2019	2018
OPERATING ACTIVITIES			
Profit for the year before tax		179,0	164,5
Adjustments for:			
Amortisation and depreciation		11,0	11,9
Changes in fair value of investment property	6	(2,8)	(0,2)
Share of profit of associates	10	(84,5)	(161,4)
Income from assets	6, 10 and 11	(24,9)	(25,8)
Impairment	10 and 12	(51,9)	10,1
Change in fair value of financial instruments and other	11 and 25.c	(17,0)	-
Finance income	25.b	(6,6)	(2,4)
Finance costs		2,6	6,5
Other cash flows from operating activities			
Dividends received		85,0	165,1
Working capital		40,7	(15,7)
Income tax payments on account		96,5	11,2
Interest received		6,6	2,4
Interest paid		(2,6)	(6,5)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**231,1**	**159,7**
INVESTING ACTIVITIES			
Acquisition of interests in associates and other investments	10 and 11	(614,0)	(629,8)
Acquisition of subsidiaries, net of cash	5	(22,2)	-
Sale of interests in associates and other investments	11 and 14	259,2	88,4
Acquisition of investment property	6	(5,0)	(2,3)
Sale of investment property	6	12,0	15,5
Acquisition of other investments	14	-	(9,2)
Received from other financial assets		148,1	291,1
Acquisition of property, plant and equipment	7	(3,5)	(1,2)
NET CASH FLOWS USED IN INVESTING ACTIVITY		**(225,4)**	**(247,5)**
FINANCING ACTIVITIES			
Dividends paid	3	(59,9)	(66,6)
Repayment of loans and borrowings	19	(10,0)	(13,6)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(69,9)**	**(80,2)**
INCREASE/(DECREASE) IN NET CASH		**(64,2)**	**(168,0)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY		142,0	310,0
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	77,8	142,0

The accompanying notes 1 to 30 form an integral part of the consolidated annual accounts at 31 December 2019

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Activities

Corporación Financiera Alba, S.A. (Alba) is a company domiciled in Madrid (Spain) that owns significant interests in several companies operating in different sectors of the economy. Details of these companies are provided below. Their basic activities include the operation of buildings under lease agreements and holding interests in companies through venture capital activity.

Given Alba's activities, it does not have any environmental liabilities, expenses, assets, provisions or contingencies that could be material with respect to its equity, financial position or results. Consequently, these consolidated annual accounts do not disclose any specific information relating to environmental issues.

2. Basis of Presentation of the Consolidated Annual Accounts

2.1. Accounting principles

Alba's consolidated annual accounts for the year ended 31 December 2019 were prepared by the Board of Directors in the meeting held on 30 March 2020. They have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the European Union in conformity with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as subsequent amendments, to provide a true and fair view of Alba's equity and consolidated financial position at 31 December 2019, the consolidated results of its operations and changes in consolidated equity and consolidated cash flows of the Group for the year then ended.

The figures disclosed in the consolidated annual accounts are expressed in millions of Euros except where otherwise stated.

These consolidated annual accounts have been prepared on a historical cost basis, except for the following (IAS 1-117 and 1-118):

- Investment property is measured at fair value;
- Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income;
- Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal.

The measurement criteria and principles applied are described in note 4 of these notes to the consolidated annual accounts. All mandatory accounting principles and measurement criteria with a significant effect on the consolidated annual accounts have been applied.

The Parent's directors consider that the consolidated annual accounts for 2019, authorised for issue on 30 March 2020, will be approved with no changes by the shareholders at their annual general meeting.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

These consolidated annual accounts include comparative figures for the prior year.

a) Standards and interpretations approved by the European Union that are applicable for the first time this year.

These consolidated annual accounts for 2019 have been prepared using the same accounting principles as applied in the consolidated annual accounts for the year ended 31 December 2018, except for the standards and amendments adopted by the European Union set out below, which are obligatory from 1 January 2019 onwards:

<u>IFRS 16 Leases</u>

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases — Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires that lessees recognise all leases using a single balance sheet model similar to the one currently used for the recognition of finance leases under IAS 17. The standard includes two exceptions to the recognition of leases by lessees; leases for which the underlying asset is of low value (e.g. personal computers) and short-term leases (i.e. lease agreements for a term of 12 months or less).

At the lease commencement date, the lessee recognises a liability for the lease payments to be made (i.e. the liability due to the lease) and an asset that represents the right of use of the underlying asset over the lease period (i.e. the right-of-use asset). Lessees must recognise separately the cost of interest on the lease liability and the depreciation expense of the right of use.

The assets recognised under right-of-use assets at the commencement date are measured at the amortised cost of the contract and subsequently, they are measured at cost less any accumulated amortisation or depreciation and impairment.

Lease obligations consist of the fixed instalments agreed and the initial payments or future payments that are considered highly probable, excluding from this calculation variable rent tied to the future measurement of a parameter. The liability will be discounted using the interest rate implicit in the lease or, in the absence thereof, using the Group's incremental borrowing rate.

Lessees are also obliged to remeasure the lease liability if certain events occur (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or a rate used to determine those payments). The lessee generally recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 does not substantially change lessor accounting compared to the current recognition under IAS 17. Lessors continue classifying leases using the same classification principles as in IAS 17 and recognise two types of leases: operating and finance leases.

At 1 January 2019, the date that this standard entered into force, the Group only leased several vehicles and had an amount at a subsidiary for irrelevant amounts, therefore there has been no impact on the Group's financial statements from applying this standard.

Other modified standards that have no significant impact for the Group are as follows:

Amendment to IFRS 9. Prepayment Features with Negative Compensation.

It will permit measurement at amortised cost of some financial assets that may be cancelled early at a lower amount than the outstanding principal and the interest on this principal.

IFRIC 23 Uncertainty over Income Tax Treatments

This interpretation clarifies how to apply the recognition and measurement criteria in IAS 12 when there are uncertainties about the acceptability by a taxation authority of a particular tax treatment used by the entity.

Amendment of IAS 28 Long-term Interests in Associates and Joint Ventures.

It clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if they are not accounted for using the equity method.

Improvements to the IFRS 2015-2017 Cycle. Amendments to a number of standards.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement.

It specifies how to calculate the current service cost and net interest for the rest of the annual period in the event of amendment, curtailment or settlement of a defined benefit plan.

Amendment to IFRS 3 Business Combinations

This standard specifies the accounting treatment for a business combination previously recognised as a joint operation.

None of the above-mentioned standards and interpretations that are effective from 1 January 2019 have had a significant impact on the Group's consolidated financial statements.

b) Standards and interpretations approved by the European Union applied for the first time in 2018

- IFRS 15 Revenue from Contracts with Customers.
- IFRS 9 Financial instruments.
- IAS 40 Transfers of Investment Property.
- Amendments to IFRS 2, Classification and Measurement of Share-Based Payment Transactions.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and entered into effect from 1 January 2018. IFRS 15 establishes the criteria for recognising revenue from contracts with customers and sets out a new five-step model that applies to the recognition of revenue from contracts with customers:

- Step 1: Identify the contract (or contracts) with the customer.
- Step 2: Identify the performance obligations.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

In accordance with IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, when the customer obtains control of the goods or the services provided.

This new standard supersedes all previous standards relating to the recognition of revenue.

Given the Group's type of business, the impact of applying IFRS 15 had no significant impacts on the Group's consolidated annual accounts.

IFRS 9 Financial instruments

IFRS 9 was issued in July 2014 and entered into effect from 1 January 2018. IFRS 9 sets out the criteria for recognising and measuring financial instruments and replaces IAS 39 Financial Instruments: Recognition and Measurement. This standard presents the three stages of the financial instrument project: (i) classification and measurement, (ii) impairment and (iii) hedge accounting.

(i) Classification and measurement

The new classification criteria for financial assets will depend on the way in which an entity manages its financial instruments (its business model) as well as the existence and characteristics of the financial asset's contractual cash flows.

Based on the above, IFRS 9 establishes three classifications of financial assets: (i) amortised cost, (ii) at fair value through equity or (iii) at fair value through profit or loss for the period. Formerly, IAS 39 had four categories of financial assets (at fair value through profit or loss, held to maturity, available for sale, and loans and receivables).

The application of these new categories led to a change in the names of the Group's financial assets, although had no impact on their measurement. The Group has continued to measure at fair value all the financial assets it previously recognised at fair value. Trade receivables and loans are maintained to receive the contractual cash flows and it is expected that these will only represent payments of principal and interest, therefore they will continue to be recognised at amortised cost in accordance with IFRS 9.

(ii) Impairment

The new impairment criteria is based on the expected loss model rather than the incurred loss model under IAS 39. This impairment model is applicable to financial assets measured at amortised cost that include "Trade and other receivables".

Given the Group's type of business, the new model for calculating impairment based on the expected loss method has not had any significant impacts on the Group's consolidated annual accounts.

(iii) Hedge accounting

IFRS 9 seeks to align hedge accounting with entities' risk management policies, thus the requirements for designating hedged items and hedging items are more flexible. In 2018 and 2019 the Group did not have any type of hedges and therefore this standard has had no impact.

c) Standards and interpretations issued but not effective in 2019

At 31 December 2019, the following standards and interpretations had been issued by the IASB but had not yet entered into force, either because the date on which they become effective is subsequent to the date of the consolidated annual accounts or because they have not yet been adopted by the European Union:

Approved for use in the European Union

- Amendments to IFRS 9, IAS 39 and IFRS 7: related to the Interest Rate Benchmark Reform that is underway.
- Amendments to IAS 1 and IAS 8: clarify the definition of "material" to align it with that contained in the conceptual framework.

Pending approval by the European Union

- Amendment of IFRS 3: clarification and narrowing of the definition of a business.
- IFRS 17: related to the recognition, measurement, presentation and disclosure of insurance contracts.

The Group does not expect significant impacts from the entry into force of any of these standards that are not in effect at 31 December 2019.

2.2. Use of judgement and estimates in the preparation of consolidated annual accounts

The preparation of certain information included in these consolidated annual accounts has required the use of judgements and estimates based on assumptions that affect the application of accounting criteria and policies and the reported amounts of assets and liabilities, income and expenses and obligations. The most significant estimates used in preparing these consolidated annual accounts are as follows:

- The estimate of the recoverable amount of interests in associates with indications of impairment.
- The assumptions used to calculate the fair value of certain unlisted financial assets and investment property.

- The determination of the fair values in business combinations and the assessment of possible impairment losses on certain assets.

The estimates and assumptions used are periodically reviewed. Any change in accounting estimates following such a review or due to future events is recognised in the consolidated income statement for that and successive periods, in accordance with IAS 8.

2.3. Subsidiaries

Subsidiaries are fully consolidated. The Group obtains control when it is exposed, or has rights, to variable returns from its involvement with a subsidiary and it has the ability to affect those returns through its power over the subsidiary. Specifically, the Group controls a subsidiary if and only if, the Group has:

- Power over the subsidiary (existing rights that give it the current ability to direct the relevant activities of the subsidiary).
- Exposure, or rights, to variable returns from its involvement with the subsidiary.
- The ability to use its power over the subsidiary to affect the amount of the returns.

It is generally assumed that a majority of voting rights amounts to control. In cases where the Group manages venture capital entities, or holds investments in these, whether control exists is determined in accordance with internal procedures and criteria that take into consideration IFRS 10 and therefore whether the entity should be fully consolidated or not. These methods take into consideration, among other aspects, the scope of its decision-making authority, the rights held by other parties, the remuneration to which it is entitled in accordance with the remuneration agreement(s) or the decision maker’s exposure to variability of returns from other interests that it holds in the investee. These entities include venture capital entities that are either managed by or are investees of the Group and their investments.

The assets and liabilities of subsidiaries are measured initially at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair value of the part of identifiable net assets acquired is considered as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets acquired (a bargain purchase), the difference is recognised, if applicable, directly in profit or loss at the date of acquisition.

Third-party interests in the Group’s equity and profit or loss for the year are recognised as minority interests within total equity in the consolidated balance sheet and as profit or loss attributable to minority interests in the consolidated income statement.

In accordance with International Financial Reporting Standards, group companies and business combinations are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated annual accounts after making the adjustments and eliminations relating to intra-Group transactions.

ALBA GRUPO MARCH

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The corresponding information at 31 December 2019 and 2018 is presented below:

Subsidiary	Activity	Year	Percentage ownership	Carrying amount before consolidation	Equity	Profit/(Loss) for the year
Alba Patrimonio Inmobiliario, S.A.U C/ Castelló, 77, 5ª planta 28006-Madrid	Investment property	2019 2018	100,00 100,00	180,9 180,9	214,1 202,9	11,2 13,0
Alba Europe, S.à.r.l. Rue Eugène Ruppert 6 L-2453 Luxembourg	Investment in securities	2019 2018	100,00 100,00	1.154,9 1.209,7	1.231,8 1.274,5	12,1 68,2
Artá Capital, SGEIC, S.A.U. Pza. Marqués de Salamanca, 28006-Madrid	Management of venture capital companies	2019 2018	77,40 78,00	1,7 1,7	0,6 2,9	5,1 5,1
Artá Partners, S.A. C/ Castelló, 77, 5ª planta 28006-Madrid	Investment in securities	2019 2018	77,40 78,00	1,6 1,6	2,1 2,1	7,4 5,4
Deyá Capital, SCR, S.A.U. C/ Castelló, 77, 5ª planta 28006-Madrid	Venture capital company	2019 2018	100,00 100,00	47,2 92,2	92,7 153,1	18,8 59,9
Deyá Capital IV, SCR, S.A.U. C/ Castelló, 77, 5ª planta 28006-Madrid	Venture capital company	2019 2018	100,00 100,00	92,7 56,3	92,5 74,9	(2,1) 22,4
Alba Investments, S.à.r.l. Rue Eugène Ruppert 6 L-2453 Luxembourg	Investment in securities	2019 2018	82,09 -.	458,4 -	559,2 -	(0,1) -
Subgrupo Satlink (1) Avda. de la Industria, 53 Nave 7 Alcobendas-Madrid	Technological solutions for the fishing sector	2019 2018	28,07 28,07	12,1 12,1	23,2 17,1	1,7 1,8
Subgrupo Nuadi (Miralda) (2) Polígono industrial Arazuri-Orcoyen Arazuri-Navarra	Industrial supplies	2019 2018	37,43 -	17,0 -	43,9 -	(1,7) -
Subgrupo Preving (Marsala) (3) c/Joaquín Sánchez Valverde, 1-3-5 06006 Badajoz	Occupational health and safety solutions	2019 2018	24,81 -	16,9 -	61,4 -	(6,7) -

This subgroup is formed by Grupo Satlink, S.L., Satlink, S.L., Satlink, LTD, Linksat Solutions, S.A., Digital Observer Services, S.L., Satlink WCPO Limited and Satlink WCPO Solomon

(2) This subgroup is formed by Marsala and Nuadi

(3) This subgroup is formed by Miralda, Preving Investments Group, Preving Investment, Preving Consultores, Salud, Vitaly, Auditoriza, Total Dat Prevenna, Egarsat, Icese Asifor and Asem

(1) (2) (3) Alba's interests are held through Deyá Capital IV, SCR, S.A.U.

Additionally, 31.93% of the subgroup Satlink, 42.57% of the Nuadi subgroup and 28.13% of the Preving subgroup belongs to other vehicles managed by Arta Capital, SGEIC, S.A.U., which exercises control over these vehicles, determines what investments are made, there are no restrictions regarding management and they are exposed to variable returns. As a result of the foregoing, Alba has considered that it has control over this subgroup.

KPMG Auditores, S.L. was the auditor in 2019 and 2018, except for the Subgroups Nuadi and Preving that were audited in 2019 by EY and Deloitte, respectively.

2.4. Associates

Entities over which Alba exercises significant influence even though its interest therein is less than 20% are considered associates. To determine whether significant influence exists, among other situations, the Parent considers the representation on the board of directors or the possibility of appointing a director, the involvement in establishing policies and the permanence of the interest.

The information in respect of 2019 and 2018 is as follows:

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Associate/Auditor	Registered office	Activity	Percentage ownership At 31/12/2019	At 31/12/2018	Change	Representation on Board of Directors
Acerinox, S.A. Auditor: PWC	Santiago de Compostela, 100 (Madrid)	Manufacture and sale of stainless steel	19,35	18,96	0,39	3
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. Auditor: PWC	Plaza de la Lealtad, 1. (Madrid)	Operator of the stock markets and financial systems in Spain	12,06	12,06	-	2
CIE Automotive, S.A. Auditor: PWC	Alameda Mazarredo, 69 (Bilbao)	Automotive industry	10,15	10,10	0,05	1
Ebro Foods, S.A. Auditor: EY	Paseo de la Castellana, 20 (Madrid)	Food	14,00	14,00	-	1
Euskaltel, S.A. Auditor: KPMG	Parque Tecnológico, Edificio 809 (Derio-Vizcaya)	Telecommunications	11,00	11,00	-	1
Indra Sistemas, S.A. Auditor: Deloitte	Avda. de Bruselas, 35 (Alcobendas - Madrid)	New technologies	10,52	10,52	-	1
Parques Reunidos Servicios Centrales, S.A. Auditor: KPMG	Paseo de la Castellana, 216 (Madrid)	Recreational and entertainment activities	-	21,43	(21,43)	-
Piolin II, S.à.r.l. (Parques Reunidos) Auditor: KPMG	26A, Boulevard Royal L-2449 Luxembourg	Recreational and entertainment activities	25,09	-	25,09	1
Rioja Luxembourg, S.à.r.l. (Naturgy) Auditor: EY	20, avenue Monterey L-2163 Luxembourg	Investment in securities	25,73	25,73	-	2
Shield Luxco 1.5, S.à.r.l. (Verisure) Auditor: PWC	15, Boulevard F.W. Raiffeisen L-2411 Luxembourg	Investment in securities	8,54	-	8,54	1
Viscofan, S.A. Auditor: PWC	Polígono Industrial Berroa (Tajonar-Navarra)	Manufacture of cellulose or artificial casings for cured meats	13,03	13,00	0,03	1

In 2019 an 8.54% interest was acquired in Shield Luxco 1.5, S.à.r.l., which owns 92.62% of Verisure, therefore Alba holds a 7.91% indirect interest in Verisure. Furthermore, in 2019 Alba contributed its investment in Parques Reunidos Servicios Centrales, S.A. to Piolin II, S.à.r.l., resulting in a 25.09% interest in Piolin II, S.à.r.l. The rise in ownership interests held is due to acquisitions made during the year (note 10). At 31 December the Company has transferred all its interest in "Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A." to non-current assets held for sale, in the context of a takeover bid of the shares of this company.

In 2018 a 25.73% interest was acquired in Rioja Luxembourg, S.à.r.l., a company owning 20.072% of Naturgy Energy Group, S.A. Consequently, Alba's indirect interest in Naturgy was 5.16%, which added to Alba's 0.11% direct interest amounted to a total interest of 5.27% in Naturgy in 2018. However, as a result of the capital reduction carried out by Naturgy in 2019, at 31 December 2019 Alba's interest was 5.36%. The increases in ownership interests in 2018 are due to acquisitions during that year (note 10).

3. Distribution of Profit

The distribution of Corporación Financiera Alba, S.A.'s profit for 2019 to be submitted by the Board of Directors for approval by the shareholders at their general meeting, and the distribution of profit for 2018 approved by the shareholders at their general meeting, are as follows (in millions of Euros):

Basis of distribution	2019	2018
Profit for the year	183,3	112,2
Total	183,3	112,2
Distribution to:		
Reserves	125,1	54,0
Dividends	58,2	58,2
Total	183,3	112,2

The dividends paid by the Parent in 2019 and 2018 were as follows:

	Number of shares with rights	Euros/Share	Millions of Euros
Año 2019			
Interim dividend for 2019	58.240.000	0,50	29,1
Final dividend for 2018	58.240.000	0,50	29,1
Año 2018			
Interim dividend for 2018	58.240.000	0,50	29,1
Final dividend for 2017	58.240.000	0,50	29,1

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A final dividend from 2019 profit of Euros 0.50 per outstanding share at the date of payment will be proposed for approval by the shareholders at their general meeting.

The liquidity statement required under article 277 of the Spanish Companies Act in relation to the interim dividend is presented by the Board of Directors in the notes to the Parent's individual financial statements.

4. Significant Accounting Principles

The main accounting policies used in preparing the accompanying consolidated annual accounts were as follows:

a) Business combinations and non-controlling interests (minority interests) (note 5)

Business combinations

Alba applies the acquisition method for business combinations. The acquisition date is the date on which Alba obtains control of the acquiree.

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

The Group recognises the assets acquired and liabilities assumed at their acquisition-date fair value. Non-controlling interests in the acquiree are recognised at the proportionate interest in the fair value of the net assets acquired. These criteria are only applicable for non-controlling interests which grant entry into economic benefits and entitlement to the proportional part of net assets of the acquiree in the event of liquidation. Otherwise, non-controlling interests are measured at fair value or value based on market conditions. Liabilities assumed include any contingent liabilities that represent present obligations arising from past events for which the fair value can be reliably measured. The Group also recognises indemnification assets transferred by the seller at the same time and following the same measurement criteria as the item that is subject to indemnification from the acquiree, taking into consideration, where applicable, the insolvency risk and any contractual limitations on the indemnified amount.

With the exception of lease and insurance contracts, the assets acquired and liabilities assumed are classified and designated for subsequent measurement based on contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the acquisition date.

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The excess between the consideration given, plus the value assigned to non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

If it has only been possible to determine a business combination provisionally at the end of the reporting period, the identifiable net assets are initially recognised at their provisional amounts and adjustments made during the measurement period are recognised as if they had been known at that date. Comparative figures for the previous year are restated where applicable. In any event, adjustments to provisional amounts only reflect information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date.

The potential benefit of the acquiree's income tax loss carryforwards and other deferred tax assets, which are not recognised as they did not qualify for recognition at the acquisition date, is accounted for as income tax income provided that it does not arise from an adjustment of the measurement period.

Contingent consideration is classified in accordance with the underlying contractual terms as a financial asset, financial liability, equity instrument or provision. Subsequent changes in the fair value of a financial asset or financial liability are recognised in consolidated profit or loss or other comprehensive income, provided that they do not arise from a measurement period adjustment. Contingent consideration classified as equity is not remeasured, and subsequent settlement is accounted for in equity.

Contingent consideration classified as a provision is subsequently recognised in accordance with the relevant measurement standard.

The cost of the business combination includes contingent consideration, if this is probable at the acquisition date and can be reliably estimated. Subsequent recognition of or changes to contingent consideration are recognised as a prospective adjustment to the cost of the business combination.

Non-controlling interests (minority interests)

Non-controlling interests in subsidiaries are recognised at the acquisition date at the proportional part of the fair value of the identifiable net assets. Non-controlling interests in subsidiaries acquired prior to the transition date were recognised at the proportional part of the equity of the subsidiaries at the date of first consolidation.

The consolidated profit for the year and changes in equity of the subsidiaries attributable to Alba and non-controlling interests after consolidation adjustments and eliminations is determined in accordance with the percentage ownership at year end, without considering the possible exercise or conversion of potential voting rights and after discounting the effect of dividends, agreed or not, on cumulative preference shares classified in equity accounts. However, Group and non-controlling interests are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries.

The results and each component of other comprehensive income are allocated to equity attributable to equity holders of the Parent and to non-controlling interests in proportion to their investment, although this implies a balance receivable from non-controlling interests. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

b) Investment property (note 6)

Investment property, buildings used for rental purposes, is initially recognised at cost, including transaction costs. These investments are subsequently measured at fair value, determined by independent experts in accordance with the following definition: "Is the price at which the building could be sold under private contract between a willing seller and an arm's length buyer on the date of valuation, it being assumed that the property is publicly exposed to the market, that market conditions permit orderly disposal and that a normal period, having regard to the nature of the property, is available for the negotiation of the sale". Changes in fair value are recognised in the income statement for the period in which they arise. These investments are not depreciated.

b.1) Leases

Determination of whether a contract is, or contains, a lease is based on the economic substance of the agreement at the date thereof. The contract is analysed to verify whether its fulfilment depends on the use of an asset or specific assets or the agreement implies the right of use of an asset or assets, although this right is not explicitly specified in the contract.

Leases in which the Group maintains substantially all the risks and rewards incidental to ownership are classified as operating leases. Contingent rents are recognised as income in the year in which they are obtained.

c) Property, plant and equipment (note 7)

In application of IFRS 1 "First-time Adoption of International Financial Reporting Standards" buildings for own use were recognised on 1 January 2004 at fair value, determined by independent experts as defined in the previous note, considering this amount to be the cost of acquisition. This increase in value was credited to equity in the consolidated balance sheet.

The remaining property, plant and equipment are valued at cost of acquisition; interest or exchange differences are not included. Costs of expansion, modernisation or improvements which increase the productivity, capacity or efficiency or extend the useful lives of assets are capitalised as an increase in the cost of those assets.

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Depreciation is on a straight-line basis, distributing the carrying amount over the estimated useful lives of the assets, in accordance with the following percentages:

	Porcentajes anuales de amortización
Buildings and constructions	2
Technical installations	8
Mobiliario y enseres	10
Information technology equipment	25

If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and its carrying amount is immediately reduced to its recoverable amount.

d) Intangible assets (notes 8 and 9)

d.1) Goodwill

Goodwill is determined using the same criteria as for business combinations (note 5).

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination and the criteria described in note 8 are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The recoverable amount of the assets is the higher of their fair value less costs of disposal and their value in use.

If the recoverable amount is less than the carrying amount of the asset, the difference is recognised under impairment losses in the consolidated income statement.

d.2) Customer portfolio

The relationships with customers that Alba recognises under customer portfolios are separable and based on a contractual relationship, thus meeting the requirements set out in prevailing legislation for consideration as intangible assets separate from goodwill. In general, these are customer service contracts that have been recognised in the allocation of fair values in business combinations.

The fair value allocated to customer contract portfolios acquired from third parties is the acquisition price.

The income approach was used to determine the fair value of intangible assets allocated in business combinations in the form of customer relationships; discounting the cash flows generated by these relationships at the date of acquisition of the subsidiary. Cash flows are estimated based on the sales, operating investments and EBITDA margins projected in the company's business plans.

Customer portfolios are amortised on a straight-line basis over their estimated useful lives. The useful life is estimated based on indicators such as average length of relationship with customers or the average annual customer churn rate. The useful lives allocated to these intangible assets are reviewed at the end of each reporting period. The useful life of the customer portfolio is 10 years.

Customer portfolios are allocated to cash-generating units (CGUs) in accordance with their respective business segment and the country of operation.

d.3) Other intangible assets

These are intangible assets that were recognised in business combinations.

They are amortised on a straight-line basis over their estimated useful life that is between 3 and 60 years.

Other intangible assets are allocated to cash-generating units (CGUs) in accordance with their respective business segment and the country of operation.

If an event or change in circumstances indicates that the carrying amount of assets subject to amortisation or depreciation may not be recoverable, Alba determines whether impairment losses have been incurred. An impairment loss is recognised as the difference between the carrying amount of the asset and its recoverable amount. The recoverable amount is the higher of fair value of the asset less costs of disposal and value in use. For impairment testing purposes, assets are grouped at the lowest level for which separate identifiable cash flows can be identified (cash-generating unit, CGU). Impaired non-financial assets other than goodwill are reviewed at the end of each reporting period to assess whether the loss has been reversed.

e) Investments in associates (note 10)

Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. However, if on the acquisition date all or part of the investment qualifies for recognition as non-current assets or disposal groups held for sale, it is recognised at fair value less costs of disposal.

Investments in associates are initially recognised at cost of acquisition, including any cost directly attributable to the acquisition and any consideration receivable or payable contingent on future events or on compliance with certain conditions.

The excess of the cost of the investment over the Group's share of the fair values of the identifiable net assets is recognised as goodwill, which is included in the carrying amount of the investment.

The Group's share of the profit or loss of associates is recognised as an increase or decrease in the value of the investments, with a credit or debit to share of the profit or loss for the year of associates. The Group's share of other comprehensive income of associates from the date of acquisition is recognised as an increase or decrease in the value of the investments in associates with a balancing entry in other comprehensive income based on the nature of the investment. The distribution of dividends is recognised as a decrease in the value of the investment. The Group's share of profit or loss, including impairment losses recognised by the associates, is calculated based on income and expenses arising from application of the acquisition method.

The Group's share of the profit or loss of an associate and changes in equity is calculated without considering the possible exercise or conversion of potential voting rights.

Impairment is calculated by comparing the carrying amount of the net investment in the associate with its recoverable amount. The recoverable amount is the higher of value in use and fair value less costs of disposal. Accordingly, value in use is calculated to the extent of the Group's interest in the present value of estimated cash flows from ordinary operations and the income generated on final disposal of the associate.

Impairment losses are not allocated to goodwill or other assets implicit in the investment in associates derived from application of the acquisition method. In subsequent years, reversals of impairment of investments are recognised in profit or loss to the extent of any increase in the recoverable amount. Impairment losses are presented separately from the Group's share of profit or loss of associates.

f) Investments at fair value through profit or loss (note 11)

Investments held with the intention of not selling them in the short term and those held through venture capital companies are included in this line item.

They are recognised at fair value through profit or loss.

The fair value of investments in unlisted companies was determined using the most suitable method for each investment of either the analysis of multiples of comparable companies or the discounted cash flow method.

g) Non-current assets held for sale (note 10)

Assets for which there is a sale offer or their sale is highly probable within the next 12 months are included in this line item. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

h) Calculation of fair value (notes 6, 11 and 20)

Alba measures financial instruments and non-financial assets such as investment property at their fair value at the reporting date of the financial statements. Also, details of the fair value of financial assets measured at amortised cost are provided in note 20. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or most advantageous market must be a market that is accessible for Alba.

The fair value of an asset or a liability is calculated using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Alba uses valuation techniques appropriate to the circumstances and for which sufficient information is available to calculate the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All the assets and liabilities for which calculations or disclosures of their fair value are made in the financial statements are categorised within the fair value hierarchy described below, based on the lowest level input necessary for the calculation of the fair value measurement in its entirety:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2- Valuation techniques for which the lowest level input used, which is significant for the calculation, is directly or indirectly observable
- Level 3- Valuation techniques for which the lowest level input used, which is significant for the calculation, is unobservable

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For assets and liabilities that are recognised in the financial statements on a recurring basis, at the end of each year Alba reviews their categorisation (based on the lowest level input that is significant for the calculation of fair value as a whole) to determine whether there have been any transfers between the different levels of the hierarchy.

Alba determines the policies and procedures for recurring fair value calculations, such as property investments and unlisted financial assets.

In order to value significant assets and liabilities, such as property investments, financial assets and contingent consideration, internal and external valuators are used.

For the purposes of the required disclosures of fair value, the Group has determined the different classes of assets and liabilities based on their nature, characteristics, risks and fair value hierarchy as explained previously.

i) Loans and receivables (notes 12 and 13)

The Group initially measures financial assets included in this category (other financial assets and trade and other receivables) at fair value, which is the transaction price. In transactions with a due date within one year for which there is no contractual interest rate, dividends receivable and receivables on called-up equity instruments expected to be collected in the short term are measured at their nominal amount, as the effect of not discounting the cash flows is immaterial.

Subsequently these financial assets are measured at amortised cost and the interest accrued is recognised in the income statement using the effective interest method. At least once a year, provided there is objective evidence that a loan or receivable is impaired, Alba carries out impairment testing. Based on this analysis, if applicable, Alba recognises the corresponding impairment losses.

The impairment loss on these financial assets is calculated as the difference between their carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

Impairment and its reversal are recognised as an expense or income, respectively, in the income statement. The loss can only be reversed up to the limit of the carrying amount of the receivable that would have been recorded at the reversal date had the impairment loss not been recognised.

j) Cash and cash equivalents (note 14)

This line item of the balance sheet includes cash on hand, demand deposits and other current highly liquid investments that are readily convertible to cash and subject to an insignificant risk of changes in value.

k) Financial liabilities (note 19)

Financial liabilities generally include loans and borrowings that are initially recognised at the cash amount received, less transaction costs. In subsequent periods they are carried at amortised cost using the effective interest method.

l) Own shares (note 15)

Own shares are recognised as a reduction in equity. No gain or loss is recognised for the purchase, sale, issue, redemption or cancellation of Alba's own equity instruments.

m) Provisions (note 17)

Provisions are recognised for present obligations arising from a past event when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the time effect of money is significant, the provision is discounted using a pre-tax rate. When discounted, increases in the provision due to the passage of time are recognised as a finance cost.

n) Income tax (note 22)

The income tax expense is calculated as the sum of current tax, calculated by applying the relevant tax rate to the taxable income or tax loss for the period, less any existing deductions and credits, plus any changes in recognised deferred tax assets and liabilities during the period. The income tax expense is recognised in the income statement except when it relates to transactions recognised directly in equity, in which case the associated tax is also recognised in equity, or as part of a business combination with a charge or credit to goodwill.

o) Alternative pension plan schemes

Alba has three plans, two defined benefit plans and one defined contribution plan, which are externalised to insurance companies and require that contributions be made to a separately managed fund.

The Group recognises the contributions payable to a defined contribution plan in exchange for a service when an employee has rendered service to the Group. The amount of the contributions accrued are recognised as personnel expenses. If the contribution already paid exceeds the contribution due for service before the end of the period, the Group only recognises that excess as an asset (prepaid expense) to the extent that the prepayments will lead to, for example, a reduction in future payments or a cash refund.

When contributions to a defined contribution plan are not expected to be paid in full within the 12 months after the end of the year in which the employees render the related service, they are discounted using the market yield on high quality corporate bonds.

The projected unit credit method was used to measure the obligation derived from pension commitments. With this method the benefits are financed as they are generated, based on the years of service that the employee has at the Company, so that the commitment is fully funded by the end of the employee's working life and they reach retirement age.

Past service cost is recognised in the consolidated income statement at the earlier of the following dates:

- When the plan amendment or curtailment occurs; and
- When the Group recognises related restructuring costs or termination benefits.

The discount rate of the obligations and the assets to settle the commitments was determined considering the return on corporate bonds with a high credit rating and a similar maturity to the commitments measured, using German public debt as a benchmark.

The main assumptions used in 2019 and 2018 to measure the defined benefit commitments were as follows:

	2019	2018
Mortality tables	PERM/F 2000 NP	PERM/F 2000 NP
Technical interest agreed in the policies	2.00% - 3.70%	2.00% - 3.70%
CPI growth	1,00%	1,00%
Pay rises	2,50%	1,00%
Changes in Social Security	1,50%	1,50%
Discount rate of obligations and assets to settle the commitments	1,00%	2,00%
Retirement age	65	65

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The changes in the defined benefit plan obligations and the fair value of the assets associated with the benefit in 2019 and 2018 are as follows:

		Cost of commitments recognised in the income statement					
	01/01	Cost of services	Net interest income/(costs)	Subtotal included in profit/(loss)	Obligations settled (paid)	Actuarial gains/(losses)	31/12
2019							
Obligations under defined benefit plans	(23,7)	(1,3)	(0,4)	(1,7)	0,2	(1,0)	(26,2)
Fair value of assets associated with the benefit	23,7	0,5	1,0	1,5	(0,2)	1,2	26,2
(Obligations)/Rights under defined benefit plans, net							-
2018							
Obligations under defined benefit plans	(24,8)	(1,3)	(0,5)	(1,8)	2,9	-	(23,7)
Fair value of assets associated with the benefit	24,8	0,4	1,6	2,0	(2,9)	(0,2)	23,7
(Obligations)/Rights under defined benefit plans, net							-

The contribution expected to be made in 2020 in relation to the defined benefit plans is Euros 1.3 million.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Sensitivity analysis:

	Discount rate		Future salary increases	
Sensitivity level	+ 0.5%	-0,5%	+ 0.5%	-0,5%
2019				
Impact on the (Obligations)/Rights under defined benefit plans, net	-3,73%	4,43%	2,13%	-2,04%
2018				
Impact on the (Obligations)/Rights under defined benefit plans, net	-9,44%	10,98%	3,73%	-3,74%

The contributions related to both plans are recognised in the accompanying income statement and disclosed in 25.a

p) Share-based payment transactions

At 31 December 2019 and 2018 Alba has no share option schemes.

q) Recognition of income and expenses

Income and expenses are allocated on an accruals basis, irrespective of the timing of collections and payments and always taking into account the economic substance of the transaction.

Revenue from sales of goods is recognised when all the significant risks and rewards of ownership have been transferred to the buyer, and the Company retains neither continuing managerial involvement nor effective control over the goods sold.

Revenue from services rendered is recognised by considering the period of time over which the Group must provide the agreed services, provided that the outcome of the transaction can be estimated reliably.

r) Right-of-use assets and lease liabilities

The assets are recognised under other intangible assets and are classified based on the nature of the underlying asset, at the commencement date they are measured at the amortised cost of the contract and subsequently, they are measured at cost less any accumulated amortisation and impairment. These assets are amortised on a straight-line basis over the life of the contract.

The lease liability is the fixed instalments agreed and the initial payments or future payments that are considered highly probable (direct costs related to start up or penalties, among others), excluding from this calculation variable rent tied to the future measurement of a parameter. The liability is measured at amortised cost, using the interest rate implicit in the lease agreement or, if this rate cannot be easily determined, the incremental interest rate payable by the Group for such an agreement.

The liability is discounted using the effective interest method and decreased by the payments made.

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The Group remeasures the lease liability by discounting the lease payments at a revised discount rate, if there has been a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

The Group accounts for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets; and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

5. Business Combinations

Nuadi subgroup:

On 22 October 2019, through Deya Capital IV, SCR, S.A., Alba acquired 37.43% of the Nuadi subgroup, through Miralda Activos, S.L., which has its registered office in Spain, and its main activity is the manufacture and distribution of industrial supplies. The main reason for this business combination was that the venture capital management company, Arta Capital, SGEIC, SAU, held a majority interest. The acquiree generated revenue of Euros 6.6 million and a consolidated loss of Euros (0.2) million for Alba from the acquisition date to the reporting date.

Had the acquisition taken place at 1 January 2019, the Group's revenue and consolidated loss for the year ended 31 December 2019 would have amounted to Euros 51.5 million and Euros (1.1) million, respectively.

Details of the consideration given, the fair value of the net assets acquired and goodwill are as follows:

Cash paid	99,4
Fair value of net assets	(25,0)
Goodwill	74,4

The amounts recognised by significant class at the date of acquisition of the assets, liabilities and contingent liabilities are as follows:

	Book value	Fair Value Adjustmens	Fair value
Intangible assets	0,1	-	0,1
Other property, plant and equipmentOtro inmovi	14,2	-	14,2
Cash	3,4	-	3,4
Receivables and other assets	21,6	-	21,6
Total assets	39,3	-	39,3
Other liabilities	14,3	-	14,3
Total liabilities	14,3	-	14,3
Total net assets			25,0

The property, plant and equipment are supported by land, buildings and technical installations.

The estimate of the fair value of this business combination was calculated internally by Company management, considering that there are no differences between the carrying amounts and fair values of the assets and liabilities acquired. The recognition of this business combination in the consolidated annual accounts at 31 December 2019 has been considered provisional, having a year from the date of acquisition to make any adjustments.

Preving subgroup:

On 2 October 2019, through Deya Capital IV, SCR, S.A., Alba acquired 24.81% of the Preving Group, through Marsala Directorship, S.L., which has its registered office in Spain, and its main activity is the provision of occupational health and safety advisory services and support. The main reason for this business combination was that the venture capital management company, Arta Capital, SGEIC, SAU, held a majority interest. The acquiree generated revenue of Euros 18.2 million and a consolidated loss of Euros (1.7) million for Alba from the acquisition date to the reporting date.

Had the acquisition taken place at 1 January 2019, the Group’s revenue and consolidated loss for the year ended 31 December 2019 would have amounted to Euros 67.3 million and Euros 0.8 million, respectively.

Details of the consideration given, the fair value of the net assets acquired and goodwill are as follows:

Cash paid	86,8
Fair value of net assets	(45,6)
Goodwill	41,2

The amounts recognised by significant class at the date of acquisition of the assets, liabilities and contingent liabilities are as follows:

	Book value	Fair Value Adjustmens	Fair value
Intangible assets	0,3	66,4	69,9
Other property, plant and equipmentOtro inmovi	2,6	-	2,6
Cash	5,8	-	5,8
Receivables and other assets	15,0	-	15,0
Total assets	23,7	66,4	93,3
Debt with financial institutions	10,0	-	10,0
Liabilities derived from temporary differences	-	16,0	16,3
Other liabilities	21,4	-	21,4
Total liabilities	31,4	16,0	47,7
Total net assets			45,6

Intangible assets comprise technology (Euros 8.1 million), the trademark (Euros 8.0 million) and the customer portfolio (Euros 50.3 million) with a useful life of between 8 and 20 years.

The fair value estimate of this latter business combination, calculated by Duff & Phelps, and the carrying value recognised in the consolidated annual accounts at 31 December 2019 are considered definitive.

Duff and Phelps used three basic valuation techniques for the fair value calculations, adopting the most appropriate in each case based on the characteristics of the assets and the data obtained. The three methods used are summarised below:

1) The Market Approach: The market approach consists of comparing the asset valued with other similar assets in the market, making the corresponding adjustments for use, scarcity and demand.

- Relief from Royalty Method: In this method, the value of the asset is considered as the value of the royalty payments avoided by the company as a result of owning the asset. Therefore, the appropriate royalty rate must be determined, so that the cash inflows from future royalties can be estimated.
  This method was used to calculate the value of the brand and technology. Using the following market royalties for each of the intangible assets: trademarks (1%), and computer software (2.75%)

2) The Cost Approach: In the valuation of assets using the cost approach the new replacement cost of the asset is estimated, deducting the resulting depreciation for wear and tear and obsolescence (functional and economic). The new replacement cost is the cost necessary to replace this asset with another new and modern one, which has similar characteristics and functionality and uses the most up-to-date technology.

3) Income Approach: The value of the assets is established based on the future benefits they can produce (projections), discounted at an appropriate discount rate, which reflects the economic potential and profitability.

- Discounted Cash Flow method "DFC": This method is based on the value of the business being established as the present value of the expected free cash flows, discounted at a rate that reflects the requirements of market rate of return, the specific risk of the investment and the capital structure.

- Multiperiod Excess Earnings Method "MEEM": This method is based on the idea that the profit/loss obtained by the company can be attributed to specific groups of assets. Thus, the results that can be allocated to a specific intangible asset will be obtained as the difference between total profit/loss and the charges or rents that would have to be paid.

  This method was used for the valuation of the customer portfolio, using a discount rate of 9.0% and a tax rate of 25%.

To determine the fair value of the business and the intangible assets the independent experts used both internal data provided by each of the companies and information obtained from external sources.

The internal documentation of the company is mainly based on the budgets and business plans of the companies as well as the annual accounts and balance sheets at the date of acquisition.

Additionally, research was carried out on the industry and sector, as well as considering analysts' opinions on the main competitors. The following external sources of information were used in this sense:

- Standard and Poor's Capital IQ;
- Bloomberg's database;
- MSCI Barra Betas;
- D&P Small Stock Premium Analysis 2019–MergerMarket;
- IHS Global Insight;
- Royalty Stat database;
- Royalty Source database;
- KtMine royalty database;
- Sector reports: Technavio.

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6. Investment Property

This line item comprises buildings leased out. In 2019 and 2018 the valuation was performed by Savills Consultores Inmobiliarios, S.A., specialists in the appraisal of this type of investments, according to the Property Appraisal and Valuation Standards and Observations Guide published by the Royal Institution of Chartered Surveyors in Great Britain, and is based on the Discounted Cash Flow and Comparison methods.

The methodology used to calculate the market value of investment assets consists of preparing 10 years' worth of income and expense projections for each asset, which will subsequently be updated at the reporting date using a market discount rate. The residual amount at the end of year 10 is calculated applying a rate of return ("exit yield" or "cap rate") to the net income projections for year 11. The market values thus obtained are analysed by calculating and analysing the yield capitalisation implicit in these values. The projections are aimed at reflecting the best estimate of future income and expenses of the real estate assets. Both the rate of return and the discount rate are defined in accordance with the domestic market and considering the conditions prevailing in the institutional market.

The valuation method used considers each property on an individual basis and does not contemplate applying any adjustments because it belongs to a large portfolio of properties. For each property a rent capitalisation rate considered to be a market rate has been assumed, which was subsequently adjusted based on the following parameters:

- The duration of the lease contract and the solvency of the tenant.
- The location of the premises within the municipality (centre, metropolitan area or periphery).
- The immediate surroundings of the property.
- The state of conservation of the property (external and internal).
- The distribution of the property's surface area between below ground and above ground.
- The facade looks onto one or more streets (corner, chamfer).
- The rental situation compared to market rent.

The geographical distribution of the valuation is as follows:

	2019	2018
Madrid	308,5	310,6
Barcelona	16,0	16,7
Total	324,5	327,3

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Movement in this item is as follows:

Balance at 1-1-18	336,5
Increases	2,3
Decreases	(11,7)
Changes in fair value	0,2
Balance at 31-12-18	327,3
Balance at 1-1-19	327,3
Increases	4,9
Decreases	(10,5)
Changes in fair value	2,8
Balance at 31-12-19	324,5

In 2019, the decreases are due to the sale of various floors of offices and parking spaces at a gain of Euros 0.5 million, while the increases reflect improvements to the buildings.

In 2018, the decreases are due to the sale of a floor of offices and various parking spaces at a gain of Euros 2.7 million, while increases reflect improvements to the buildings.

The most significant information regarding the lettable area at 31 December is as follows:

	2019	2018
Area above ground (m^2)	81.944	83.730
Rented area (m^2)	74.938	71.984
Occupancy rate	91,5%	86,0%

Below is a sensitivity analysis of the main variables that are taken into account when valuing all the investment property of Alba. The following table shows the potential variation in fair value of all the investment property in the event of a 10% decrease/increase in rent of all the buildings and in the event of a 25 b.p. decrease/increase in the rate of return ("Exit yield"):

Year	-10% rent	EXIT YIELD + 25% PPB	EXIT YIELD - 25% PPB	+10% rent
2019	-7,46%	-3,47%	3,91%	7,46%
2018	-9,67%	-3,75%	4,04%	9,67%

The expenses related to the vacant area are not significant enough for disclosure.

Lease income for the non-cancellable period at 31 December 2019 and 2018, calculated until the lease expires, is as follows:

	2019	2018
Up to 1 year	14,7	15,3
1-5 years	19,6	18,9
More than 5 years	0,7	1,1
TOTAL	35,00	35,3

Insurance policies are contracted to cover the risk of damage to these assets.

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7. Property, Plant and Equipment

Movement in this balance sheet item is as follows:

	Buildings	Other property, plant and equipment	Total
Cost:			
Balance at 01-01-18	19,6	44,0	63,6
Additions	-	1,2	1,2
Disposals	-	(39,2)	(39,2)
Balance at 31-12-18	19,6	6,0	25,6
Accumulated depreciation:			
Balance at 01-01-18	(13,2)	(3,1)	(16,3)
Additions	(0,8)	(0,2)	(1,0)
Balance at 31-12-18	(14,0)	(3,3)	(17,3)
Provisions:			
Balance at 01-01-18	(0,4)	-	(0,4)
Reversals	0,1	-	0,1
Balance at 31-12-18	(0,3)	-	(0,3)
Balance at 31/12/2018	5,3	2,7	7,9
Cost:			
Balance at 01-01-19	19,6	6,0	25,6
Additions	0,5	1,3	1,8
Business combinations	8,8	7,9	16,7
Balance at 31-12-19	28,9	15,2	44,1
Accumulated depreciation:			
Balance at 01-01-19	(14,0)	(3,3)	(17,3)
Additions	(0,8)	(0,9)	(1,7)
Balance at 31-12-19	(14,8)	(4,2)	(19,0)
Provisions:			
Balance at 01-01-19	(0,3)	-	(0,3)
Reversals	-	-	-
Balance at 31-12-19	(0,3)	-	(0,3)
Balance at 31/12/2019	13,8	11,0	24,8

Disposals in 2018 consist of the sale of the Energyco II subgroup (Note 2.3).

Insurance policies are contracted to cover the risk of damage to the various property, plant and equipment.

8. Goodwill (note 5)

Movement in goodwill is as follows:

Balance at 1/1/18	10,2
Exit of CGU Energyco Group	(5,2)
Balance at 31/12/18	5,0
Entry CGU Nuadi Group	74,4
Entry CGU Preving Group	41,2
Entry CGU Satlink	2,1
Balance at 31/12/19	122,7

Goodwill has been allocated to the Group's cash-generating units (CGUs). The entry of Satlink in 2019 was a non-significant acquisition that was made.

Goodwill is allocated to CGUs for impairment testing purposes. Goodwill is allocated to the CGUs that are expected to benefit from the business combination from which the goodwill arose.

The nature of the assets included to determine the value in use of each cash-generating unit is as follows: Property, Plant and Equipment, Goodwill, Other Intangible Assets and Working Capital.

No impairment losses have been recognised on goodwill in 2019 and 2018.

The Group tests goodwill for impairment at the end of each reporting period, or earlier if there are indications of impairment, in accordance with the accounting policy described in note 4.d1.

The recoverable amount of a CGU is determined based on calculations of its fair value on the basis of the valuation report drawn up by an independent external valuer, Deloitte in 2019 and Ernst & Young in 2018. The method used to determine the recoverable amount is based on discounted future cash flows.

Financial projections (sales, EBITDA, investments, etc.) are based on the budgets and business plans of the companies themselves (same as CGU) approved by their respective Boards of Directors. These projections are not published and are presented to the Group at board meetings. In any case, the reasonableness of the projections prepared by the companies is contrasted with different market comparables and the Group's own opinion based on its past experience. Financial projections are made for a five-year period.

The key valuation variables are as follows: Discount rate (WACC) and perpetual growth rate (g):

- The WACC is calculated using the Capital Asset Pricing Model (CAPM) generally accepted by the financial community and on the basis of market variables obtained through Bloomberg, such as the return on a ten-year bond or the levered beta with respect to the reference stock market index. In addition, various internal estimates are used, such as: the spread between the non-current debt of the Company and the ten-year bond, the tax rate (same as for the terminal value cash flow) or the target capital structure.
- The perpetual growth rate is calculated based on each company and the market in which they operate.

9. Other Intangible Assets (note 5)

The movement in intangible assets is as follows:

Balance at 1/1/2018	67,0
Business combinations	(28,9)
Balance at 31/12/2018	38,1
Business combinations	70,0
Amortisation	(3,7)
Balance at 31/12/2019	104,4

Details of intangible assets in 2019 and 2018 are as follows:

	In millions of Euros		Estimated
	2019	2018	useful life
Industrial designs	10,5	10,9	10
Computer software	9,6	2,3	3
Trademarks	10,6	2,7	10
Customer portfolio	67,8	21,5	10
Leaseholds	4,1	-	-
Other	1,8	0,7	-
Total	104,4	38,1	

There are no other intangible assets subject to restrictions on title or pledged as security for particular transactions.

The Group has no fully amortised intangible assets.

Other intangible assets are tested for impairment as described in note 4.d. No impairment losses have been recognised or reversed in 2019 and 2018.

As indicated in note 2.1, the Group adopted IFRS 16 on 1 January 2019, as at that date the Group only leased several vehicles and had an amount at a subsidiary for irrelevant amounts. Therefore, at the date of transition there was no impact on the Group’s financial statements from applying this standard.

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Details of the movements in right-of-use assets during the year ended 31 December 2019 are as follows:

Cost	
Balance at 01/01/2019	-
Transition adjustments (note 2.1)	-
Additions due to business combinations	4,3
Balance at 31/12/2019	4,3
Amortisation	
Balance at 01/01/2019	-
Transition adjustments (note 2.1)	-
Additions due to business combinations	(0,2)
Balance at 31/12/2019	(0,2)
Balance at 31/12/2019	**4,1**

These leaseholds mainly relate to building rentals, although there are also rights of use associated with vehicle rentals. The right of use has been defined based on the duration of the prevailing lease for each asset.

Details of the movements in lease liabilities during the year ended 31 December 2019 are as follows:

Balance at 1/1/2019	-
Transition adjustments (nota 2.1)	-
Additions due to business combinations	3,2
Balance at 31/12/2019	3,2

The analysis of the contractual maturity of lease liabilities is as follows:

Less than 1 year	1,2
From 1 to 2 years	0,9
From 2 to 3 years	0,6
More than 3 years	0,5

The average incremental discount rate used to calculate the present value of the rights of use and the lease liabilities recognised at the date of first-time application of IFRS 16 was 1.5%.

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10. Investments in Associates

The relevant information on companies included in this item is as follows:

	Assets		Liabilities				
	Current	Non-current	Current	Non-current	Revenues	Consolidated profit/(loss) attributable to the Parent	Other comprehensive income
Acerinox, S.A.							
2019	2.463,5	1.933,3	1.214,1	1.253,7	4.753,9	(59,5)	(38,2)
2018	2.473,8	2.133,8	1.262,1	1.226,2	5.010,8	237,1	73,0
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.							
2019	12.687,9	197,7	12.440,3	61,7	291,2	122,8	0,5
2018	14.231,8	178,5	13.970,5	40,2	307,4	136,3	2,5
CIE Automotive, S.A.							
2019	1.430,1	3.636,9	1.703,3	2.128,7	3.461,1	287,5	(30,8)
2018	1.159,2	2.504,7	1.222,9	1.392,1	3.029,5	396,8	(8,8)
Ebro Foods, S.A.							
2019	1.395,2	2.978,7	900,2	1.182,1	2.813,3	141,8	56,0
2018	1.241,1	2.591,3	802,2	840,0	2.646,5	141,6	40,3
Euskaltel, S.A.							
2019	168,2	2.749,0	401,4	1.533,9	668,3	62,0	-
2018	177,7	2.721,0	361,6	1.562,2	674,6	62,8	-
Indra Sistemas, S.A.							
2019	2.441,6	1.874,9	1.863,0	1.652,7	3.203,9	121,4	(4,1)
2018	2.336,4	1.704,9	1.800,9	1.562,7	3.103,7	119,8	(24,9)
Parques Reunidos Servicios Centrales, S.A.							
2019	-	-	-	-	-	-	-
2018	129,9	2.138,7	196,9	975,6	583,1	12,1	(3,2)
Piolin II, S.à.r.l.							
2019	105,0	2.432,3	205,2	1.394,6	130,3	(83,3)	0,6
2018	-	-	-	-	-	-	-
Rioja Luxembourg, S.à.r.l.							
2019	124,0	3.452,0	10,0	1.880,0	-	185,0	(78,0)
2018	99,0	3.582,0	-	1.876,0	-	36,0	(45,0)
Shield Luxco 1.5, S.à.r.l.							
2019	399,7	6.008,2	713,5	5.620,5	1.900,7	(105,6)	-
2018	339,9	5.687,9	544,8	5.234,2	1.612,5	(170,6)	-
Viscofan, S.A.							
2019	520,1	564,9	155,5	145,1	849,7	105,6	3,8
2018	506,2	527,6	173,7	102,4	786,0	123,8	(10,3)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Notices of shareholding:

Notifications were issued concerning the acquisition, modification and disposal of interests in the share capital of the companies, in accordance with prevailing legislation.

	% Purchases		% Sales	
	2019	2018	2019	2018
Artá Partners	-	-	0,60	0,16
CIE Automotive, S.A.	0,05	0,10	-	-
Ebro Foods, S.A.	-	2,00	-	-
Energyco, S.A.	-	-	-	40,30
Naturgy Energy Group, S.A.	-	0,11	-	-
Parqués Reunidos Servicios Centrales, S.A.	-	1,42	-	-
Piolín II, S.à.r.l. (*)	25,09	-	-	-
Rioja Luxembourg, S.à.r.l.	-	25,73	-	-
Shield Luxco 1,5, S.à.r.l.	8,54	-	-	-
Viscofan	0,03	1,68	-	-

(*) During 2019, the participation in Parques Reunidos Servicios Centrales, S.A. has been contributed to this entity.

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Variations in this item during 2019 were as follows:

Company	Consolidated value at 01-01-19	Profit/(loss) of associates	Divideds daccrued and share premium reimbursement	Acquisitions/ (disposals) and transfers	Variation in consolidated equity of the associates	Reversal / (impairment)	Consolidated value at 31-12-19	Market value at 31/12/19
Acerinox, S.A.	605,6	(11,8)	(26,2)	-	13,6	-	581,2	525,7
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (**)	278,8	14,7	(15,8)	(312,7)	(1,1)	36,1	-	346,7
CIE Automotive, S.A.	289,6	28,8	(8,9)	1,4	(3,9)	-	307,0	276,0
Ebro Foods, S.A.	398,9	19,9	(12,3)	-	6,4	-	412,9	415,6
Euskaltel, S.A.	179,3	6,8	(6,1)	-	-	8,1	188,1	176,3
Indra Sistemas, S.A.	216,4	12,8	-	-	(0,1)	-	229,1	189,2
Parques Reunidos Servicios Centrales, S.A.	248,5	(16,7)	(4,6)	(227,2)	-	-	-	-
Piolin II, S.à.r.l. (Parques Reunidos)	-	(21,1)	-	241,2	0,1	-	220,2	-
Rioja Luxembourg, S.à.r.l. (Naturgy)	484,8	44,9	(37,4)	-	(20,6)	-	471,7	730,5 (*)
Shield Luxco 1.5, S.à.r..l. (Verisure)	-	(7,6)	-	558,2	(3,7)	-	546,9	-
Viscofan, S.A.	292,5	13,8	(9,7)	-	(0,6)	-	296,0	285,5
TOTALS	2.994,4	84,5	(121,0)	260,9	(9,9)	44,2	3.253,1	

(*) Reflects the value of the interest in Naturgy net of Rioja debt

(**) As of December 31, the company has transferred the entire interest in "Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A." to non.currest assets held for sale, in the context of the takeover bid issued on the shares of this company.

The variations in consolidated equity in 2019 are due primarily to adjustments derived from currency translation, changes in the value of financial assets through equity, variations in own shares and transition adjustments resulting from the application of new accounting standards.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The associates whose quoted price at 2019 year end is lower than their carrying amount are as follows: Acerinox, S.A., CIE Automotive, S.A., Euskaltel, S.A., Indra Sistemas, S.A. and Viscofan, S.A. In these cases Alba's Investment Department calculates the value in use of each investment, which is reviewed by the Finance Department without involving any independent experts. The discounted cash flow method is used, subsequently subtracting the value of net debt and non-controlling interests. The main assumptions used in 2019 were as follows:

	Acerinox, S.A.	CIE Automotive, S.A.	Euskaltel, S.A.	Indra Sistemas, S.A.	Viscofan, S.A.
Perpetual growth rate	2,0%	2,0%	1,5%	1,5%	2,0%
Discount rate (WACC)	8,3%	7,9%	7,0%	9,0%	6,8%
Capital structure:					
Capital	80%	80%	65%	85%	80%
Debt	20%	20%	35%	15%	20%
Equity ratio	9,8%	9,3%	9,3%	10,0%	8,0%
Cost of debt after tax	2,6%	2,3%	2,7%	2,9%	2,1%
Estimated value in use (€/share)	13,53	30,41	9,57	14,12	49,93

At 31 December 2019, Alba reversed the full amount of the impairment of its interest in Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A., and partially reversed the impairment of Euskaltel, S.A., thus at year end accumulated impairment totalled Euros 0.9 million.

Financial projections (sales, EBITDA, investments, etc.) are based, where available, on the annual budgets and business plans of the investees themselves approved by their respective boards of directors. In the event of any subsequent updates or reviews of these business plans by the companies themselves, the latest available version is used. It should be noted that in most cases the budgets and business plans of the investees are internal and have not been communicated to the market. In any case, the reasonableness of the projections prepared by the companies is contrasted with the market consensus, historical data and the opinion of Alba's own team based on its past experience. If the companies have either not prepared projections or have outdated projections, their value is based on the consensus estimates available through platforms such as Bloomberg or Factset.

In theory, no adjustments are made to the projections prepared by the companies or the consensus estimates. However, it may be necessary to use internal estimates prepared by Alba in certain situations:

- When the existing projections, either those prepared by the companies themselves or the consensus of analysts, do not cover the minimum projected period required, established as at least five years, and it is necessary to extend the estimate to this minimum period.
- In the case of the consensus estimates, when it is considered that the sample is not sufficiently representative because too few estimates are included. In general, the number of analysts that contribute estimates to the consensus is lower the longer the period and the consensus ceases to be representative in the final years of the explicit period.
- The consensus estimate tends to be significant for sales and EBITDA, but less so for other relevant cash flow variables such as investments, the tax rate or the change in working capital. For these variables, own estimates are prepared based on a representative sample of analysts' estimates, the company's history and the knowledge acquired by Alba through its presence on the respective boards of directors and its past experience in this company or similar companies.
- All internal estimates are compared with the Company's historical data and analysts' reports, where appropriate.

At 31 December 2019 the Group has used financial estimates with a time horizon of five years (2020-2024) for all the associates analysed, subsequently calculating a terminal value on the basis of this explicit five year period.

Below is a summary of the main assumptions applied in the financial projections used in the explicit valuation period (2020-2024) for Acerinox, S.A., CIE Automotive, S.A., Euskaltel, S.A., Indra Sistemas, S.A. and Viscofan, S.A.:

- Growth of income: for all the companies the expected cumulative annual growth rate of income in the explicit period is in line with or slightly higher than the perpetual growth rate used in each case; where it is slightly higher, this is due to greater growth at the start of the period that converges with the perpetual growth rate in subsequent years. In most cases, the higher initial growth is due to the inclusion of acquisitions made in 2019 – such as that of Inteva by CIE Automotive– or announced in 2019 however expected to be completed in 2020– e.g., the acquisition announced of VDM by Acerinox.
- EBITDA margins: are in line with recent historical data (2017-2019) in Euskaltel, CIE Automotive and Indra Sistemas and show a slight upward trend in Acerinox and Viscofan due to the integration of the acquisitions made in both cases and improvements in efficiency.
- Investments (expressed as a percentage of sales): are stable in the explicit period in all the companies considered, in line with the historical average, after adjustments in some cases for extraordinary investments to increase capacity such as in Viscofan and Acerinox. Acquisitions are not included in

the calculation of the historical average nor are additional acquisitions considered beyond those already communicated.

- The tax rate applied ranges from the 25.0% general Spanish income tax rate up to 27.5% -30.0% at those companies with activities in jurisdictions with higher tax rates, although in many of these countries, such as France and the United States, tax rates have fallen in recent years. For the purposes of prudence and simplicity, the present values of tax assets recorded by some of these companies have not been included in these valuations.
- The variation in working capital generally has little impact on these projections.

The WACC rate is calculated on the basis of the Capital Asset Pricing Model (CAPM) generally accepted by the financial community and based on:

- Market variables obtained through Bloomberg, such as the rate of return on the 10-year bond or the levered beta compared to the stock market index.
- Various internal estimates are used, such as: the spread between the Company's non-current debt and the 10-year bond, the tax rate (same as for the cash flows used in the terminal value calculation and is usually the marginal income tax rate weighted for the different countries in which the Company operates), the target capital structure, the market risk premium (we have historically used a fixed rate of 5%) or the specific risk premium (4.25%-5.00%), which is added to the cost of equity (Ke). The aim of this additional risk premium is to include issues such as the different liquidity of the shares of these companies in the market and is based strictly on internal estimates performed by Alba. This additional risk premium serves to raise the cost of equity to higher levels than would result from the direct application of the WACC formula, which in our opinion would, at present, generate discount rates that are too low – and, therefore, valuations that are too high – due to the environment of low interest rates.
- All of the discount rates used are post-tax, in line with those used in the estimation of future cash flows, which are also post-tax rates.

In the valuations carried out at 31 December 2019, the cost of equity varies by company, between 8.0% and 10.0%, while the WACC rate ranges from 6.8% to 9.0%. These discount rates were in line with those used in the previous year for the corresponding companies and are firstly contrasted with the available analyst estimates and, more generally, with the historical information and experience of Alba. In the valuations carried out at 31 December 2018, the cost of equity varies by company, between 8.3% and 10.0%, while the WACC rate ranges from 7.2% to 9.0%. These discount rates are in line with those used in the previous year for the corresponding companies and are firstly contrasted with the available analyst estimates and, more generally, with the historical information and experience of Alba.

In order to calculate the terminal value, a normalised cash flow is used based on the explicit projection for the last year. This normalisation focuses exclusively on the long-term sustainable EBITDA margin assumption, since the other variables either do not have an impact (for example, it is always assumed that investments and depreciation are equal in the terminal value), they do not vary with respect to the explicit projections (for example, the tax rate remains constant throughout the explicit period or increases in this period until it equals the recurring value expected in the terminal value) or have limited impact given that there are no significant variations between both periods (variation in working capital).

The long-term sustainable EBITDA margin is estimated internally based on the projections used in the explicit period, the historical information available (for comparison) and the experience of Alba's team. The margin used in estimating cash flows for the terminal value is usually lower or, at most, stable with respect to the explicit period. If the estimate of the long-term sustainable EBITDA margin were substantially higher than that of the last explicit year, it would indicate that the Company has not reached a sufficient level of maturity or stability and would lead us to reconsider our estimate of the terminal EBITDA margin or to expand the explicit projection period until reaching that level.

As in the case of all the estimates used for these valuations, the estimation and justification of these variables is contrasted with historical information and with a significant sample of recent analyst reports.

At 31 December 2019 and 2018, the perpetual growth rate ranged from 1.5% to 2.0% per annum, with no variations compared to the most recent valuations made of these same companies, which were made either in December 2018 or June 2019. This variable was also compared with a significant sample of recent analyst reports and, as previously commented, there were no significant variations compared to previous valuations.

In 2019, the following sensitivity analysis was performed:

	Acerinox, S.A.	CIE Automotive, S.A.	Euskaltel, S.A.	Indra Sistemas, S.A.	Viscofan, S.A.
Discount rate (WACC)					
Rate used in 2019	8,3%	7,9%	7,0%	9,0%	6,8%
Rate equal to carrying amount	9,5%	9,0%	7,0%	9,8%	7,0%
Perpetual growth					
Rate used in 2019	2,0%	2,0%	1,5%	1,5%	2,0%
Rate equal to carrying amount	0,2%	0,6%	1,5%	0,4%	1,9%
EBITDA margin used to calculate terminal value					
Rate used in 2019	10,5%	17,6%	48,5%	11,0%	26,5%
Margin equal to carrying amount	9,1%	15,2%	48,5%	9,7%	26,0%
Variation in total sales to equal carrying amount	-12,1%	-9,9%	-	-9,2%	-2,3%
Variation in EBITDA margin to equal carrying amount	-0,6%	-1,0%	-	-0,9%	-0,2%

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

In 2019, a variation of +0.5% and –0.5% in the assumptions used to calculate the value in use would have had the following effect on this value:

Variation	Acerinox, S.A.	CIE Automotive, S.A.	Euskaltel, S.A.	Indra Sistemas, S.A.	Viscofan, S.A.
Weighted average cost of capital (WACC)					
+ 0,5%	-8,6%	-11,6%	-15,2%	-7,8%	-9,7%
- 0,5%	10,1%	13,7%	18,3%	8,9%	11,9%
Perpetual growth					
+ 0,5%	6,8%	11,3%	15,6%	7,0%	8,7%
- 0,5%	-5,8%	-9,6%	-13,0%	-6,1%	-7,0%
EBITDA margin					
+ 0,5%	6,3%	4,9%	2,3%	5,0%	2,4%
- 0,5%	-6,3%	-4,9%	-2,3%	-5,0%	-2,4%

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The variations in this item during 2018 were as follows:

	Consolidated value at 01-01-18	Profit/(loss) of associates	Divideds daccrued and share premium reimbursement	Acquisitions/ (disposals)	Variation in consolidated equity of the associates	Reversal / (impairment)	Consolidated value at 31-12-18	Market value at 31/12/18
Acerinox, S.A.	574,3	44,9	(23,6)	-	10,0	-	605,6	453,4
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	304,8	16,4	(18,0)	-	(2,3)	(22,1)	278,8	245,3
CIE Automotive, S.A.	299,6	39,3	(47,0)	2,7	(5,0)	-	289,6	279,3
Ebro Foods, S.A.	334,4	17,8	(10,6)	53,0	4,3	-	398,9	375,8
Euskaltel, S.A.	166,1	6,9	(5,7)	-	0,1	11,9	179,3	137,4
Indra Sistemas, S.A.	213,7	12,6	-	-	(9,9)	-	216,4	153,1
Parques Reunidos Servicios Centrales, S.A.	241,7	(1,3)	(4,0)	12,0	0,1	-	248,5	186,9
Rioja Luxembourg, S.à.r.l.	-	9,8	(34,6)	521,5	(11,9)	-	484,8	706,0 (*)
Viscofan, S.A.	248,5	15,0	(9,7)	40,6	(1,9)	-	292,5	291,6
TOTALES	2.383,1	161,4	(153,2)	629,8	(16,5)	(10,2)	2.994,4	2.828,8

(*) Reflects the value of the interest in Naturgy

The variations in consolidated equity in 2018 are due primarily to adjustments derived from currency translation, changes in the value of financial assets through equity, variations in own shares and transition adjustments resulting from the application of new accounting standards.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The quoted prices of the following associates at 2018 year end were lower than their carrying amounts: Acerinox, S.A., Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros S.A., CIE Automotive, S.A. Ebro Food, S.A., Euskaltel, S.A., Indra Sistemas, S.A. and Parques Reunidos Servicios Centrales, S.A. Nevertheless, no value-in-use calculation was made in respect of Viscofan, S.A. due to the extremely small difference between its carrying amount and quoted price. In these cases Alba's Investment Department calculates the value in use of each investment, which is reviewed by the Finance Department without involving any independent experts. The discounted cash flow method was used, subsequently subtracting the value of net debt and non-controlling interests. The assumptions used in 2018 were as follows:

	Acerinox, S.A.	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	CIE Automotive, S.A.	Ebro Foods, S.A.	Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
Perpetual growth rate	2,0%	1,5%	2,0%	1,5%	1,5%	1,5%	2,0%
Discount rate (WACC)	8,3%	8,9%	8,9%	7,2%	7,3%	9,0%	8,2%
Capital structure:							
Capital	80%	100%	80%	80%	65%	85%	79%
Debt	20%	-	20%	20%	35%	15%	21%
Equity ratio	9,6%	8,9%	10,3%	8,3%	9,5%	10,0%	9,4%
Cost of debt after tax	3,3%	n.s.	3,0%	2,8%	3,1%	3,6%	3,9%
Estimated value in use (€/share)	13,67	27,65	30,40	19,01	9,12	13,12	15,88

At 31 December 2018, Alba recorded impairment of its interest in Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A., so that accumulated impairment at year end totalled Euros 36.0 million and the impairment of the interest in Euskaltel, S.A. was partially reversed, thus the accumulated impairment at year end totalled Euros 9.0 million.

At 31 December 2018 financial estimates with a time horizon of five years (2019-2023) were used for all the associates analysed, subsequently calculating a terminal value on the basis of this explicit five-year period.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Below is a summary of the main assumptions applied in the financial projections used in the explicit valuation period (2019-2023) for Acerinox, SA, Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, SA, CIE Automotive, SA, Ebro Foods, SA, Euskaltel, SA, Indra, SA and Parques Reunidos Servicios Centrales, SA:

- Growth of income: for all the companies, except Parques Reunidos, the expected cumulative annual growth rate of income in the explicit period was in line with or slightly higher than the perpetual growth rate used in each case; where it was slightly higher, this is due to greater growth at the start of the period that converges with the perpetual growth rate in subsequent years. In Parques Reunidos the situation was similar, although with a greater difference in the first years: highly significant growth was expected in 2019 due to the incorporation of the four acquisitions made in 2018 and the start of 2019 and the extensions and new attractions being developed that would begin to generate revenues in 2019 and 2020. As in the other companies, this growth rate falls in the second half of the explicit period to similar levels to the perpetual growth rate.
- EBITDA margins: were in line with recent historical data (2016-2018) in Acerinox, Ebro Foods, Euskaltel and Parques Reunidos and presented a slight upward trend in CIE Automotive and Indra due to the integration of the acquisitions made in both cases and improvements in efficiency. In the case of Indra, the EBITDA margin improved gradually over the first years but failed to recover the pre-crisis levels of profitability. In Bolsas y Mercados Españoles an EBITDA margin similar to that of 2018 was assumed, which was substantially lower than the historical average.
- Investments (expressed as a percentage of sales): higher than the historical average of the last 10 years in Bolsas y Mercados Españoles, Euskaltel and Parques Reunidos due to the expansion projects currently underway in the three companies: geographical expansion in the case of Euskaltel, the aforementioned park extensions and new attractions in Parques Reunidos and investments in systems, technology and new developments in Bolsas y Mercados Españoles. Conversely, this ratio is slightly lower than the historical 10-year average in Acerinox, CIE Automotive, Ebro Foods and Indra, although in no case are these differences significant and, in general, are the result of specific investments made by these companies in the past, such as the construction of the plant in Indonesia in the case of Acerinox. Acquisitions are not included in the calculation of the historical average nor are additional acquisitions considered beyond those already communicated.
- The tax rate applied ranges from the 25.0% general Spanish income tax rate up to 27.5% -30.0% at those companies with activities in jurisdictions with higher tax rates, although in many of these countries, such as France and the United States, tax rates have fallen in recent years. The present value of tax assets recorded by some of these companies has not been included in these valuations.
- The variation in working capital generally has little impact on these projections.

In 2018, the following sensitivity analysis was performed:

	Acerinox, S.A.	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	CIE Automotive, S.A.	Ebro Foods, S.A.	Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
Discount rate (WACC)							
Rate used in 2018	8,3%	8,9%	8,9%	7,2%	7,3%	9,0%	8,2%
Rate equal to carrying amount	9,2%	8,9%	11,0%	7,4%	7,3%	9,6%	8,4%
Perpetual growth							
Rate used in 2018	2,0%	1,5%	2,0%	1,5%	1,5%	1,5%	2,0%
Rate equal to carrying amount	0,5%	1,5%	-0,8%	1,3%	1,5%	0,7%	1,8%
EBITDA margin used to calculate terminal value							
Rate used in 2018	10,5%	61,8%	16,7%	13,7%	49,0%	11,0%	30,0%
Margin equal to carrying amount	9,2%	61,8%	13,3%	13,3%	49,0%	10,1%	29,2%
Variation in total sales to equal carrying amount	-13,7%	-	-15,0%	-2,5%	-	-6,7%	-2,5%
Variation in EBITDA margin to equal carrying amount	-0,5%	-	-1,5%	-0,2%	-	-0,6%	-0,4%

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

In 2018, a variation of +0.5% and –0.5% in the assumptions used to calculate the value in use would have had the following effect on this value:

Variation	Acerinox, S.A.	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	CIE Automotive, S.A.	Ebro Foods, S.A.	Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
Weighted average cost of capital (WACC)							
+ 0,5%	-8,5%	-10,0%	-7,9%	-10,1%	-28,0%	-15,0%	-25,9%
- 0,5%	9,9%	13,1%	9,1%	12,0%	39,8%	19,7%	36,0%
Perpetual growth							
+ 0,5%	6,7%	4,8%	7,2%	8,4%	15,2%	6,8%	14,0%
- 0,5%	-5,7%	-4,2%	-6,2%	-7,0%	-12,8%	-5,9%	-11,9%
EBITDA margin							
+ 0,5%	5,8%	1,0%	3,8%	4,9%	4,5%	10,4%	3,6%
- 0,5%	-5,8%	-1,0%	-3,8%	-4,9%	-4,5%	-10,4%	-3,6%

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

11. Financial Assets at Fair Value through Profit or Loss

Investments at 31 December 2019 and 2018 are as follows:

	%	
Non-current, unquoted	2019	2018
Made by Arta Fund II		
Alvinesa, S.A.	16,83	16,83
Alvic, S.A. (through Folkstone, S.L.)	9,46	-
Monbake (through Tarasios Investments, S.L.)	3,70	3,70
Telepizza (through Tasty Topco, SCA)	3,27	-
Made by Deya Capital		
In-Store Media Group, S.A.	18,89	18,89
Mecalux, S.A.	-	24,38
TRRG Holding Limited (formerly Ros Roca)	7,50	7,50
Others		
C. E. Extremadura, S.A.	1,01	1,01
Non-current, quoted		
Global Dominion Access, S.A.	5,00	5,00
Dividends	3,2	7,8

In 2019 the investment in Mecalux, S.A. was sold for Euros 121.9 million with a return on investment of 1.5x since the original investment was made and an IRR of 4.8% per annum. In 2018 the 26.5% interest in Panasa was sold for Euros 88.4 million. As a result of this sale, which was announced in November 2017, since the initial investment in February 2011, Alba obtained a return on investment of 3.3x and an annual IRR of 20%.

Movement during 2019 and 2018 was as follows:

Balance at 1/1/2018	154,5
Additions	48,7
Changes in fair value	(2,1)
Balance at 31/12/2018	201,1
Additions	38,0
Sales	(97,5)
Changes in fair value	8,8
Balance at 31/12/2019	150,4

Additions in 2019 consist of the acquisitions of interests in Alvic, S.A. and Telepizza, and the disposals reflect the sales of the interest held in Mecalux generating a gain of Euros 24.4 million.

Additions in 2018 consisted of the acquisition of the interest in Monbake (through Tarasios Investments, S.L.) and Global Dominion Access, S.A.

The valuations in TRRG Holding Limited and InStore Media Group, S.A., are prepared by the personnel responsible for this function in Artá Capital, SGEIC, SAU and reviewed and approved by the Investment Committee, without any involvement of independent experts in the valuations.

Furthermore, in relation to the investments made by Artá Fund II, also managed by Artá Capital, SGEIC, SAU, in 2018 the valuations were prepared by the external valuer Ernst & Young Servicios Corporativos, S.L. and in 2019 by Deloitte Financial Advisory, S.L., each of which issued the corresponding report.

The method used to determine the fair value of these investments is based on discounted future cash flows.

The investments made by Artá Fund II in Telepizza and Alvic were valued at cost at December 2019 since they had been in the portfolio for less than one year, in line with the valuation criteria of Invest Europe. In December 2018, the investment in Monbake (through Tarasios Investments, S.L.) was valued at cost for the same reason.

Financial projections (sales, EBITDA, investments, etc.) are based on the budgets and business plans of the companies themselves approved by their respective Board of Directors. These projections are not published and are presented to Artá at board meetings. In any case, the reasonableness of the projections prepared by the companies is contrasted with different market comparables and Artá's own opinion based on its past experience. The financial projections have a five-year time frame for all the valuations performed.

The key valuation variables are as follows: Discount rate (WACC) and perpetual growth rate (g):

- The WACC is calculated using the Capital Asset Pricing Model (CAPM) generally accepted by the financial community and on the basis of market variables obtained through Bloomberg, such as the return on a ten-year bond or the levered beta with respect to the reference stock market index.
  In addition, various internal estimates are used, such as: the spread between the non-current debt of the Company and the ten-year bond, the tax rate (same as for the terminal value cash flow) or the target capital structure.
- The perpetual growth rate is calculated based on each company and the market in which they operate.

The fair value of the investments has been calculated using the discounted cash flow method. The assumptions used are as follows:

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Alvinesa, S.A.	InStore Media Group, S.A.	Mecalux, S.A.	Monbake	TRRG Holding Limited
2019					
Perpetual growth rate	1,8%	1,7%	-	1,8%	1,6%
Weighted average cost of capital (WACC)	10,1%	9,8%	-	7,9%	9,4%
2018					
Perpetual growth rate	1,7%	2,0%	2,0%	-	2,0%
Weighted average cost of capital (WACC)	9,6%	10,2%	9,4%	-	8,9%

Sensitivity analysis

A variation in the assumptions used to calculate fair value would have the following effects thereon:

	Alvinesa, S.A.	InStore Media Group, S.A.	Mecalux, S.A.	Monbake	TRR Holding Limited
2019					
Weighted average cost of capital (WACC)					
+ 0,5%	-6,4%	-5,9%	-	-14,5%	-8,8%
- 0,5%	7,3%	6,6%	-	17,0%	10,0%
Perpetual growth rate					
+ 0,5%	4,8%	4,3%	-	13,7%	6,1%
- 0,5%	-4,1%	-3,8%	-	-11,6%	-5,3%
EBITDA					
+ 5,0%	11,8%	8,4%	-	22,4%	13,0%
- 5,0%	-11,8%	-8,4%	-	-22,4%	-13,0%
2018					
Weighted average cost of capital (WACC)					
+ 0,5%	-6,5%	-6,1%	-5,4%	-	-9,6%
- 0,5%	7,2%	6,9%	6,1%	-	11,2%
Perpetual growth rate					
+ 0,5%	2,2%	4,7%	5,0%	-	7,4%
- 0,5%	-1,9%	-4,2%	-4,4%	-	-6,4%
EBITDA					
+ 5,0%	7,5%	6,3%	8,1%	-	10,2%
- 5,0%	-7,5%	-6,3%	-8,1%	-	-10,2%

12. Other Non-Current Financial Assets and Liabilities

Details of these items at 31 December 2019 and 2018 are as follows:

Other non-current financial assets	2019	2018
Loans to third parties	59,2	56,9
Other financial assets with related parties	7,7	4,6
Guarantees deposited with public entities	2,3	2,4
Balance at 31 December	69,2	63,9
Other non-current financial liabilities		
Other financial liabilities	9,9	1,9
Other financial liabilities with related parties	7,7	4,6
Guarantees received from customers	2,7	2,5
Balance at 31 December	20,3	9,0

Loans to third parties mostly consist of the value of the outstanding amounts receivable from the Bergé Group. In July 2016, a syndicated financing agreement was signed between several Bergé Group companies and a syndicate of entities, including Corporación Financiera Alba, S.A.

This debt is divided into two tranches. Tranche A, which is repayable in half-yearly instalments from December 2016 until June 2022 and accrues interest at a market rate of Euribor +265bp and Tranche B, a five-year bullet loan that accrues interest at a market rate of Euribor +125bp for the first three years, +225bp in year 4 and +325bp in year five. It is expected to be collected through a cash sweep and early repayments that will be mandatory if certain liquidity events occur. The amounts allocated to the repayment of the debt as a result of the aforementioned liquidity events will be distributed through a discount auction among the lender entities that attend. In 2019 Euros 5.6 million of these loans was collected and the Euros 7.7 million of impairment recognised in respect of Tranche B was reversed (in 2018 Euros 3.2 million was collected).

The balance in millions of Euros at 31 December, is as follows:

	2019	2018
Tranche A	17.9	22.8
Tranche B	40.5	33.3

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

13. Loans and Other Receivables

Details at 31 December 2019 and 2018 are as follows:

	2019	2018
Income tax withholdings and payments on account	64,5	163,7
Accrued dividends receivable	7,6	6,8
Trade receivables	40,0	20,8
Sundry receivables	5,7	40,2
Prepaid expenses	0,2	0,1
Balance at 31 December	118,0	231,6

In 2018, sundry receivables included the amount receivable for the sale of the shareholding in the Energyco subgroup, which was collected in early 2019.

14. Other Current Financial Assets and Cash and Cash Equivalents

Financial assets reflect current cash placements (maturity of over 3 months) in the form of:

	Millions of Euros	
	2019	2018
Corporate promissory notes	114,2	40,0
Fixed-term deposits	-	121,2
Investments in quoted companies	-	87,5
	114,2	248,7

All the promissory notes are issued by Spanish entities. At 31 December 2018 investments in quoted entities consisted of current investments recognised at fair value and classified as current financial assets at fair value through profit or loss. Euros 1.1 million and Euros 4.1 million in dividends have been collected from these investments in 2019 and 2018, respectively. Below are the number of shares, the percentage of ownership interest and the fair value of the Group's investments at 31 December 2018:

Description	2018 No. of shares	%	Fair value
Teva Pharmaceutical IN	307,389	0.03	4.1
Gestamp Automoción	922,519	0.16	4.6
Royal Dutch Shell	185,000	0.00	4.7
Amadeus	79,731	0.02	4.8
Inditex	223,175	0.01	5.0
Telefónica	1,000,000	0.02	7.3
Total	318,347	0.01	14.7
Other securities			42.3
TOTAL			87.5

Details of cash and cash equivalents at 31 December 2019 and 2018 are as follows:

	2019	2018
Cash in hand and at banks	34,5	102,2
Highly liquid current deposits and investments	43,3	39,8
Balance at 31 December	77,8	142,0

Current deposits and investments can be quickly converted to cash and do not pose a risk of a change in value. The amounts in this item accrue variable interest based on the interbank market interest rate.

15. Equity

At 31 December 2019 and 2018 the share capital comprised 58,240,000 shares, all of the same class and represented by book entries. The par value of each share is Euros 1, they are subscribed and fully paid, and have all been listed on the Stock Exchange (Stock Exchange Interconnection System).

On 18 June 2018 at their general meeting the shareholders agreed to reduce share capital by Euros 60,000 through the redemption of 60,000 shares (all of the Company's own shares at the date of the Shareholders' Ordinary and Extraordinary General Meeting). The redemption was recognised with a charge to share capital for the par value of the redeemed shares, and to freely-distributable reserves for the remaining amount paid for their acquisition.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The shareholders at the general meeting of Corporación Financiera Alba, S.A. held on 17 June 2019 agreed to delegate the following powers to the Board of Directors:

- Approval of one or more increases in share capital, up to a total of 50% of the share capital, i.e. a maximum amount of Euros 29,120,000. The increases approved as a result of this delegation must be made through cash contributions within a maximum of five (5) years from the date of the shareholders' meeting and include pre-emptive rights. To date this power has not been used.

- Approval of one or more increases in share capital, up to a total of 20% of the share capital, i.e. for a maximum amount of Euros 11,648,000. The increases approved as a result of this delegation must be made through cash contributions within a maximum of five (5) years from the date of the shareholders' meeting and the Board of Directors has the power to eliminate the pre-emptive rights, provided it complies with the legal requirements in this respect. To date this power has not been used.

In no circumstances may the Board of Directors exceed the maximum amounts stipulated in the prevailing Spanish Companies Act.

On 19 December 2018 the siblings Juan, Carlos, Gloria and Leonor March Delgado revoked the shareholder agreement between them, which governed the voting rights exercised in the general meetings of Corporación Financiera Alba, S.A.

Details of the direct and indirect interests of at least 3% reported to the Spanish Securities Market Commission (CNMV) at 31 December 2019 are as follows:

Shareholder	% Interest
Banca March, S.A.	15,022%
D. Carlos March Delgado	19,125%
D. Juan March Delgado	18,726%
D. Juan March de la Lastra	6,929%
D. Juan March Juan	4,351%
Dª Catalina March Juan	4,270%
Dª Gloria March Delgado	3,700%

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The movements in Alba's own shares was as follows:

	No. of shares	Percentage of share capital	Average acquisition price Euros/share	Thousands of Euros
At 1 January 2018	59.898	0,10%	40,29	2.413
Purchases in 2018	102	0,00%	49,50	5
Redemption in 2018	(60.000)	(0,10%)		
At 31 December 2018	-			

At 31 December 2019 and 2018 the balance is 0.

Basic earnings per share are calculated by dividing profit for the year attributable to the ordinary shareholders of the Parent by the average number of outstanding shares in that year.

Diluted earnings per share are calculated by dividing profit for the year attributable to the ordinary shareholders of the Parent by the average number of outstanding shares in that year, plus the average number of ordinary shares that would be issued if all the financial instruments convertible into potentially ordinary shares were converted into those shares. Given that there are no financial instruments of this kind, basic earnings per share are the same as diluted earnings per share.

	2019	2018
Profit attributable to the Parent's shareholders		
Continuing operations	179,2	154,4
Discontinued operations	-	-
Profit attributable to ordinary shareholders of the Parent for basic earnings	179,2	154,4
Interest of the holders of financial instruments convertible into ordinary shares	-	-
Profit attributable to ordinary shareholders of the Parent for diluted basic earnings	179,2	154,4
Average number of ordinary shares for basic earnings per share (*)	58.240.000	58.240.000
Dilution effect	-	-
Average number of ordinary shares adjusted for dilution effect (*)	58.240.000	58.240.000
Earnings per share (Euros/share)	3,08	2,65

(*) The average number of ordinary shares takes into account the weighted effect of changes in own shares during the year.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

There have been no transactions involving ordinary or potentially ordinary shares between the reporting date and the date on which these consolidated annual accounts were authorised for issue.

Details of non-controlling interests at 31 December 2019 and 2018 are as follows:

	2019	2018
Satlink subgroup	21,0	16,7
Arta Partners, S.A.	0,3	0,7
Nuadi subgroup	28,2	-
Preving subgroup	46,1	-
Alba Investments, S.à.r.l.	99,0	-
TOTAL	194,6	17,4

During 2018 the Satlink subgroup paid a dividend of Euros 10 million and sold the shareholding in the Energyco subgroup.

16. Capital Management Policy

Alba manages its capital with a view to ensuring its subsidiaries have sufficient economic resources to carry out their activities. In addition to managing the capital needed to cover the inherent risks of its activity in a rational and objective manner, capital is managed in such a way as to maximise shareholder return via an adequate balance between capital and debt.

Alba's leverage ratio at year end 2019 and 2018 was as follows:

	2019	2018
Loans and borrowings	218,7	141,7
Cash and cash equivalents	(77,8)	(142,0)
Total net debt	140,9	(0,3)
Equity	4.135,8	4.041,5
Equity + net debt	4.276,7	4.041,8
Leverage ratio	3,29%	-

There was no net financial debt in 2018 thus there was no leverage ratio.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

17. Provisions

Movement during 2019 and 2018 was as follows:

	2019	2018
Balance at 1 January	0,8	1,1
Allowances	0,2	-
Uses and reversals	-	(0,3)
Balance at 31 December	1,0	0,8

18. Trade and Other Payables

Details at 31 December 2019 and 2018 are as follows:

	2019	2018
Trade payables	38,6	10,7
Salaries payable	3,1	2,3
Public entities, other (note 22)	7,3	5,7
Balance at 31 December	49,0	18,7

Details of the average payment period for Alba's suppliers in Spain are as follows:

Days	2019	2018
Average supplier payment period	42	43
Transactions paid ratio	45	44
Transactions payable ratio	40	41

Millions of Euros		
Total payments made	23,8	30,7
Total payments outstanding	28,3	9,0

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(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

19. Loans and Borrowings

Current and non-current:

Details of current loans and borrowings, which mature annually, by maturity are as follows:

	At 31/12/2019		At 31/12/2018	
Bank	Maturity	Balance drawn down	Maturity	Balance drawn down
Current loans				
BBVA	2020	9,5	2019	9,4
Syndicated loan (Bankinter, BBVA, CaixaBank and Santander)	2020	4,1	2019	3,4
Syndicated loan (Bankinter and Santander)	2020	1,9		-
Syndicated loan (BBVA, CaixaBank and Bankia)	2020	1,2		-
		16,7		12,8
Non-current loans				
BBVA	2021 to 2025	99,5	2020 to 2025	108,9
Syndicated loan (Bankinter, BBVA, CaixaBank and Santander)	2021 to 2023	19,0	2020 to 2023	20,0
Syndicated loan (Bankinter and Santander)	2021 to 2025	48,9		-
Syndicated loan (BBVA, CaixaBank and Bankia)	2022 to 2025	34,6		-
	TOTAL	202,0	TOTAL	128,9

Principal and interest payments are settled every six months. The borrowing cost ranges from 0.7%-3%.

Alba also has two undrawn lines of financing from BBVA and Bankinter for a total amount of Euros 235.0 million.

Below is an analysis of the maturities of non-current loans and borrowings (including interest) at 31 December 2019 and 2018 (in millions of Euros):

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2019	2021	2022	2023	2024	2025	TOTAL
BBVA	10,3	10,4	10,5	10,6	60,4	102,3
Syndicated loan (Bankinter, BBVA, Caixabank and Sabadell)	6,6	5,4	7,1	-	-	19,1
Syndicated loan (Bankinter and Santander)	5,2	7,1	7,7	8,1	25,2	53,4
Syndicated loan (BBVA, Caixabank and Bankia)	1,4	4,7	5,0	6,0	18,3	35,4
TOTAL	23,6	27,6	30,3	24,7	103,9	210,1

2018	2020	2021	2022	2023	2024	2025	TOTAL
BBVA	11,1	11,1	11,1	11,1	11,1	60,5	115,8
Syndicated loan (Bankinter, BBVA, Caixabank and Sabadell)	4,2	4,6	5,4	7,0	-	-	21,2
TOTAL	15,3	15,6	16,5	18,1	11,1	60,5	136,9

Loans and borrowings are reconciled to cash flows used in financing activities in the statement of cash flows as follows:

	Loans and borrowings
Blance at 1/1/2018	195,3
Derecognition due to the sale of the Energyco subgroup	(40,0)
Cash flows used in financing activities	(13,6)
Balance at 31/12/2018	141,7
Balance at 1/1/2019	141,7
Business combinations	87,0
Cash flows used in financing activities	(10,0)
Balance at 31/12/2019	218,7

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20. Measurement at Fair Value

Details of assets and liabilities and the hierarchy of their measurement at fair value at 31 December 2019 and 2018 are as follows:

	Total	Quoted price in active markets (Level 1)	Significant unobservable inputs (Level 3)
2019			
Assets measured at fair value			
Investment property (note 6)	324,5	-	324,5
Investments at fair value through profit or loss (notes 11 and 14)	150,4	30,9	119,5
Assets whose fair value is disclosed			
Investments in associates and non-current assets held for sale (note 10)	3.565,8	2.798,7	767,1
Other financial assets (note 12)	69,2	-	69,2
Trade and other receivables (note 13)	118,0	-	118,0
Other financial assets (note 14)	114,2	-	114,2
Liabilities whose fair value is disclosed			
Loans and borrowings (note 19)	218,7	-	218,7
2018			
Assets measured at fair value			
Investment property (note 6)	327,3	-	327,3
Investments at fair value through profit or loss (notes 11 and 14)	288,6	123,9	164,7
Assets whose fair value is disclosed			
Investments in associates (note 10)	2.994,4	2.994,4	-
Other financial assets (note 12)	63,9	-	63,9
Trade and other receivables (note 13)	231,6	-	231,6
Other financial assets (note 14)	161,2	-	161,2
Liabilities whose fair value is disclosed			
Loans and borrowings (note 19)	141,7	-	141,7

21. Risk Management Objectives and Policies

The Board of Directors of Corporación Financiera Alba, S.A. has drawn up the following risk management and control policy:

1.- Types of risk faced by the Company

Risk is inherent to all business activity and is defined as uncertainty concerning the occurrence of an event or action that could adversely affect the Company's ability to maximise its value for stakeholders and to achieve its goals; it also refers to the possibility of threats materialising and opportunities not being taken.

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Corporación Financiera Alba engages in two principal activities:

(i) investment in the capital of listed and unlisted companies, and

(ii) investment in buildings leased as office spaces.

As a result of its activities, the markets and sectors in which it operates and its environment, the Company is exposed to the following categories of risks:

- Strategic risks related to the mission and vision of the Company, achievement of business goals and the creation and preservation of value for shareholders and other stakeholders.

  These include risks related to the corporate governance of the Company, its reputation and responsibility, investment and divestment strategies, and market dynamics.

- Operational risks involving potential direct or indirect economic losses related to external events: uncertainty in the Company's own business activities; or internal events: failures or inadequacies in the processes, systems or resources of the Company.

  These include risks related, mainly, to revenues, investments and divestments and their monitoring, the acquisition of goods and services, physical assets, human resources, information technologies and natural disasters, terrorism and other criminal acts.

- Financial risks resulting, broadly speaking, from any financing operation which the Company must make in order to perform its activities, as well as the reliability of financial information reported by the Company.

  These include liquidity and credit risks, market, tax, accounting and reporting risks.

- Regulatory compliance risks arising from a potential failure to comply with laws, regulations, internal standards and codes of conduct, as well as greater exposure to such risks.

  These include legal risks, regulatory risks and risks involving codes of ethics and conduct.

2.- Integrated risk management system

Aware of the importance and advantages of adequately and efficiently managing its risks, Corporación Financiera Alba has established an Integrated Risk Management System mainly focused 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 risk management actions performed by the Company.

- Achieving responsible risk acceptance and reinforcing the responsibility of the Company's employees.

- Ensuring the control systems are aligned with the actual risks of the Company.

- Facilitating and streamlining the application of corrective measures.

The Integrated Risk Management System unites three key components:

(i) The continuous risk management process, understood as the activities performed by all individuals in the Company under the supervision of the Audit and Compliance Committee that are focused on identifying potential risk events, managing the risks identified and providing reasonable assurance that the Company will achieve its goals.

(ii) An organisational focus, with clearly defined and communicated roles and responsibilities. Integrated risk management affects all Company personnel, therefore it is vital to establish an organisational focus on risk management tailored to the organisational structure and corporate culture of the Company.

Although the Integrated Risk Management System affects and involves all Company personnel, the main participants are as follows: risk managers, the Risk Control and Management Department, the Audit and Compliance Committee and the Board of Directors.

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

2.1. The continuous risk management process

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

- Identifying and assessing the risks that could affect the Company.

  Determining the main strategic, operational, financial and regulatory compliance risks affecting the Company's strategy and goals, assessing the probability of occurrence and potential impact and prioritising risks based on these factors.

- Setting the level of risk that is considered acceptable.

  Defining key risk indicators (KRIs) for each critical risk and establishing tolerance levels for these risks.

- Identifying controls.

  Specifying existing controls (or those to be implemented) in the Company to mitigate the aforementioned risks.

- Identifying the processes in which these risks and controls arise.

  Determining the existing relationship between the Company's key risks – and its controls – and the Company's processes, identifying and analysing the processes that are critical for managing risks.

- Assessing controls.

  Assessing the effectiveness of the controls in mitigating the risks identified.

- Designing and implementing action plans in response to the risks.

  Determining action plans to be carried out to lower the residual risk to the acceptable level of risk, bearing in mind the costs and benefits of such efforts. As a direct result of this reduction of the level of risk, a reassessment and prioritisation of the risks will be necessary and appropriate, as part of a continuous risk management process.

In this regard, Corporación Financiera Alba has prepared the Company's Risk Map, which shows, based on their impact and probability, the key risks in the categories listed above. In order for this map to be effectively used as 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.

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

2.2. Organisational model of roles and responsibilities

Although the Integrated Risk Management System affects and involves all Company personnel, the main players are as follows:

(i) 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.

(ii) Risk Control and Management Department.

The Risk Control and Management Department is expressly tasked with the following duties:

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- 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 quantified correctly.
- Actively participating in preparing the risk strategy and important decisions concerning risk management.
- Ensuring that the risk control and management systems adequately mitigate risks, as part of the policy established by the Board of Directors.

(iii) Audit and Compliance Committee.

Supervises, pursuant to the Regulations of the Company's Board of Directors, among other matters, the effectiveness of the Company's internal controls and risk management systems.

Likewise, it discusses any significant weaknesses in the internal control system detected during the audit with the auditor.

(iv) Board of Directors.

As indicated previously, the Board of Directors has the power to determine the risk control and management policy, including for tax risks, and is tasked with supervising the internal reporting and internal control systems. 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), defined as an advisory and control body serving 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.

The duties of the Internal Audit Service include the analysis and proposal of recommendations to improve the risk management processes. The Internal Audit Service also performs independent assessments of the efficiency and effectiveness of internal controls, although this is always in coordination with the Risk Control and Management Department, in order to avoid duplicating tasks and/or areas existing without adequate coverage.

2.3 Monitoring and reporting model

The last component of the Integrated Risk Management System is a monitoring and reporting model capable of providing relevant information, in a timely and appropriate manner, to all players involved in the risk control and management process, both upwards and downwards in the hierarchy.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

This cross-departmental monitoring model 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.

Specifically, the Integrated Risk Management System established by Corporación Financiera Alba is a management, communication, monitoring and support mechanism for all activities related to risk control and management. It is vital for responding to individual risks and risks that are specific to each activity, while it provides the framework needed for coordinated management by the Company.

As mentioned in the Policy, the Group's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Group's Risk Management Policy establishes the basic principles, guidelines and general framework for actions to control and manage the various types of risk (financial and non-financial) faced. The Group does not use derivatives to mitigate certain risks.

Market risk

Given the Group's activities, the exposure to market risk depends on the performance of the investees, whether listed or not.

- Currency risk
  The Group does not usually operate internationally and is therefore not exposed to currency risk when operating with foreign currencies. Currency risk is associated with future commercial transactions, recognised assets and liabilities, and net investments in foreign operations which are presented in a foreign currency other than the Group's functional currency.
  At 31 December 2019 and 2018 the Group has no significant direct investments in companies whose currency is not the Euro and whose net assets are exposed to currency risk.
- Price risk
  The Group is exposed to price risk relating to equity instruments designated at fair value through profit or loss. To manage price risk derived from investments in equity instruments the Group diversifies its portfolio.
- Cash flow and fair value interest rate risks
  The Group's interest rate risks arise from non-current borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risks. Fixed interest loans expose the Group to fair value interest rate risks.

The Group holds almost 100% of borrowings at variable interest rates.

At 31 December 2019 and 2018 the Group had not arranged any interest rate swaps.

A 0.5 percentage point rise in interest rates of variable loans would have reduced profit after tax by Euros 1 million.

Liquidity risk

The Group applies a prudent policy to cover its liquidity risks, based on having sufficient cash to settle all payments derived from its activity and to assure its objectives are met, underpinned by providing its subsidiaries with sufficient economic resources to carry out their activities.

The Group has a significant amount of cash and cash equivalents, as well as high positive working capital.

Its liquidity management is based on forecasting and analysing cash inflows and outflows.

At 31 December 2019 the Group's cash position amounted to Euros 77.8 million, of which Euros 34.6 million comprised cash in hand and at banks, and Euros 43.2 million reflected short-term deposits and investments that are readily convertible into cash and not subject to risk of change in value. At 31 December 2018 the Group's cash position amounted to Euros 142.0 million, of which Euros 102.2 million comprised cash in hand and at banks, and Euros 39.8 million reflected short-term deposits and investments that were readily convertible into cash and not subject to risk of change in value.

The most significant cash outflows of the Group not related to expenses and investments correspond to the distribution of dividends to shareholders. For the interim dividend distribution, the Board of Directors prepares an accounting statement demonstrating that sufficient cash is available for the distribution, that the profit available is greater than the dividend to be distributed, and that the Company's cash is greater than the dividend, in accordance with prevailing legislation.

The Group's exposure to liquidity risk at 31 December 2019 and 2018 is shown in the debt maturity table in note 19.

Credit risk

The Group does not have significant concentrations of credit risk as its principal activity consists of investing in the capital of different companies. Credit risk arises from potential losses derived from customers or counterparties failing to meet, in part or in full, their financial obligations with the Group.

Details of the credit risk exposure at 31 December 2019 and 2018, by type of asset and maturity, (in millions of Euros) are as follows:

	2019		2018	
	Amount	Maturity	Amount	Maturity
Other non-current financial assets	64,5	2020-2022	56,1	2019-2022
Trade receivables	40,0	2020	20,7	2019
Other receivables	13,5	2020	46,5	2019

22. Taxation

Corporación Financiera Alba, S.A., Alba Patrimonio Inmobiliario, S.A.U., Alba Europe, S.à.r.l., Alba Investments, S.à.r.l., Deyá Capital, SCR, S.A.U., Deyá Capital IV, SCR, S.A.U., Artá Capital, SGEIC, S.A.U. and Artá Partners, S.A. file taxes under the tax regime for groups of companies. The rest of the Group's subsidiaries file tax returns in accordance with the tax legislation applicable in each country.

The main components of income tax for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
Income tax for the year:		
Income tax expense (income) for the year	0,4	2,7
Adjustments to income tax from prior years	-	-
Deferred tax:		
Source and reversal of temporary differences	0,3	(0,8)
Income tax expense/(income) recognised in the income statement	0,7	1,9
Consolidated statement of comprehensive income	-	-
Deferred tax related to items recognised directly in equity during the year	-	-

A reconciliation of the tax expense/(income) and accounting profit multiplied by the tax rate applicable to Alba for the years ended 31 December 2019 and 2018 is as follows:

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2019	2018
Pre-tax accounting profit from continuing operations	166,1	164,5
Pre-tax profit/(loss) from discontinued operations	-	-
Accounting profit before tax	166,1	164,5
Consolidation differences	(69,3)	(10,0)
Permanent differences (article 21 of CIT Law)	(96,8)	(154,4)
Change in deferred tax assets and liabilities and difference in tax rates	0,3	(0,8)
Income tax expense/(income) in the consolidated income statement	0,7	1,9
Income tax attributable to discontinued operations	-	-

The most significant consolidation and permanent differences correspond to the share of the profit or loss for the year of associates, dividends received from associates, and the fair value of unlisted companies and investment property.

Movement in deferred tax assets and liabilities is as follows:

	31/12/2019	Additions/ (Derecognitions)	Business combinations	31/12/2018	Additions/ (Derecognitions)	Business combinations	01/01/2018
Deferred tax assets							
Other expenses and retirement plan	2,1	-	0,8	1,3	(0,5)	-	1,8
Total deferred tax assets	2,1			1,3			0,8
Deferred tax liabilities							
Gains on investment property	28,8	0,3	-	28,5	(0,8)	-	29,3
Other deferred tax liabilities	26,0	(0,9)	16,3	10,5	(1,1)	(12,0)	23,6
Total deferred tax liabilities	54,8			39,0			52,9

Details of the profits of companies filing tax under the regime for groups of companies, which have opted for reinvestment and for which the minimum period has yet to end, are as follows:

	Profits to be reinvested (article 42 of CIT Law)	Sale amount	Year of reinvestment	End of minimum period
2013	133	269	2014	2019

At 31 December 2019 and 2018 there are tax loss carryforwards amounting to Euros 7.6 million not recognised in the accompanying balance sheet.

2019 and the four preceding years are open to tax inspection but it is considered that any additional taxes arising from inspections would not be significant.

Details of public entities, other within trade and other payables in note 18 are as follows:

	2019	2018
Payment on account	4,5	4,2
Income tax	1,3	0,3
Personal income tax withholdings	1,2	0,9
VAT and other	0,3	0,3
Total	7,3	5,7

The Group is taxed at a nominal rate of 25%.

23. Workforce

The average number of employees in each year, by category, is as follows:

	2019			2018		
	Male	Female	Total	Male	Female	Total
Executive Board Members	6	-	6	5	-	5
Directors	15	3	18	9	-	9
Heads of department	56	9	65	12	-	12
Administration and other	232	196	428	76	46	122
Total	309	207	516	102	46	148

The number of employees at each year end, by category, is as follows:

	2019			2018		
	Male	Female	Total	Male	Female	Total
Executive Board Members	3	-	3	5	-	5
Directors	12	9	21	9	-	9
Heads of department	97	9	106	11	-	11
Administration and other	676	756	1.432	78	46	124
Total	788	774	1.562	103	46	149

At 31 December 2019 there were 17 employees with a disability rating of 33% or higher and none at 31 December 2018.

24. Segment Reporting

Details of the revenues, profit/loss, assets and liabilities of the business segments for the years ended 31 December 2019 and 2018 are presented below.

The main segments reported by the Group are:

- Property rental: management, rental, purchase and sale of the Group's investment property.

- Investments in transferable securities: business segment identified by the Group comprising investments in listed companies involving significant influence and generating gains through investments and subsequent sales.

- Venture capital investments: business segment identified by the Group comprising investments in funds or investment vehicles managed by Artá Capital, SGEIC, S.A. and generating gains through investments and subsequent sales.

No transactions are carried out between the different segments.

-8,2

ALBA GRUPO MARCH

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Segment reporting 2019
(In millions of €)

	Propery Rental	Investment in securities	Venture capital investments	Income and expenses not allocated to segments	Group total
Direct income and expenses of the segment					
Revenues	16,9	-	76,5	1,4	94,8
Supplies	-	-	(23,7)	-	(23,7)
Gains on disposal	0,5	-	24,4	-	24,9
Share of the profit for the year of associates	-	84,5	-	-	84,5
Change in fair value of financial instruments	2,8	2,6	14,4	-	19,8
Amortisation and depreciation	-	-	(10,4)	(0,6)	(11,0)
Impairment	-	51,9	-	-	51,9
Personnel expenses	-	-	(23,8)	(17,0)	(40,8)
Other operating expenses	(5,5)	-	(18,5)	(6,2)	(30,2)
Other income/(expenses)	-	-	-	4,8	4,8
Net finance income	-	-	(1,1)	5,1	4,0
Profit/(loss) before taxes and non-controlling interests	14,7	139,0	37,8	(12,5)	179,0
Income tax					(0,7)
Profit from continuing operations					178,3
Profit attributable to minority interests					0,9
Consolidated profit for the year attributable to the Group					179,2
Assets and Liabilities					
Segment assets	326,8	3.548,0	401,7		4.276,5
Unallocated assets					(8,4)
Total assets					4.268,1
Segment liabilities	(2,7)	-	186,6		183,9
Unallocated liabilities					25,3
Total liabilities					209,2

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

In 2019 and 2018 Alba carried out its activity in Spain, except (see note 5):

	2019		2018
	Eurozone	Rest of World	Eurozone
Satlink Group CGU	3,7	39,4	-
Nuadi Group CGU	0,5	4,5	-
Energyco CGU	-	-	24,9
TOTAL	4,2	43,9	24,9

Unallocated income and costs comprise overheads and other costs not considered to derive from any of the three businesses.

Unallocated assets and liabilities mainly reflect other current financial assets and cash and cash equivalents.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Segment reporting 2018
(In millions of €)

	Propery Rental	Investment in securities	Venture capital investments	Income and expenses not allocated to segments	Group total
Direct income and expenses of the segment					
Revenues	16,1	-	76,0	0,3	92,4
Supplies	-	-	(29,6)	-	(29,6)
Gains on disposal	4,5	-	21,0	-	25,5
Share of the profit for the year of associates	-	161,4	-	-	161,4
Change in fair value of financial instruments	0,2	-	0,8	-	1,0
Amortisation and depreciation	-	-	(10,9)	(1,0)	(11,9)
Impairment	-	(10,2)	-	-	(10,2)
Personnel expenses	-	-	(6,8)	(13,5)	(20,3)
Other operating expenses	(5,0)	-	(13,9)	(6,8)	(25,7)
Other income/(expenses)	-	-	(1,7)	0,2	(1,5)
Net finance income	-	-	-	(16,6)	(16,6)
Profit/(loss) before taxes and non-controlling interests	15,8	151,2	34,9	(37,4)	164,5
Income tax					(1,9)
Profit from continuing operations					162,6
Profit attributable to minority interests					(8,2)
Consolidated profit for the year attributable to the Group					154,4
Assets and Liabilities					
Segment assets	329,7	2.994,4	255,7		3.579,8
Unallocated assets					688,3
Total assets					4.268,1
Segment liabilities	(1,5)	-	46,4		44,9
Unallocated liabilities					164,3
Total liabilities					209,2

25. Other Income and Expenses

Details for 2019 and 2018 are as follows.

a) Personnel expenses

	2019	2018
Salaries and wages	34,9	17,7
Social Security payable by the Company	2,4	1,5
Alternative pension plan schemes	3,3	0,9
Other employee benefits expenses	0,2	0,2
Balance at 31 December	40,8	20,3

b) Finance income

	2019	2018
Interest, dividends and other	6,6	14,6
Balance at 31 December	6,6	14,6

c) Change in fair value of financial instruments

At year end 2019 and 2018 this comprises the change in fair value of the investments at fair value through profit or loss (see note 11).

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

26. Related Parties

Details of the transactions in 2019 and 2018 are as follows:

DESCRIPTION OF THE TRANSACTION	AMOUNT 2019	AMOUNT 2018	RELATED PARTY
WITH SIGNIFICANT SHAREHOLDERS OF THE COMPANY			
Services	0,6	0,7	Banca March
Dividends	8,7	11,7	Banca March
WITH OTHER RELATED PARTIES			
Dividends and other distributions	8,9	47,0	Cie Automotive
	37,2	34,6	Rioja
	26,2	23,6	Acerinox
	15,8	18,0	BME
	12,3	10,6	Ebro Foods
	9,8	9,7	Viscofan
	6,1	5,7	Euskaltel
	4,6	4,0	Parques Reunidos
	-	3,7	Mecalux
	1,5	3,2	InStore
	1,7	0,9	Alvinesa
Insurance premiums, intermediaries	1,9	2,0	March Risk Solutions
Insurance premiums	0,8	0,8	March Vida
Operating lease agreements	0,2	0,2	March Gestión de Fondos
Collaboration agreements	0,3	0,3	Fundación Juan March

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

27. Remuneration of the Board of Directors and Senior Management

The Company and its subsidiaries have recorded the following remuneration accrued by the members of the Board of Directors and Senior Management of Corporación Financiera Alba, S.A. (in thousands of Euros):

	2019			
	No. of people	Salaries and other	Alba Board Meetings	Alternative pension plan schemes and insurance
External proprietary directors	3	578	704	-
Independent directors	8	-	688	-
Executive directors	3	2.283	275	-
Senior management	5	3.058	-	537
TOTAL		5.919	1.667	537

	2018			
	No. of people	Salaries and other	Alba Board Meetings	Alternative pension plan schemes and insurance
External proprietary directors	3	-	245	-
Independent directors	6	-	526	-
Executive directors	5	2.745	400	190
Senior management	5	2.424	-	523
TOTAL		5.169	1.171	713

At 31 December 2019 and 2018 the Board of Directors comprised 12 members.

No loans were extended to members of the Board of Directors or Senior Management in 2019 or 2018.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Details of the remuneration accrued by each board member in 2019 and 2018, including those who left before 31 December are as follows (in thousands of Euros):

2019	Fixed remuneration	Variable	Alba Group board meetings	Total remuneration	Contribution to retirement plan
De Ampuero y Osma, José Domingo	-	-	125	125	-
Carné Casas, Ramón	431	-	83	514	-
Del Caño Palop, José Ramón	270	207	83	560	-
Garmendia Mendizábal, Cristina	-	-	43	43	-
Girón Dávila, Mª Eugenia	-	-	128	128	-
González Fernández, Carlos Alfonso	-	-	47	47	-
March de la Lastra, Juan	138	247	210	595	-
March Delgado, Carlos	-	-	284	284	-
March Juan, Juan	29	165	210	404	-
Martínez-Conde Gutiérrez-Barquín, Santos	586	789	110	1.485	-
Guibert Ucin, María Luisa	-	-	65	65	-
Pickholz, Claudia	-	-	108	108	-
Pradera Jáuregui, Antón	-	-	105	105	-
Plaza Arregui, Ana María			67	67	-
TOTAL BOARD MEMBERS	1.454	1.408	1.668	4.530	-

2018	Fixed remuneration	Variable	Alba Group board meetings	Total remuneration	Contribution to retirement plan
De Ampuero y Osma, José Domingo	-	-	75	75	-
Carné Casas, Ramón	439	-	65	504	-
Del Caño Palop, José Ramón	277	115	65	457	115
Garmendia Mendizábal, Cristina	-	-	85	85	-
Girón Dávila, Mª Eugenia	-	-	101	101	-
González Fernández, Carlos Alfonso	-	-	95	95	-
March de la Lastra, Juan	323	416	90	829	48
March Delgado, Carlos	-	-	153	153	-
March Delgado, Juan	-	-	72	72	-
March Juan, Juan	50	115	90	255	27
Martínez-Conde Gutiérrez-Barquín, Santos	594	416	90	1.100	-
Nieto de la Cierva, José	-	-	20	20	-
Pickholz, Claudia	-	-	90	90	-
Pradera Jáuregui, Antón	-	-	80	80	-
TOTAL BOARD MEMBERS	1.683	1.062	1.171	3.916	190

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

In 2019 and 2018 no remuneration was paid to individuals representing Alba in governing bodies in which Alba acts as a director company. In 2019 Euros 146 thousand was paid in premiums for civil liability insurance for the directors (in 2018 Euros 0 was paid).

In 2019 Ms María Luisa Guibert Ucín and Ms Ana María Plaza Arregui were appointed as members of the Board of Directors of Corporación Financiera Alba, S.A. for a term of four years and the directors Ms Cristina Garmendia Mendizábal and Mr Carlos González Fernández left the Board.

At the general meetings held in 2019, 2018 and 2017 the shareholders of Alba approved a variable remuneration scheme linked to the net asset value of the shares for Executive board members, directors representing Alba on the boards of subsidiaries, investees or related parties and certain Company personnel selected by the Board of Directors in order to tie them more directly to the process of creating value for the Company's shareholders. The basic features of the scheme are as follows:

Approval	07/06/2019	18/06/2018	19/06/2017
Maturity	06/06/2022	17/06/2021	18/06/2020
Units assigned	232.500	283.000	262.000
Initial net asset value	73,66	75,79	72,00
Cap between initial and final net asset value	50%	30%	30%

The Company has assigned units to the beneficiaries that will entitle them to receive remuneration, upon maturity of the units, equal to the result of multiplying these units by the difference between the "initial" and "final" net asset value of the shares of Corporación Financiera Alba S.A. This calculation will be performed excluding own shares and without taking into account taxes resulting from the theoretical settlement.

Pursuant to the provisions of articles 227, 228, 229 and 231 of the Spanish Companies Act ("LSC"), as per the wording of Law 31/2014 of 3 December 2014, modifying the LSC with a view to improving corporate governance, the Directors of Alba have informed Alba that, during the years ended 31 December 2019 and 2018, they had no conflicts of interest with Alba and, to the best of their knowledge and based on the information which they have been able to obtain with the utmost due diligence, nor did any parties related to them.

28. Audit Fees

In 2019 KPMG Auditores, S.L., the auditor of the Group's annual accounts, accrued fees totalling Euros 114 thousand, of which Euros 98 thousand were for audit services and Euros 16 thousand were for the limited review of the half-yearly consolidated financial statements and the agreed-upon procedures report on the ICOFR description and the report on the covenant compliance of one of the subsidiaries. Additionally, other affiliates of KPMG International invoiced Euros 5 thousand in 2019 for audit services.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

In 2018 KPMG Auditores, S.L., the auditor of the Group's annual accounts, accrued fees of Euros 112 thousand, of which Euros 98 thousand were for audit services and Euros 14 thousand were for the limited review of the half-yearly consolidated financial statements and the agreed-upon procedures report on the ICOFR description.

29. Statement of Cash Flows

This has been prepared in accordance with International Accounting Standard 7.

The statement comprises three types of cash flow:

- Net cash flows from operating activities: operating cash flows of all the businesses managed by the Group.

- Net cash flows from investing activities: cash flows related to non-current investments and the acquisition and disposal of equity instruments issued by other entities.

- Net cash flows from financing activities: cash flows used to purchase own shares, cash inflows from the use of external sources of financing, cash outflows as a result of the repayment of external financing, and dividend distributions.

30. Events After the Reporting Period

The following significant events have occurred since 31 December 2019:

- On 11 March 2020 the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic due to its rapid spread worldwide, having affected more than 150 countries. The majority of governments are taking restrictive measures to contain the spread, including: isolation, confinement, quarantine and restrictions on the free movement of people, the closure of public and private premises (except for basic necessities and health services), border closures and a drastic reduction in air, sea, rail and land transport. In Spain, the government enacted Royal Decree 463/2020 of 14 March 2020, declaring a state of emergency to manage the health crisis triggered by COVID-19.

  This situation is having a significant impact on the global economy. The impacts of the aforementioned health crisis will depend on its duration, the effect of the measures taken in this respect, how it is resolved and other factors related to the economic climate in which the Company operates.

  To mitigate the economic impacts of this crisis, on 18 March, Royal Decree-Law 8/2020 of 17 March 2020 on extraordinary urgent measures to address the economic and social impact of COVID-19 was published in Spain.

At the date of the authorisation to issue these annual accounts there has been no significant consequences for the Group, while no reliable estimate can be made of the future impacts that this crisis could have on the Company or its investees.

The consequences derived from COVID-19 are considered an event after the reporting period that does not require an adjustment in the annual accounts for 2019, but must be disclosed in the annual accounts for 2020.

During 2020, the Company will assess the impact of the abovementioned events on the equity and financial position at 31 December 2020 and on the results of operations and cash flows for the year then ended.

- Purchase of an additional 1.94% stake in CIE Automotive for Euros 38 million, raising the investment in this company to 12.09%.

- Sale of buildings in Barcelona for Euros 17 million, generating a gain of Euros 1 million in 2020 and an IRR of 4.2% over 31 years.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CERTIFICATION

Mr Santos Martínez-Conde Gutiérrez-Barquín, Managing Director, and Mr Ignacio Martínez Santos, CFO, of Corporación Financiera Alba, S.A., certify that the consolidated annual accounts for the year ended 31 December 2019, which are presented to the Company's Board of Directors for authorisation, are complete and give a true and fair view of the consolidated equity and consolidated financial position of the Group at 31 December 2019, as well as of the consolidated results of its operations and changes in consolidated equity and consolidated cash flows of the Group for the year then ended, and that all the above include the financial statements of all consolidated investees, in accordance with applicable mercantile and accounting legislation.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

AUTHORISATION OF THE ACCOUNTS

The Board of Directors approved the authorisation for issue of these annual accounts at their meeting held on 30 March 2020. The accounts will be subject to verification by the auditor and subsequent approval by the shareholders at their general meeting. They comprise 87 pages, excluding this page, all of which have been signed by the Secretary to the Board.

DECLARATION OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors of Corporación Financiera Alba, S.A. hereby confirm that, to the best of their knowledge, the individual and consolidated annual accounts for 2019, which were authorised for issue on 30 March 2020 and prepared in accordance with applicable accounting standards, give a true and fair view of the consolidated equity and consolidated financial position of Corporación Financiera Alba, S.A. at 31 December 2019, as well as of the consolidated results of its operations and changes in consolidated equity and consolidated cash flows of Corporación Financiera Alba, S.A. and the companies included in the consolidated group as a whole for the year then ended, and that the individual and consolidated directors' reports include a fair analysis of the business performance and results, as well as of the position of Corporación Financiera Alba, S.A. and the companies included in the consolidated group as a whole, together with a description of the main risks and uncertainties faced.

Mr Carlos March Delgado
Chairman

Mr Juan March de la Lastra
First Vice-chairman

Mr Juan March Juan
Second Vice-chairman

Mr Santos Martínez-Conde Gutierrez-Barquín
Managing Director

Mr José Domingo De Ampuero y Osma
Board Member

Mr Ramón Carné Casas
Board Member

Ms María Eugenia Girón Dávila
Board Member

Ms María Luisa Guibert Ucin
Board Member

Ms Claudia Pickholz
Board Member

Ms Ana María Plaza Arregui
Board Member

Mr Antón Pradera Jaúregui
Board Member

Mr José Ramón del Caño Palop
Board Member/Secretary

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CONSOLDIATED DIRECTORS’ REPORT OF CORPORACIÓN FINANCIERA ALBA, S.A. AND SUBSIDIAIRIES FOR 2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CONSOLIDATED DIRECTORS' REPORT

2019

1. Business performance and position of the Company.

The consolidated annual accounts at 31 December 2019 give a true and fair view of the Group's equity, financial position, results of operations, changes in equity and cash flows for the year then ended, and have been authorised for issue by the Company's directors.

The non-financial information statement is attached as an appendix to this consolidated directors' report, of which it forms an integral part, and has been prepared in accordance with the requirements of Law 11/2018 of 28 December 2018, amending the Spanish Code of Commerce, the Revised Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July 2010 and Audit Law 22/2015 of 20 July 2015, on non-financial and diversity information.

During 2019, the Alba Group's activities comprised the following:

* Management of a number of controlling and influential interests in a series of companies operating in different sectors of the economy.

* The promotion and holding of interests in companies.

* Operation of buildings through lease or sale.

Consolidated net profit amounted to Euros 179 million in 2019 compared to Euros 154 million in the prior year (+16.1%).

Net asset value (NAV) increased by 12.4% in the year to Euros 4,397 million at 31 December 2019, equivalent to Euros 75.50 per share. Alba's share price on that same date of Euros 48.55 represents a discount of 35.7% compared with the NAV per share.

During the year, Alba invested Euros 646 million and sold assets totalling Euros 234 million, reducing its net cash position to Euros 63 million at 31 December 2019.

In October, Alba distributed a gross interim dividend of Euros 0.50 per share to its shareholders, with a charge against 2019 profit, representing a disbursement of Euros 29 million. Total dividends distributed during 2019 amounted to Euros 58 million.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2. Most significant transactions

Investments made by Alba in 2019 were as follows:

- Purchase at the start of April of an 8.54% interest in Shield Luxco 1.5 for Euros 558 million. Through this company, Alba reached an indirect ownership interest of 7.48% in Verisure, which also operates under the trademark "Securitas Direct". In July, Alba sold a group of investors a 17.91% interest in the holding company of its entire indirect ownership interest in Verisure for Euros 100 million. This sale did not generate any gain or loss for Alba. The indirect ownership interest held by Alba in Verisure, in terms of profit-sharing rights and net of non-controlling interests, is 6.14% of its share capital.
- Acquisition in the first quarter of 1.58% of Parques Reunidos for Euros 14 million, increasing the interest in this company to 23.02%. The voluntary public acquisition offer made by a company controlled by EQT for Parques Reunidos was successfully completed in September. The latter's shares were delisted on 5 December. Following the public acquisition offer and after the shares of Parques Reunidos owned by Alba and GBL were contributed to the company making the offer, said company has a 99.55% interest in the share capital of Parques Reunidos. Alba continues to be an important long-term shareholder of Parques Reunidos, with an indirect ownership interest of 24.98%.
- Purchase of an additional 0.05% stake in CIE Automotive for Euros 1 million, raising the investment in this company to 10.15%.
- Investment through Deyá Capital of Euros 73 million in the form of the following purchases: (i) an indirect ownership interest of 3.27% of Telepizza within the framework of the public acquisition offer led by KKR for this company (Telepizza's shares were delisted in July); (ii) indirect ownership interest of 24.81% in Preving (occupational risk prevention); (iii) indirect ownership interest of 9.46% in the Alvic Group (leading Spanish entity in the manufacture of panels and components for kitchen furniture that generate around 70% of their revenues outside Spain) and, lastly (iv) an indirect ownership interest of 37.43% in Nuadi, which is the largest independent manufacturer in Europe of components for braking systems, both for newly manufactured vehicles and for the spare parts industry.

Divestments made during 2019 were as follows:

- Sale of 24.38% of Mecalux for Euros 122 million. Alba's investment included an 8.78% direct ownership interest and a 15.60% indirect ownership interest through the private equity fund Deyá Capital. Since the start of the investment in July 2010 and as a result of this sale, Alba obtained a total gain of Euros 27 million, of which Euros 24 million were recognised in 2019. It also received dividends of Euros 16 million.
- Sale of a building in Madrid for Euros 12 million.

3. Outlook for the Company

Alba's foremost objective is to ensure that its investees achieve maximum profitability, improving their competitiveness and enhancing their human, financial and technological potential. Furthermore, the Company's financial structure, size and flexibility will enable it to take advantage of investment opportunities that may arise.

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Performance of the main investees:

- Acerinox sales in 2019 dropped by 5.1% compared to the preceding year, down to Euros 4,754 million, in line with the tonnes sold. With respect to the prior year, steel production fell by 8.6% to 2.2 million tonnes, while cold rolling dropped by 8.3% to 1.6 million tonnes. EBITDA was Euros 364 million, down 24.2% on 2018, due primarily to the aforementioned drop in volume, the Euros 20 million adjustment of the inventory to net realisable value and certain non-recurrent effects, such as the Euros 38 million provision for the workforce restructuring plan in Acerinox Europa. Excluding the non-recurrent effects, EBITDA would have dropped by 16.3% to Euros 402 million. It suffered a net loss of Euros 60 million, compared to the net profit of Euros 237 million achieved in 2018, due to the impairment of various assets and the aforementioned provisions. Net financial debt at 31 December 2019 fell to Euros 495 million, a Euros 57 million drop compared to the same date in the prior year.

- Between 2018 and 2019 the net income of Bolsas y Mercados Españoles fell by 6.2% to Euros 285 million, with practically all of its business units having suffered a decline, particularly equities (-13.6%). Despite the reduction in operating costs, EBITDA and net profit dropped to Euros 170 million and Euros 123 million, respectively, which is 8.7% and 9.9% less than in 2018. The Company had a net cash position of Euros 233 million at 31 December 2019, down 15.7% on the preceding year, mainly due to the application of IFRS 16, as lease liabilities were recorded as debt. On 18 November, SIX expressed its intention to make a public acquisition offer in cash for 100% of the share capital of BME at a price of Euros 34 per share (adjustable for dividends).

- CIE Automotive's revenue amounted to Euros 3,461 million in 2019, a 14.2% rise on the prior year, showing higher-than-market growth in all geographical areas. Excluding the impact of exchange rates and inorganic growth, comparable sales would be 4.0% lower, which is less than the drop in the market (-5.8%). EBITDA grew by 12.4% with respect to the prior year, reaching Euros 594 million as a result of the acquisitions made. Net profit increased by 18.4% to Euros 288 million. Adjusted net financial debt at 31 December 2019 amounted to Euros 1,505 million, which is 2.3 times adjusted EBITDA for the last year.

- Ebro Foods obtained sales of Euros 2,813 million in 2019, which is 7.6% higher than the same period in the prior year. This growth was driven by the healthy performance of both the Pasta division (+3.6%) and the Rice division (+10.9%). EBITDA for the period, including the impact of IFRS 16, amounted to Euros 343 million, which is 11.5% higher than the 2018 figure. Net profit remained stable at Euros 142 million, despite the impairment recorded and other non-recurrent effects. Net financial debt rose to Euros 1,000 million, up Euros 295 million since the end of 2018, due to the acquisition of Tilda, the operating investments made and the application of IFRS 16.

- Euskaltel's revenues were Euros 685 million in 2019, which is 0.9% less than in the prior year. The slight improvement in revenues in the Business segment did not offset the drop in the Wholesale and Mass Market segments despite the small increase in the number of fixed service customers in this segment. EBITDA for the year was Euros 345 million, which is 2.4% higher than the prior year, due to the impact of IFRS 16, the renegotiation of wholesale agreements and the positive effect of the cost control measures implemented. Net profit for the period was Euros 62 million, which is 1.2% lower than in 2018. Net financial debt fell to Euros

1,486 million at 31 December 2019, which is 3.0% less than at the same date in the prior year.

- Indra's sales amounted to Euros 3,204 million in 2019, which is 3.2% higher than in the prior year (3.6% in local currency), due to the favourable performance of the Minsait division, which grew by 5.2% (+5.7% in local currency), while the Transportation & Defence division remained stable with growth of 0.1% (+0.2% in local currency). Sales increased in practically all geographical locations with the exception of Asia, the Middle East and Africa, which suffered a decrease due to the decline in the Elections business this year. EBIT stood at Euros 221 million, up 10.9% on 2018, boosted by the improvement in Minsait's profitability, which offsets the drop in Transport & Defence margins affected by higher restructuring costs and by provisions made in the first half of 2019. Net profit totalled Euros 121 million, up 1.3% on the prior year. At 31 December 2019, net financial debt amounted to Euros 552 million (not including IFRS 16), which is 14.3% higher than at the same date in 2018, giving a ratio of 1.8 times comparable 2019 EBITDA.

- Naturgy achieved sales of Euros 23,035 million in 2019, down 5.4% on the prior year due to lower energy prices and lower volumes sold in the liberalised business, which are not offset by revenue growth in infrastructure activity. EBITDA for the year amounted to Euros 4,562 million, up 13.5% on 2018, bolstered by the improvement in margins in the infrastructure business, the new commercial strategy for electricity supply in Spain and the implementation of the efficiency plan. Excluding non-ordinary items, EBITDA would have increased by 5.8%.

  Net profit was Euros 1,401 million in 2019, compared to the loss of Euros 2,822 million recorded in the prior year due to the significant asset impairment recorded. Recurring net profit was up 15.0% in the year. Net financial debt stood at Euros 15,268 million at 31 December 2019, which is a small reduction on the prior year due to a greater focus on generating operating cash, enabling growth investments and the increase in shareholder remuneration to be offset.

- Verisure, a company that also operates under the “Securitas Direct” trademark, achieved revenues of Euros 1,901 million in 2019, up 17.9% on 2018. This improvement was driven by growth in the customer base, which increased to 3.3 million customers (+14.2%), as well as the increase in ARPU (+ 2.5%). The adjusted EBITDA of the portfolio amounted to Euros 1,075 million in the year, up 20.7% on the prior year, due to the aforementioned factors. Total adjusted EBITDA reached Euros 761 million, which is 24.6% higher than the prior year. The net loss was Euros 60 million, which is higher than that reported in 2018 (loss of Euros 130 million). Net financial debt amounted to Euros 4,992 million at 31 December 2019.

- Viscofan's sales increased by 8.1% in 2019 compared to the prior year, up to Euros 850 million, due to the increase in sales of Packaging, favourable exchange rates and the inclusion of Globus in the consolidated Group. In comparable terms, sales are up 5.9% on the previous year. EBITDA decreased by 3.7% in the year, down to Euros 201 million. However, recurrent EBITDA increased by 4.4% to Euros 198 million because the cost savings made it possible to offset the decrease in gross margin. Net profit was Euros 106 million, down 14.7% on 2018 due to higher amortisation and depreciation, exchange rates, taxes and non-recurrent effects. At 31 December 2019, Viscofan's net debt was Euros 43 million, which is 46.6% less than the prior year due to the robust generation of operating cash and lower growth investments.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

4. Investment portfolio

Alba's investment portfolio at 31 December 2019 was as follows:

	% ownership interest	**Value (1) in Millions of Euros**
Listed companies		**2,976**
Acerinox	19.35	526
BME	12.06	347
CIE Automotive	10.15	276
Ebro Foods	14.00	416
Euskaltel	11.00	176
Global Dominion	5.00	31
Indra	10.52	189
Naturgy (2)	5.36	730
Viscofan	13.03	285
Total stock market value		**2,976**
Total carrying amount		**2,812**
Unrealised gain		**165**
Non-listed companies		**893**
Parques Reunidos (3)	24.98	
Verisure (net of non-controlling interests) (3)	6.14	
Through Deyá Capital:		
Alvic (3)	9.46	
Alvinesa	16.83	
in-Store Media	18.89	
Monbake	3.70	
Nuadi (3) (4)	37.43	
Preving (3) (4)	24.81	
Satlink (4)	28.07	
Telepizza (3)	3.27	
TRRG Holding Limited	7.50	
Buildings		**342**

(1) According to criteria commonly used in the market: market prices for listed companies, internal/external valuations for non-listed companies and external appraisals for real estate.
(2) Includes an indirect 5.25% interest through Rioja Acquisition and a direct interest of 0.11%.
(3) Indirect ownership interest.
(4) Fully consolidated.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

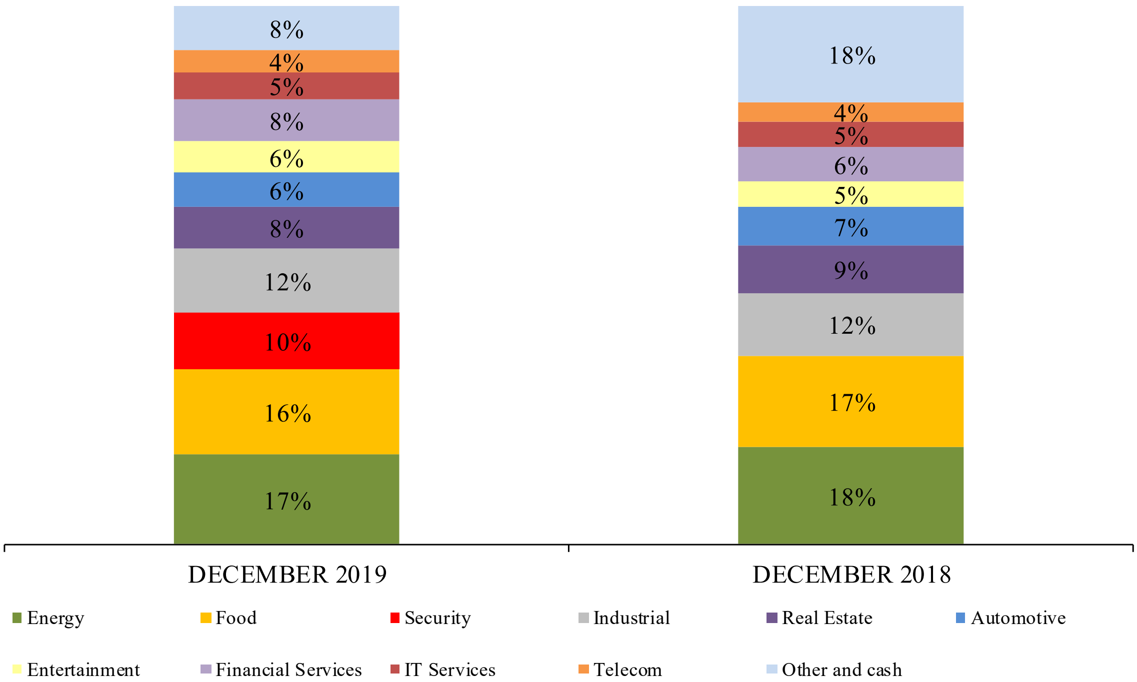
5. Nate asset value (NAV)

The most representative indicator of a company such as Alba is Net Asset Value (NAV). Calculated based on criteria typically used in the market, the NAV of Alba at 31 December 2019 before taxes amounted to Euros 4,397 million or Euros 75.50 per share, which represents a 12.4% increase on the prior year.

	Millions of Euros	
	31/12/2019	31/12/2018
Listed securities	2,976	2,865
Unlisted securities	893	182
Buildings	342	344
Other assets and liabilities	124	251
Net cash	63	269
Net asset value (NAV)	**4,397**	**3,912**
Millions of shares	58.24	58.24
NAV/share	**Euros 75,50**	**Euros 67,17**

Satlink, Nuadi and Preving are included at fair value and as a result their assets and liabilities are eliminated.
Correspondence with the consolidated balance sheet is shown in the footnotes of the balance sheet (page 10).

6. Sector distribution of gross asset value (1)((GAV)



(1) Market prices of listed companies (closing prices at 31 December 2019) and valuation of non-listed companies and buildings (also at 31 December 2019).

7. Consolidated results

Consolidated net profit net amounted to Euros 179 million in 2019 compared to Euros 154 million in the prior year (+16.1%).

Income from share of profits in associates totalled Euros 84 million compared to Euros 161 million in 2018 (-47.7%). This decrease mainly has its origin in Acerinox, Parques Reunidos and Verisure.

Nuadi and Preving were included in the consolidated group in the fourth quarter and were fully consolidated, giving rise to significant differences in various line items.

The change in Gain/(losses) on assets and net finance income/(cost) has its origin in reversals of provisions for the impairment of investments in associates and other financial assets and in the sale of the investment in Mecalux in 2019.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CONSOLIDATED INCOME STATEMENT (1)

	Millions of Euros	
	31/12/2019	31/12/2018
Share of profits of associates	84	161
Revenues	95	93
From leases and other	*18*	*17*
Other fully consolidated companies	*77*	*76*
Changes in fair value of investment property	3	-
Gain/(losses) on assets and net finance income/(cost)	103	(2)
Sum	**285**	**252**
Operating expenses	(95)	(75)
Alba	*(29)*	*(25)*
Other fully consolidated companies	*(66)*	*(50)*
Amortisation and depreciation	(11)	(12)
Alba	*(1)*	*(1)*
Other fully consolidated companies	*(10)*	*(11)*
Income tax	(1)	(2)
Non-controlling interests	1	(8)
Sum	**(106)**	**(97)**
Net profit	**179**	**154**
Earnings per share (Euros)	**3.08**	**2.65**

(1) Satlink, Nuadi and Preving are fully consolidated. Gascan left the consolidated group at 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

CONSOLIDATED BALANCE SHEET (1)

	ASSETS	Millions of Euros	
		31/12/2019	31/12/2018
	Intangible assets	227	43
	Goodwill	*123*	*5*
	Other intangible assets	*104*	*38*
(a)	Investment property	325	327
(a)	Property, plant and equipment	25	8
(b)	Investments in associates	3,253	2,994
(b)	Financial instruments at fair value through profit or loss	150	201
	Other investments and other assets	69	64
	Non-current assets	**4,049**	**3,638**
(b)	Non-current assets held for sale	313	-
	Inventories	18	7
	Receivable from taxation authorities	64	164
(c)	Other financial assets	114	249
(c)	Cash and cash equivalents	78	142
	Receivables and other assets	53	68
	Current assets	**641**	**629**
	Total assets	**4,690**	**4,267**

	EQUITY AND LIABILITIES	Millions of Euros	
		31/12/2019	31/12/2018
	Share capital	58	58
	Reserves and own shares	3,916	3,829
	Profit for the year	179	154
	Non-controlling interests	195	17
	Equity	**4,348**	**4,059**
	Other non-current liabilities	14	10
	Net deferred taxes	53	38
(c)	Loans and borrowings – non-current	210	129
	Non-current liabilities	**276**	**176**
(c)	Loans and borrowings – current	18	13
	Current payables	47	19
	Current liabilities	**66**	**31**
	Total equity and liabilities	**4,690**	**4,267**

(1) Satlink, Nuadi and Preving are fully consolidated. Gascan left the consolidated group at 31 December 2018

(a) Reflects the "Real estate" NAV.

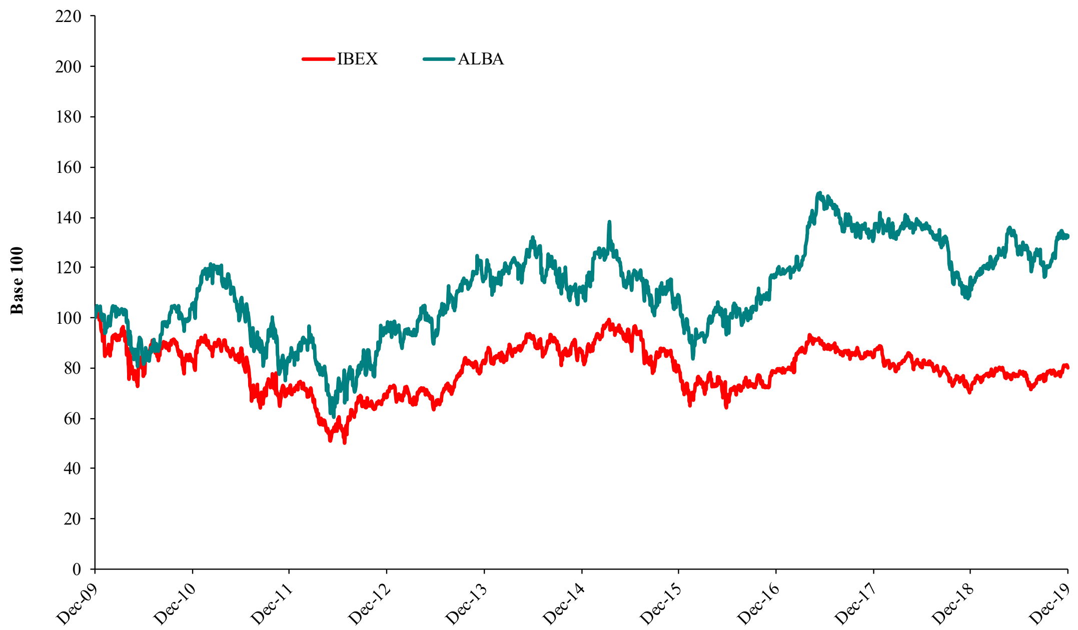
(b) Reflects the "Listed securities" and "Non-listed securities" NAV. Satlink, Nuadi and Preving are included in NAV at fair value, and have been removed from "Other assets and liabilities".

(c) Reflects the "Net cash" NAV, net of the effect of Satlink, Nuadi and Preving which are included under "Unlisted secu securities" of NAV.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

8. Share price performance

In 2019, the price of Alba's shares rose by 14.2% from Euros 42.50 to Euros 48.55, while in the same period, the IBEX 35 went up 11.8% to 9,549 points.



9. Events after the reporting period

- On 11 March 2020 the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic due to its rapid spread worldwide, having affected more than 150 countries. The majority of governments are taking restrictive measures to contain the spread, including: isolation, confinement, quarantine and restrictions on the free movement of people, the closure of public and private premises (except for basic necessities and health services), border closures and a drastic reduction in air, sea, rail and land transport. In Spain, the government enacted Royal Decree 463/2020 of 14 March 2020, declaring a state of emergency to manage the health crisis triggered by COVID-19.

  This situation is having a significant impact on the global economy. The impacts of this health crisis will depend upon its duration, the effect of the measures adopted, how it is resolved and other factors associated with the economic environment in which the Company operates.

  To mitigate the economic impacts of this crisis, on 18 March 2020, Royal Decree-law 8/2020 of 17 March 2020 on extraordinary urgent measures to address the economic and social impact of COVID-19 was published in Spain.

  At the date the annual accounts were authorised for issue, no significant consequences have arisen for the Group and it has not been possible to reliably estimate the future impacts of this crisis on the Company or its investees

The consequences derived from COVID-19 are considered an event after the reporting period that does not require an adjustment in the annual accounts for 2019, but must be disclosed in the annual accounts for 2020.

During 2020, the Company will assess the impact of the abovementioned events on the equity and financial position at 31 December 2020 and on the results of operations and cash flows for the year then ended.

- Purchase of an additional 1.94% stake in CIE Automotive for Euros 38 million, raising the investment in this company to 12.09%.

- Sale of real estate in Barcelona for Euros 17 million, which contributed a profit of Euros 1 million in 2020 and an IRR of 4.2% over 31 years.

10. Acquisitions and disposals of own shares

Details of own shares at 31 December 2019 and 2018 are as follows:

	No. of shares	Percentage of share capital	Average acquisition price Euros/share	Thousands of Euros
At 1 January 2018	59.898	0,10%	40,29	2.413
Purchases in 2018	102	0,00%	49,50	5
Redemption in 2018	(60.000)	(0,10%)		
At 31 December 2018	-			

At 31 December 2019 and 2018 the balance of own shares stands at Euros 0.

11. Research and development activities

The Group's specific activities mean that direct investments are not necessary in this area.

12. Average supplier payment period

Details of the average supplier payment period are as follows:

Days	2019	2018
Average supplier payment period	42	43
Transactions paid ratio	45	44
Transactions payable ratio	40	41
Millions of Euros		
Total payments made	23,8	30,7
Total payments outstanding	28,3	9,0

13. Risk management and control policy

The Board of Directors of Corporación Financiera Alba, S.A. has drawn up the following risk management and control policy:

1.- Types of risk faced by the Group

Risk is inherent to all business activity and is defined as uncertainty concerning the occurrence of an event or action that could adversely affect the Company's ability to maximise its value for stakeholders and to achieve its goals; it also refers to the possibility of threats materialising and opportunities not being taken.

Corporación Financiera Alba engages in two principal activities:

(i) investment in the capital of listed and unlisted companies, and

(ii) investment in buildings leased as office spaces.

As a result of its activities, the markets and sectors in which it operates and its environment, the Company is exposed to the following categories of risks:

- Strategic risks related to the mission and vision of the Company, achievement of business goals and the creation and preservation of value for shareholders and other stakeholders.

  These include risks related to the corporate governance of the Company, its reputation and responsibility, investment and divestment strategies, and market dynamics.

- Operational risks involving potential direct or indirect economic losses related to external events: uncertainty in the Company's own business activities; or internal events: failures or inadequacies in the processes, systems or resources of the Company.

These include risks related, mainly, to revenues, investments and divestments and their monitoring, the acquisition of goods and services, physical assets, human resources, information technologies and natural disasters, terrorism and other criminal acts.

- Financial risks resulting, broadly speaking, from any financing operation which the Company must make in order to perform its activities, as well as the reliability of financial information reported by the Company.

  These include liquidity and credit risks, market, tax, accounting and reporting risks

- Regulatory compliance risks arising from a potential failure to comply with laws, regulations, internal standards and codes of conduct, as well as greater exposure to such risks.

  These include legal risks, regulatory risks and risks involving codes of ethics and conduct.

2.- Integrated Risk Management System

Aware of the importance and advantages of adequately and efficiently managing its risks, Corporación Financiera Alba has established an Integrated Risk Management System mainly focused 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 risk management actions performed by the Company.
- Achieving responsible risk acceptance and reinforcing the responsibility of the Company's employees.
- Ensuring the control systems are aligned with the actual risks of the Company.
- Facilitating and streamlining the application of corrective measures.

The Integrated Risk Management System unites three key components:

(i) The continuous risk management process, understood as the activities performed by all individuals in the Company under the supervision of the Audit and Compliance Committee that are focused on identifying potential risk events, managing the risks identified and providing reasonable assurance that the Company will achieve its goals.

(ii) An organisational focus, with clearly defined and communicated roles and responsibilities. Integrated risk management affects all Company personnel, therefore it is vital to establish an organisational focus on risk management tailored to the organisational structure and corporate culture of the Company.

Although the Integrated Risk Management System affects and involves all Company personnel, the main participants are as follows: risk managers, the Risk Control and Management Department, the Audit and Compliance Committee and the Board of Directors.

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

2.1. The Continuous Risk Management Process.

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

- Identifying and assessing the risks that could affect the Company.

  Determining the main strategic, operational, financial and regulatory compliance risks affecting the Company's strategy and goals, assessing the probability of occurrence and potential impact and prioritising risks based on these factors.

- Setting the level of risk that is considered acceptable.

  Defining key risk indicators (KRIs) for each critical risk and establishing tolerance levels for these risks.

- Identifying controls.

  Specifying existing controls (or those to be implemented) in the Company to mitigate the aforementioned risks.

- Identifying the processes in which these risks and controls should arise.

  Determining the existing relationship between the Company's key risks – and its controls – and the Company's processes, identifying and analysing the processes that are critical for managing risks.

- Assessing controls.

  Assessing the effectiveness of the controls in mitigating the risks identified.

- Designing and implementing action plans in response to the risks.

  Determining action plans to be carried out to lower the residual risk to the acceptable level of risk, bearing in mind the costs and benefits of such efforts. As a direct result of this reduction of the level of risk, a reassessment and prioritisation of the risks will be necessary and appropriate, as part of a continuous risk management process.

In this regard, Corporación Financiera Alba has prepared the company's Risk Map, which shows, based on their impact and probability, the key risks in the categories listed above. In order for this map to be effectively used as 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.

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

2.2. Organisational Model of roles and responsibilities.

Although the Integrated Risk Management System affects and involves all Company personnel, the main players are as follows:

(i) 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.

(ii) Risk Control and Management Department.

The Risk Control and Management Department is expressly tasked with the following duties:

- 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 quantified correctly.
- Actively participating in preparing the risk strategy and important decisions concerning risk management.
- Ensuring that the risk control and management systems adequately mitigate risks, as part of the policy established by the Board of Directors.

(iii) Audit and Compliance Committee.

Supervises, pursuant to the Regulations of the Company's Board of Directors, among other matters, the effectiveness of the Company's internal controls and risk management systems.

Likewise, it discusses any significant weaknesses in the internal control system detected during the audit with the auditor.

(iv) Board of Directors.

As indicated previously, the Board of Directors has the power to determine the risk control and management policy, including for tax risks, and is tasked with supervising the internal reporting and internal control systems. 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), defined as an advisory and control body serving 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.

The duties of the Internal Audit Service include the analysis and proposal of recommendations to improve the risk management processes. The Internal Audit Service also performs independent assessments of the efficiency and effectiveness of internal controls, although this is always in coordination with the Risk Control and Management Department, in order to avoid duplicating tasks and/or areas existing without adequate coverage.

2.3 Monitoring and Reporting Model

The last component of the Integrated Risk Management System is a monitoring and reporting model capable of providing relevant information, in a timely and appropriate manner, to all players involved in the risk control and management process, both upwards and downwards in the hierarchy.

This cross-departmental monitoring model 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.

Specifically, the Integrated Risk Management System established by Corporación Financiera Alba is a management, communication, monitoring and support mechanism for all activities related to risk control and management. It is vital for responding to individual risks and risks that are specific to each activity, while it provides the framework needed for coordinated management by the Company.

14. Annual Corporate Governance Report

This is attached as Appendix I.

15. Non-financial Information Statement

This is attached as Appendix II.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

APPROVAL OF THE BOARD

At its meeting held on 30 March 2020, the Board of Directors of Corporación Financiera Alba, S.A. approved this directors' report, written on 17 pages, excluding this final page, all signed by the Secretary of the Board.

DECLARATION OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors of Corporación Financiera Alba, S.A. declare that, to the best of their knowledge, the individual and consolidated Annual Accounts for 2018, authorised for issue at the meeting held on 30 March 2020, and prepared in accordance with applicable accounting principles, give a true and fair view of the consolidated equity and consolidated financial position at 31 December 2019, and consolidated results of operations, changes in consolidated equity and consolidated cash flows of Corporación Financiera Alba, S.A. for the year then ended, and of the consolidated companies taken as a whole, and that the individual and consolidated directors' reports provide a reliable analysis of the performance, results and position of Corporación Financiera Alba, S.A. for the year then ended, and of the consolidated companies taken as a whole, as well as a description of the main risks and uncertainties to which the Company is exposed.

Mr Carlos March Delgado
Chairman

Mr Juan March de la Lastra
First Vice-chairman

Mr Juan March Juan
Second Vice-chairman

Mr Santos Martínez-Conde Gutierrez-Barquín
Managing Director

Mr José Domingo De Ampuero y Osma
Board Member

Mr Ramón Carné Casas
Board Member

Ms María Eugenia Girón Dávila
Board Member

Ms María Luisa Guibert Ucin
Board Member

Ms Claudia Pickholz
Board Member

Ms Ana María Plaza Arregui
Board Member

Mr Antón Pradera Jaúregui
Board Member

Mr José Ramón del Caño Palop
Board Member/Secretary

CNMV (COMISIÓN NACIONAL DEL MERCADO DE VALORES [NATIONAL SECURITIES MARKET COMMISSION]

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

IDENTIFICATION DATA OF THE ISSUER

End date of the period of reference:	31/12/2019
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	
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
BANCA MARCH, S.A.	15.02	0.00	0.00	0.00	15.02

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

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 19.125%.
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 can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JOSE DOMINGO DE AMPUERO Y OSMA	0.02	0.00	0.00	0.00	0.02	0.00	0.00
MR JUAN MARCH JUAN	3.10	1.25	0.00	0.00	4.35	0.00	0.00
MR CARLOS MARCH DELGADO	17.89	1.23	0.00	0.00	19.12	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 JOSE RAMON DEL CAÑO PALOP	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% total voting rights held by the Board of Directors	30.42

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 can be transmitted through financial instruments
MR JUAN MARCH JUAN	PEÑA TAJADA, S.L.	1.25	0.00	1.25	0.00
MR CARLOS MARCH DELGADO	MS 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, S.A.	1.09	0.00	1.09	0.00

The significant shareholder BANCA MARCH, S.A. which has a 15,02% shareholding in the company appoints MR JUAN MARCH DE LA LASTRA as its representative in the Board of Directors of Corporación Financiera Alba, S.A.
MR JOSÉ RAMÓN DEL CAÑO PALOP is a direct shareholder of 0.003% of the company.
MR SANTOS MARTÍNEZ-CONDE GUTIERREZ-BARQUIN is a direct shareholder of 0.003% 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 and 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 and 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 SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	BANCA MARCH, SA	BANCA MARCH, SA	MR SANTOS MARTÍNEZ-CONDE GUTIERREZ-BARQUÍN 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 JUAN MARCH JUAN	BANCA MARCH, S.A.	BANCA MARCH, S.A.	MR JUAN MARCH JUAN is a Director 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 DE LA LASTRA	BANCA MARCH, S.A.	BANCA MARCH, S.A.	MR JUAN MARCH DE LA LASTRA is Chairman 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 proprietary 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

There is no shareholders' agreement 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:

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

(*) 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

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:

The buyback of shares in the Company is authorised by the General Shareholders' Meeting, 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 for 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 authorisation in force in 2019 was agreed by the General Shareholders' Meeting of 17 June 2019 for a period of five years as of that date.

A.11. Estimated floating capital:

	%
Estimated floating capital	27.87

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 Articles of Association is regulated in the Capital Companies Act, which requires approval from the General Shareholders' Meeting, with the majorities provided in article 194 of the aforementioned Law, without establishing, in this regard, any specialisation in these by-laws.

Amendment of the by-laws is expressly included among the powers of the General Shareholders' Meeting, which are detailed in the Regulation of the General Shareholders' Meeting, 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:

	Attendance data				
Data of General Shareholders' Meeting	% physical presence	% representation	% remote voting		
			Electronic vote	Other	
19/06/2017	67.96	24.73	0.00	0.00	92.69
Of which floating capital	02.04	16.35	0.00	0.00	18.39
18/06/2018	67.87	23.24	0.00	0.00	91.11
Of which floating capital	1.94	19.13	0.00	0.00	21.07
17/06/2019	66.48	26.53	0.00	0.00	93.01
Of which floating capital	02.74	18.15	0.00	0.00	20.89

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
Access path: Main Menu/Shareholders and Investors/Corporate Governance
Main Menu/Shareholders and Investors/General Shareholders' Meeting

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	13

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
MS MARÍA EUGENIA GIRÓN DÁVILA		Independent	BOARD MEMBER	08/06/2016	08/06/2016	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUÍN		Executive	CHIEF EXECUTIVE OFFICER	27/09/2006	18/06/2018	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MR JOSE DOMINGO DE AMPUERO Y OSMA		Independent	INDEPENDENT LEAD DIRECTOR	29/05/2013	19/06/2017	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MR ANTONIO MARIA PRADERA JÁUREGUI		Independent	BOARD MEMBER	10/06/2015	17/06/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MR JUAN MARCH JUAN		Proprietary	2ND VICE-CHAIRMAN	23/03/2011	17/06/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MR RAMÓN CARNE CASAS		Executive	BOARD MEMBER	25/05/2011	17/06/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MR CARLOS MARCH DELGADO		Proprietary	CHAIRMAN	22/06/1988	08/06/2016	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MR JUAN MARCH DE LA LASTRA		Proprietary	1ST VICE-CHAIRMAN	28/05/2008	08/06/2016	RESOLUTION GENERAL SHAREHOLDERS' MEETING

Name of the board member	Representative	Category of the board member	Position on the board	Date first appointed	Date last appointed	Selection procedure
MR JOSÉ RAMÓN DEL CAÑO PALOP		Executive	BOARD SECRETARY	27/05/2009	19/06/2017	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MS CLAUDIA PICKHOLZ		Independent	BOARD MEMBER	08/06/2016	08/06/2016	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MS MARÍA LUISA GUIBERT UCÍN		Independent	BOARD MEMBER	17/06/2019	17/06/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MS ANA MARÍA PLAZA ARREGUI		Independent	BOARD MEMBER	17/06/2019	17/06/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING

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
MS CRISTINA GARMENDIA MENDIZABAL	Independent	19/06/2017	17/06/2019	Investment Monitoring Committee and Appointments and Remuneration Committee	Yes
MR CARLOS GONZALEZ FERNANDEZ	Independent	10/06/2015	17/06/2019	Audit and Compliance Committee and Operations Committee	NO

Reason for leaving and other observations
Mr. Carlos González Fernández: Termination of term due to reaching the age set forth in the Regulations of the Board. Ms. Cristina Garmendia Mendizábal: Her other professional commitments and the applicable regulatory requirements prevented her from remaining in the company's Board of Directors.

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 SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	CHIEF EXECUTIVE OFFICER	Civil Engineer. Master's degree in Business Administration and Management from ICADE. Diploma in Nuclear Technology from ICAI. He has been Chief Executive Officer of Corporación Financiera Alba, S.A. since 2006. He is currently a Director of Banca March, S.A. He is also Chairman of Artá Partners, S.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, holding company of Mercados y Sistemas Financieros, S.A. and CIE Automotive, S.A.
MR RAMON CARNE CASAS	BOARD MEMBER	Industrial Engineer from the Polytechnic University of Barcelona and MBA from INSEAD. He is currently the Chairman and Managing Director 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 Terberg Ros Roca Ltd, Satlink and Alvinesa. He has previously been a member of the Board of ACS Servicios, Comunicaciones y Energía, Continental Auto, Vías y Construcciones, Yoigo, Bodegas Lan, Grupo Lasem, Emergia, Grupo Hospitalario Quirón, Pepe Jeans, Flex, Panasa, Mecalux and Energyco/Gascan.
MR JOSE RAMON DEL CAÑO PALOP	BOARD SECRETARY	State Attorney (on extended level of absence). He has been Secretary of the Board and Director of Legal Services of the National Securities Market Commission (CNMV)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.

Total number of executive board members	3
% of the total board	25.00

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	Law graduate. 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 Carrefour, S.A., Chairman of the Spanish section of the Association for the European Monetary 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.

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 JUAN MARCH DE LA LASTRA	MR JUAN MARCH DE LA LASTRA	Bachelor's degree in Business Administration and Management from University Carlos III of Madrid. Master's degree in Global Markets (JP Morgan New York). Currently, he is the Chairman 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 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	MR JUAN MARCH JUAN	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 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/Hakectt Group, and Mecalux, among others. He is currently a member of the Board of Directors of Bolsas y Mercados Españoles, Holding Company.

Total number of proprietary board members	3
% of the total board	25.00

EXTERNAL INDEPENDENT BOARD MEMBERS	
Name or company name of the board member	Background
MS MARÍA EUGENIA GIRÓN DÁVILA	Senior Industrial Engineering from 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 Hennsessy 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 Chairman of Le Chameau 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 Women's Forum), Go Beyond Early Stage Investments and of Rising Tide, as well as a member of the Management Board of the Instituto de Consejeros y Administradores. She has also authored various books on the premium sector and is a faculty member at IE and other business schools.
MR JOSE DOMINGO DE AMPUERO Y OSMA	Industrial Engineer (Higher School of Engineering of Bilbao) and Master of Business Administration (University of Southern California). Among other positions, he has been a Director of San Telmo Ibérica Minera, Vice-Chairman of Naviera Vizcaína, Chairman of S.A. de Alimentación, Vice-Chairman of BBVA Bancomer, Chairman of Bodegas y Bebidas, Vice-Chairman of Banco Bilbao Vizcaya Argentaria, Vice-Chairman of Iberdrola, Chairman of Cementos Lemona, Director of Tubacex, S.A. as well as a member of the Executive Board of the Association for Management Progress, and a member of the Executive Board of Executive Board of the Círculo de Empresarios Vascos. He is currently Chairman of Autopista Vasco-Aragonesa S.A., Chairman of Viscofan, S.A. and a member of Fundación Consejo España-Estados Unidos.

EXTERNAL INDEPENDENT BOARD MEMBERS	
Name or company name of the board member	Background
MR ANTONIO MARIA PRADERA JAUREGUI	Civil Engineer. In 1979 he began work as a manager at Banco Bilbao, where he remained until 1985. In 1988 he was appointed Executive Director of Nerisa, a position he held until 1993. In 1993 he joined SEAT as Strategy Manager. In 1995 he played a key role in the founding of Instituto Sectorial de Promoción y Gestión de Empresas, S.A. (INSSEC), where he was appointed CEO, a role which he held until 2010.He is currently Chairman of the Board Directors of Cie Automotive, S.A., Chairman of Global Dominion Access, S.A. and Director of Tubacex, S.A.
MS CLAUDIA PICKHOLZ	Born in the USA, she graduated in Economics at Rutgers University (New Brunswick, USA), obtained her MBA at Harvard School of Business Administration (Boston, USA), and completed the TCL Programme at INSEAD (Fontainebleau, Francia). She began her professional career at the Irving Trust Company, as Analyst for Europe and Latin America, subsequently joining McKinsey & Company, as a Consultant. In 1987 she joined SC Johnson Wax Española, S.A. and was ultimately promoted to Marketing Director. Subsequently, in 1994 she joined Coca-Cola, first in Spain, as Marketing Director and Planning and Control Director, then in the United Kingdom, as Client Marketing Director for Europe. She was Managing Director of McCann-Erickson Madrid, before joining Kodak, S.A. in 2003, where she held such senior positions as Marketing and Communications Director and Strategic Products Director for Europe, Africa and the Middle East. More recently she served as Managing Director for Spain and Latin America at Elsevier, S.A., and is currently an Independent Director of Quabit Inmobiliaria, S.A. and Managing Director for the Iberian Peninsula of TCC (The Continuity Company).
MS MARÍA LUISA GUIBERT UCÍN	Holds a degree in Law and Business Science from ICADE. Chairperson of the Algeposa Group. Chairperson, Vice-Chairperson and Director of Companies owned by the Algeposa Group, dedicated to portuary and railway logistics. She is also the Vice-Chairperson of Rugui Steel, S.L. and Director at Accesorios de Tubería, S.A. (ATUSA). Director at Antiguo Berri, S.L. and Riberas del Urumea, S.L. Independent Director at Iberpapel Gestión, S.A.and Chairperson of the Appointments and Remuneration Committee and member of the Audit Committee. Vice-chairperson of the Matía Foundation, patron and member of the Management Committee of the San Sebastián Aquarium, patron and member of the Nazaret Foundation. Member of the Management Committee of the Association for Family Business in the Basque Country and of the Basque Country Business Circle. Member of PIPE (Platform for Investors in Spanish Ports). First Vice-Chairperson of the Gipuzkoa Chamber of Commerce and member of the Board of Directors of the Port of Pasaia.
MS ANA MARÍA PLAZA ARREGUI	Graduate in Economics and Business Studies and has studies History and Geography. In 1991 she began work as an auditor at Pricewaterhouse. In 1995, she joined Abengoa as head of Internal Audit and Consolidation, where she remained until 1999. Between 1999 and 2008 she took over the financial Management of Telvent and as of its listing on the Stock Exchange in 2004 was also responsible for investor relations. In 2008, she formed part of he Microsoft Spain team as the CFO, a post she held until 2012 when she joined the Spanish Confederation of Business Organisations (CEOE), first as COO, and then as Managing Director. In 2019 she was the managing Director of the Immune Coding Institute. Since 2012, she has been a member of the board of trustees and Chairperson of the Executive Committee Loyola University Andalucía. Since October 2019 she has been a member of the National Council for the Spanish Association against Cancer. She has also been an independent Director and Chairperson of the Audit Committee of the Isolux Corsán Group.

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
MR JUAN MARCH DE LA LASTRA	17/06/2019	Executive	Proprietary
MR JUAN MARCH JUAN	17/06/2019	Executive	Proprietary

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	4	3	3	3	66.66	50.00	50.00	42.86
Other External					0.00	0.00	0.00	0.00
Total	4	3	3	3	33.33	25.00	21.43	20.00

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
The Board of Directors at its session of 17 June 2019, and with a favourable report by the Appointments and Remuneration Committee, updated the Policy for selection of candidates to Director, in order to adapt it to Law 11/2018 of 28 December concerning non-financial information and diversity and to CNMV Technical Guide 1/2019 of 20 February, on Appointments and Remuneration Committees. Among the objectives and principles contained in this policy for the selection of candidates, it is considered that the selection of Directors should be based on the analysis of the Company by the Board of Directors under the advisement of the Appointments and Remuneration Committee. Similarly, individuals must be selected whose appointment encourages diversity of knowledge, experience and gender and age within the Board. It is also stipulated that, as part of candidate selection, efforts will be made to achieve a proper balance 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, since 2015, has approved the requirements that candidates must meet for the various classifications of Board Members of Corporación Financiera Alba, S.A. 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 2019 the Appointments and Remuneration Committee has made the corresponding follow-up of the Policy for the selection of candidates as Directors, which has been applied in the selection of new directors appointed by the General Shareholders' Meeting of 17 June 2019. The appointment of two female Directors, proposed by the Board of Directors and with a favourable report by the Appointments and Remuneration Committee has contributed to increasing the number of female board members, which represented 33.33% of the total number of board members.

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 appropriate guidelines for reaching the target for female board members on the Board of Directors, which consist of: - Including female candidates in all 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 the least represented gender on the Board of Directors as well as guidelines for reaching this target, and in 2016, it agreed to set the target for least represented gender at 30% of all members for 2020. In 2019, it has exceeded this percentage with female board members making up 33.33% of the total number of the Board of Directors.

In 2019, the number of female board members on the Board of Directors increased from three to four members.

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 Board of Directors, at its session on 17 June 2019 updated the of Corporación Financiera Alba in accordance with that set forth in Law 11/2018 and the provisions of the Technical Guides of the CNMV/1/2019.

In this regard, the findings of the Appointments and Remuneration Committee concerning the compliance with the Director Selection Policy 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, as set at the meeting of the Appointments and Remuneration Committee of 24 October 2016, it was exceeded in 2019, when female board members represented 33.33% of the Board.

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 Chief Executive Officer has powers conferred with regard the staff of the Company, as well as broad powers to represent the company, to enter into contracts, to carry out investments and disinvestments, subject to certain limits.
OPERATIONS COMMITTEE (until 17 June 2019)	The Operations Committee was conferred the responsibility to adopt investment or divestiture decisions within certain limits, and in the case of an emergency, to adopt of those investment or divestiture decisions that are the responsibility of the Board of Directors, requiring ratification by the Board. The Board of Directors agreed to its dissolution on 17 June 2019.

INVESTMENTS COMMITTEE (since 17 June 2019)	The Investments Committee has conferred the responsibility to adopt investment or divestiture decisions within certain limits, and in the case of an emergency, to adopt those investment or divestiture decisions that are the responsibility of the Board of Directors, requiring ratification by the Board. Furthermore, it was responsible for monitoring the investments and their suitability to the objectives and principles of the Company's Investment Policy.

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 SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	DEYÁ CAPITAL, SCR, S.A.U.	CHAIRPERSON	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.	CHAIRPERSON	NO
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	DEYÁ CAPITAL IV, SCR, S.A.U.	CHAIRPERSON	NO
MR JUAN MARCH JUAN	ARTÁ CAPITAL, SGEIC, S.A.U.	VICE-CHAIRPERSON	Yes
MR RAMON CARNE CASAS	ARTÁ CAPITAL, SGEIC, S.A.U.	CHAIRPERSON	Yes
MR RAMON CARNE CASAS	DEYA CAPITAL II SCR, S.A.	BOARD MEMBER	NO
MR RAMON CARNE CASAS	ARTA PARTNERS, S.A.	BOARD MEMBER	NO
MR JOSE RAMON DEL CAÑO PALOP	DEYÁ CAPITAL, SCR, S.A.U.	BOARD MEMBER SECRETARY	NO
MR JOSE RAMON DEL CAÑO PALOP	ARTÁ CAPITAL, SGEIC, S.A.U.	BOARD MEMBER SECRETARY	NO
MR JOSE RAMON DEL CAÑO PALOP	ARTA PARTNERS, S.A.	BOARD MEMBER SECRETARY	NO
MR JOSE RAMON DEL CAÑO PALOP	ALBA PATRIMONIO INMOBILIARIO, S.A.U.	BOARD MEMBER	NO
MR JOSE RAMON DEL CAÑO PALOP	DEYÁ CAPITAL IV, SCR, S.A.U.	BOARD MEMBER SECRETARY	NO
MR JOSE RAMON DEL CAÑO PALOP	ALBA EUROPE, S.A.R.L.	BOARD MEMBER	NO
MR JOSE RAMON DEL CAÑO PALOP	ALBA INVESTMENTS, 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 SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	CIE AUTOMOTIVE, 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, S.A	BOARD MEMBER
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN, S.A	CHAIRPERSON
MR ANTONIO MARIA PRADERA JAUREGUI	TUBACEX, S.A.	BOARD MEMBER
MR ANTONIO MARIA PRADERA JAUREGUI	CIE AUTOMOTIVE, S.A.	CHAIRPERSON
MR ANTONIO MARIA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S.A.	CHAIRPERSON
MR JUAN MARCH JUAN	BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, S.A.	BOARD MEMBER
MR JUAN MARCH DE LA LASTRA	VISCOFAN, S.A.	BOARD MEMBER
MS MARÍA LUISA GUIBERT UCÍN	IBERPAPEL GESTIÓN, S.A.	BOARD MEMBER
MS CLAUDIA PICKHOLZ	QUABIT INMOBILIARIA, S.A.	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, To this purpose, if the Board Members considers all positions on the boards of a single group of companies or organisations in which one of these companies has a significant stake will be deemed 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)	4,528
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 Remunerations Policy of the Board of Directors, of which an amendment was approved by the General Assembly held on 17 June 2019, the remuneration collected by all Board Members, regardless of the type of Board Member, is 100,000 euros per year each. Similarly, the following additional remuneration is established.
For the Chairman, 300,000 euros per year.

For the Vice-Chairpersons, 200,000 euros per year.
For the members of the Audit and Compliance Committee, 25,000 euros per year and for its Chairman, 35,000 euros per year.
For the members of the Appointments and Remuneration Committee, 15,000 euros per year and for its Chairman, 25,000 euros per year. For the members of the Investments Committee, 30,000 euros per year and for its Chairman, 50,000 euros per year.
There is an additional remuneration of 15,000 euros per year with the same accrual system as the annual remuneration, for the participation in any Committee other than those mentioned above, that may be established.

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)	3,058

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:
On 17 June 2019 the Board of Directors approved a Director Selection Policy, 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 Regulations of the Board contains the following provisions:
1. The Board Members will be appointed by the General Shareholder's 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 in the case of co-opting 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. The proposals for appointment or re-election of Board Members which are made by the Board to the General Shareholders' Meeting, as well as their temporary appointment by 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 Regulations 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, in the absence of the Board Member 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 of 2015, every three years, where, in addition to completing a questionnaire, the company has the Board assessed by an external consultant, and the Board Members are interviewed by the consultant. In accordance with this recommendation and considering that the last assessment by an external consultant was in 2016, the assessment of the Board of Directors in 2019 was also carried out with the assistance of an external consultant.

The areas assessed in 2019 were as follows: Corporate Governance in general; composition, functioning and size of the Board; powers of the Board; duties of the board members; frequency and attendance of the meetings; performance of the Chairman, the Managing Director, the Secretary and the Lead Director; composition, functioning and size of the Committees; strategy; diversity; relationship with Senior Management; integration and training; application of the Code of Ethics and Conduct and the Internal Regulations on Conduct within the scope of the Securities Market and of the Crime Prevention and Anti-Fraud Policy.

Termination:

Art. 19 of the Regulations of the Board contains the following provisions concerning removal 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 the age of 70.

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 (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 Annual Corporate Governance Report (ACGR). 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 ACGR.

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 to some recommendations for improvement that will be implemented during the current 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 2019 was conducted under the coordination of the Chairman of the Board, and had a two-fold approach: Firstly, with the assistance of an external expert, who issued a report with the result of the questionnaire sent to the Directors and the interviews held with them. Secondly, with the participation of the different Committees (through the preparation of reports on activity) and with the report on the assessment of the Board of Directors, which covers other aspects not included in the report by the external expert. The assessment of the Board is prepared by the Appointments

and Remuneration Committee and submitted before the Board of Directors for approval.

The areas assessed in 2019 were as follows: Corporate Governance in general; composition, functioning and size of the Board; competences of the Board; duties of the board members; frequency and attendance of the meetings; performance of the Chairman, the Managing Director, the Secretary and the Lead Director; composition, functioning and size of the Committees; strategy and planning; diversity; relationship with Senior Management; integration and training; application of the Code of Ethics and Conduct and the Internal Regulations on Conduct within the scope of the Securities Market and of the Crime Prevention and Anti-Fraud 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.

There has been no business relationships with the external advisor or any company of its group by the Company or any company of the Group, other than the service provided for the assessment of the Board of Directors.

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

Board Members, according to the provisions of the Regulations of the Board, must stand down from their position on the Board and formalise, if the Board considers this appropriate, the corresponding resignation, in the following cases:

a) When the Board Member reaches the age of 70.
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
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 stand down from 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	7
Number of meetings held by the INVESTMENTS COMMITTEE (since 17 June 2019)	3
Number of meetings held by the APPOINTMENTS AND REMUNERATION COMMITTEE	10

The OPERATIONS COMMITTEE and the INVESTMENT MONITORING COMMITTEE, the functions of which were assumed on 17 June 2019 by the INVESTMENTS COMMITTEE, up until the date on which they were dissolved, each one of them met on two occasions.

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	93.51
Number of meetings with face-to-face	9

attendance, or representations made with specific instructions, from all board members	
% 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 Directors that make up the Board of Directors, eight attended all the meetings, four missed only one meeting, and one missed three meetings. In each case, those absent appointed another Board Member as their proxy with instructions for the session in question.

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 GUTIERREZ-BARQUIN	CHIEF EXECUTIVE 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 in accordance with the Law, to ensure the independence of the 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. Similarly, it authorises the provision of services other than those of the 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.

The Company also fully respects the prohibitions and incompatibilities stipulated in the Audit Law, after the enactment of Law 22/2015 of 20 June.

In 2019, the independence of the External Expert was reported on in the Audit and Compliance Committee and the independence report issued by the External Expert was examined.

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	2	14
Amount of assignments other than auditing/ amount of auditing assignments (in %)	30.00	3.33	14.00

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	3	3

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 %)	8.80	8.80

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, Managing Director 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, which will be 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 Chairman 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 and the Appointments and Remuneration 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	In the event that an Executive Board Member who has not had a previous employment relationship with Alba is dismissed, the Executive Board Member is entitled to a compensation equivalent to one year's Fixed Remuneration, increased by one twelfth of that year's Fixed Remuneration for each year of service in Alba, subject to a limit of two years. If an Executive Board Member who has had a previous employment relationship with Alba is dismissed, if the previous employment relationship is resumed and terminated by decision of Alba, the compensation will be in accordance with employment regulations, and the greater of the following amounts will be paid (i) the amount of the fund set up as a pension supplement, or (ii) the amount of one year's Fixed Remuneration, plus one twelfth of that annuity for each year of service with Alba. The compensation is not paid until it is verified that the Executive Board Member has met the performance criteria established.

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 Remuneration Policy of the Board of Directors approved by the General Shareholders' Meeting of 17 June 2019, 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 quindecies.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 remuneration policy applicable to these Directors.

The Board of Directors of Corporación Financiera Alba, S.A., in its meeting of 17 June 2019, 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
MS MARÍA EUGENIA GIRÓN DAVILA	MEMBER	Independent
MS CLAUDIA PICKHOLZ	MEMBER	Independent
MS ANA MARÍA PLAZA ARREGUI	CHAIRPERSON	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

The changes in the composition of this Committee during 2019 is as follows: Up until 17 June 2019, the Audit and Compliance Committee was chaired by the independent Director Mr Carlos González Fernández, who had been the appointed Director taking into account his knowledge and experience in accounting or auditing, or in both, and had been appointed Chairman of the Committee on 30 September 2015. The Committee has been chaired since 17 June 2019 by Ms Ana María Plaza Arregui.

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 (in accordance with Recommendation 19 of the CNMV Technical Guide 3/2017) the Audit and Compliance Committeecurrente has its Rules and Regulations.

a) Duties:

1. Inform 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. Supervise 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. Oversee the development and presentation of financial information, and submits recommendations or proposals to the Board to safeguard its integrity.
4. Refer 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. Establish 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. Receive 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 at least one of them shall be appointed taking into account their knowledge and experience in accounting or auditing, or in both. 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 2019, it had 3 members and held 7 meetings. During 2019, 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 2019 financial statements and the 2019 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 tracking, examining follow-up reports, or being informed by the Company's persons in charge of risk management. The revision of the Risk Map was also approved.
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. It evaluated the Internal Audit Service.
5. Review of non-financial information: It favourably reported the Sustainability Report 2018.
6. Regulatory compliance and others: Examined Compliance Follow-up reports. Monitored the effectiveness of the Crime Prevention Model. It issued the Related Operations Report in 2018 and examined the Annual Corporate Governance Report project. It assessed its performance in 2018, 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	MS ANA MARÍA PLAZA ARREGUI

Date of appointment of the chairperson	17/06/2019

INVESTMENT COMMITTEE (since 17 June 2019)		
Name	Position	Category
MR JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRPERSON	Independent
MS MARÍA LUISA GUIBERT UCÍN	VOCAL	Independent
MR ANTONIO MARIA PRADERA JAUREGUI	VOCAL	Independent
MR JUAN MARCH DE LA LASTRA	VOCAL	Proprietary
MR JUAN MARCH JUAN	VOCAL	Proprietary
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	VOCAL	Executive

% executive board members	16.67
% of proprietary board members	33.33
% of independent board members	50.00
% 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.

The Investments Committee was formed by the Board of Directors at its session of 17 June 2019 and replaces the Operations

Committee and the Investment Monitoring Committee, which were dissolved on the same date.

a) Duties
- Reporting on the Company's investment strategy.
- Reporting, optionally, on the investment or divestment decisions 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 divestment 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) Real estate investment and divestments: 25 million euros.
- Make investment or divestment 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.
- Receive 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.
- Track 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.
- Proposal of measures or decisions which are considered fitting for optimising the profitability of the investments.
- Proposals to the Board of Directors for the amendment of the shareholding or to agree the divestment.
- 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 Investments 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 Investments 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 invited and attend the meetings. The meetings of the Investments Committee will normally take place at the registered 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 tie, 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
In matters not specifically provided for, the Investments Committee may regulated itself, with the Regulations of the Board of Directors relating to its functioning being supplementary applicable.

d) Actions
In 2019, from the moment of its creation on 17 June, the Investment Monitoring Committee comprised six members, and met on two occasions.

In 2019, from the moment of its creation on 17 June, the Investments Committee report on matters within its remit. It examined the investment in four listed companies and in two non-listed companies in the investment portfolio, the status of the investments and divestments
carried out as well as three investment proposals in non-listed companies. A summary of its activities is included in the corresponding report on the actions of the Investments Committee, which is made public with the call to meeting of the General Shareholders' Meeting.

APPOINTMENTS AND REMUNERATION COMMITTEE		
Name	Position	Category
MS MARÍA EUGENIA GIRÓN DÁVILA	CHAIRPERSON	Independent
MR CARLOS MARCH DELGADO	VOCAL	Proprietary
MR JOSE DOMINGO DE AMPUERO Y OSMA	VOCAL	Independent

% executive board members	00.00
% of proprietary board members	33.33
% of independent board members	66.67
% of other external board members	0.00

The changes in the composition of this Committee during 2019 were as follows: on 28 January 2019 Mr José Domingo Ampuero Osma was appointed as a member; on 17 June 2019, Ms. Cristina Garmendia Mendizábal resigned as Chairperson of the Committee, a post she had held until this date, with Ms. María Eugenia Girón Dávila being appointed as the Chairwoman of the Committee.

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.
In 2019, the Board, in accordance with Section 3.2 of the CNMV TG 1/2019 approved the Regulations of the Appointments and Remuneration Committee.
In accordance with Regulations of the Board and its Regulations, the main duties of the Committee are:
- Assess the skills, knowledge and experience needed on the Board of Directors. It will define the duties and abilities needed in the candidates who must fill vacant positions and assess the time and dedication needed to 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.
- Present proposals before the Board for the appointment of independent Directors and report on 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 and the company's top executive and, where applicable, make proposals to the Board so that this is in an orderly and organised manner.
- Propose, to the Board, 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.
- Report on the proposed appointment and dismissal of the Secretary of the Board.
- Examine the information provided by the Board Members concerning their other professional obligations, should these interfere with the level of dedication required.
- Review the classification of the Board Members on an annual basis.
- Check information concerning the remuneration of Board Members and senior executives in the various corporate documents, including the annual report Director remuneration, and ensure the remuneration is transparent and that it is included in the Annual Report on Director's Remuneration.
- Ensure any conflicts of interest do not jeopardise the independence of the external advice provided to the committee.
b) Composition and organisation
This 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. At least two will be independent directors, and one of them appointed by the Board will be the Chairman, taking into account their knowledge and experience in corporate governance, human resources, the selection of directors and senior management, performance of senior management tasks and remuneration of directors and senior management.

All efforts will be made to ensure that as a whole, they have the sufficient knowledge and experience to discharge their duties, while favouring the diversity in its composition in terms of gender, age and professional experience. 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.
It shall convene as often as is required by agreement of the Committee or its Chairman, or at the request of the Board of Directors, and at least three time a year.
It shall be deemed validly convened when the majority of its members are present or represented. Another member of the committee may be appointed as a proxy.
Agreements will be adopted based on a majority of members that are present or represented. In the event of a tie, the Chairperson has the casting vote.
To fulfil its duties, it can gather all types of information on the Company, and obtain advice from external professionals for technical or significant aspects, with the approval of the Chairman of the Board of Directors, who will not deny such a request without reason.
c) Actions:
Up until 17 June 2019 it was comprised of four members, and then by three, meeting on ten occasions. It has made proposals and issued reports concerning the matters within it remit. Thus, it reported on: the review of the remuneration of the Executive Directors and the Directors; the Remuneration Policy followed in 2018, the Annual Remuneration Report for 2018 and the transparency of information on the Remuneration of the Directors in the Annual Accounts; the new Directors' Remuneration Policy applicable since its approval by the General Shareholders' Meeting on 17 June 2019, the establishment of a variable remuneration plan and the multi-year variable remuneration plan; the renewal of Directors and their category; the composition of Committees, including the new Investments Committee, and the new members and renewals; the resignation of a Director; the amendments to the category of two Directors; the matrix of Board competences; the proposed plan for the succession of the Chairman and the First Executive; the new professional activities of
a Director, the Board's self-assessment in 2018 and the Committee's activity in that year; the new Basic Terms and Conditions of the Contracts and the Remuneration Policy of the Directors. The summary of its activities is included in the report on the actions of the Appointments and Remuneration Committee, which is public on the occasion 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 2019		Fiscal Year 2018		Fiscal Year 2017		Fiscal Year 2016	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND COMPLIANCE COMMITTEE	3	100.00	2	66.66	1	33.33	1	33.33
INVESTMENTS COMMITTEE (since 17 June 2019)	1	16.67	-	-	-	-	-	-
APPOINTMENTS AND REMUNERATION COMMITTEE	2	66.66	2	66.66	2	966.66	1	33.33

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 and in its own Regulation, which was approved by the Board on 17 June 2019, in accordance with section 3.2 of Technical Guide of the CNMV 1/2019 of 20 February concerning Appointments and Remuneration Committees.

The regulation of the Operations Committee was contained in the agreement creating and delegating the powers of this Committee, adopted at the meeting held on 23 March 2015. This Committee was dissolved by the Board of Directors on 17 June 2019, resigning all its members.

The regulation of the Investment Monitoring Committee was contained in its charter adopted in a session on 27 March 2017. This Committee was dissolved by the Board of Directors on 17 June 2019, resigning all its members.

The regulations of the Investments Committee are contained in its charter and delegation of the powers of this Committee, adopted in a session of the Board of Directors on 17 June 2019.

The Regulations of the Board of Directors, the Audit and Compliance Committee and the Appointments and Remuneration Committee are available on the corporate website (www.corporacionalba.es) and at its corporate address.

The resolution dissolving the Operations Committee and the creation and delegation of the powers to the Investments Committee are entered in the Commercial Registry.

The Audit and Compliance Committee, Appointments and Remuneration Committee, and Investments 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	8,748
BANCA MARCH, S.A.	ARTÁ CAPITAL, SGEIC, S.A.U.	Contractual	Other	567

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	195
MARCH RISK SOLUTIONS, CORREDURIA DE SEGUROS Y REASEGUROS, SA	PROVISION OF SERVICES	1,932
MARCH VIDA, SA DE SEGUROS Y REASEGUROS	INSURANCE PREMIUMS	786
MARCH GESTION DE PENSIONES, SGFP, SA	OPERATIONAL LEASE AGREEMENT	48

FUNDACIÓN JUAN MARCH	Partnership agreement	300

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 Regulations of the Board, 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 in advance for its approval, subject to the prior report by the Audit and Compliance Committee.

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:

Corporación Financiera Alba, S.A. (hereinafter Alba or the Group) has defined an Integrated Risk Management System aimed mainly at:

• 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 focused on identifying those potential risk events that could affect it, managing the risks identified and ensuring reasonable security in achieving the Company's objectives.

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.
• Determining 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, Alba 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 2019, the company's Risk Map was updated, with the agreement of the Audit and Compliance Committee as well as the Board of Directors.

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.

Alba'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 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 there is sufficient 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.

d) 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 Management and Control Department, 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, Alba has an Organisation and Management Model for preventing the commission of crimes, alongside the Crime Prevention Manual, which was updated in 2017 and the Risks and Controls Matrices which were updated in 2019.

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, Alba 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.

Alba 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 2019 a new risk was added to the corporate Risk Map, and one with a more moderate impact was removed, and four risks had merged into two, meaning that the Risk Map consists of a total of nine risks.

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):

· Macro-economic and socio-political factors.
· Investment management.
· Measurement and monitoring of investments.
· Requirements regarding financial and non-financial information.
· Tax management.
· CNMV requirements.
· Technological security.
· Corporate reputation.

The Crime Prevention Manual, by identifying the criminal risks likely to affect the Company, highlights the crimes of corruption in business dealings, among other offences. Based on the risk tracking reports, there do not appear to be any significant corruption risks that affect the Company. The Code of Ethics and Conduct approved in 2018 formally expresses the Company's condemnation of any form of corruption.

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

Alba's risk assessment and management model categorises risks, including tax, 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 of Alba's Management and action plans will be established to increase their degree of internal control, where necessary.

Alba 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 within Alba'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 2019 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, Alba 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 Alba. With this as a basis, the 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 of Alba'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.

The Regulatory Compliance function coordinates, systematises and monitors the various actions and efforts in this regard with the Board of Directors approving the compliance model established and its tracking. In 2019, tracking reports were drawn up and submitted to the Board of Directors, which has approved 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 Financial Information Control System (SCIIF) is part of the risk management and control system of Corporación Financiera Alba, S.A. (hereinafter, "ALBA" or the "Group"), the purpose of which is to ensure reasonable security over the reliability of the financial information that Alba, as a listed company, discloses to the stock markets.

The bodies of Alba 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."

- "Ensuring the independence of the department assuming internal audit duties."

- "Reviewing updates to financial information on the Company's website".

The Audit and Compliance Committee is supported by the Internal Audit Service 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, at the suggestion of the company's first 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 convening of the General Shareholders' Meeting, 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, to address, 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 its delivery 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 2019, 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 Monitoring 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 whistleblowing 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 Code of Ethics and Conduct Tracking Committee) 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 of any illegal conduct which, in addition to contravening legal provisions, is contrary to the Group's values.

The Audit and Compliance Committee has considered the monitoring of the Crime Prevention Model appropriate.

- 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 SCIIF. 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 reviewed to assess whether it needs updating. It was reviewed in 2016 and updating was deemed unnecessary; it was updated in 2017, and in 2018 it was deemed unnecessary to implement any amendments or updates.

The Risk Map was reviewed in 2019 and updated, which was examined by the Audit and Compliance Committee and by the Board of Directors, which have given their approval.

Likewise, Alba has a process for identifying and assessing specific risks concerning financial information, both in terms of its consolidated accounts, the entity and business processes, which is updated at least once a year.

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", the latest revision carried out was on 21 February 2019.

- 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 Group's scope of consolidation is submitted to 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:

The Financial Management is responsible of the process for identifying and assessing specific risks concerning financial information, both in terms of its consolidated accounts, the entity and business processes, which is updated at least once a year. Likewise, the Audit and Compliance Committee is responsible for its supervision.

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 Chief Executive Officer 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 scope of consolidation, 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 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 latest version being 21 February 2019.

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 Group has systems security and contingency programmes.

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

Likewise, the 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, the actuarial valuation of pensions and the valuation of investments in non-listed companies.

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; reasonableness 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.

Alba 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 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 Regulations of the Board of Directors and the Regulations of the Audit and Compliance Committee entrust the following duties to the Audit and Compliance Committee:

• Supervise 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.
• Supervise the process for preparing and presenting the mandatory financial information.

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

• Monitoring 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 Regulations 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 Regulations 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. The SCIIF supervision process, via the Internal Audit Service, includes the following tasks:

• Validate 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).
• Review 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 Internal Auditing 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 Regulations of the Board of Directors and the Regulations 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 regulations 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 Internal Audit Service, 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.**

The Audit and Compliance Committee at its session on 21 February 2019 examined and approved the new SCIIF manual, with the aim of updating and simplifying the Manual of 2013, in order to adapt it to the reality of the Group and to take into account the activities it carries out.

In addition to the SCIIF supervision process (entrusted to the Internal Audit Service), according to the ALBA's SCIIF Manual, in 2019 the corresponding process for the annual evaluation of the effectiveness and validity of the process was performed by Financial Management.

In the development of the Risk Management function, entrusted to the Risk Management and Control Unit, Alba has had since 2015 a Charter for the Risk Management and Control Function which allows this Unit to supervise 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 participate in preparing the risk strategy and important decisions concerning its management; and ensure that the risk control and management systems appropriately mitigate risks, as part of the policy identified by the Board of Directors.

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 for the Regulatory Compliance Function so that the Compliance Unit can establish adequate control and an efficient and prudent 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 has been 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 [X] 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 [X] 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 [X] 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 [X]

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 [X] 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 [ ]   Complies partially [X]   Explain [ ]

The annual variable remuneration is only received by the executive Directors and the multi-year variable remuneration can be established in favour of the executive Directors and those other Directors that represent Alba on the Board of Directors of subsidiaries, investees or associated companies (at the moment, only in the case of two proprietary directors).

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 [X]

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 [X] 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 [X] Explain [ ] Not Applicable [ ]

In the event the Executive Board Memeber who has not had a previous employment relationship with Alba, the payments for termination of the contract will consist of a compensation equivalent to one year's Fixed Remuneration, increased by one twelfth of that year's Fixed Remuneration for each year of service in Alba, subject to a limit of two years.

If an Executive Board Memeber who has had a previous employment relationship with Alba is dismissed, if the previous employment relationship is resumed and terminated by decision of Alba, the compensation will be in accordance with employment regulations, and the greater of the following amounts will be paid (i) the amount of the fund set up as a pension supplement, or (ii) the amount of one year’s Fixed Remuneration, plus one twelfth of that annuity for each year of service with Alba.

In both cases the compensation is not paid until it is verified that the Executive Board Memeber has met the performance criteria established.

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 C.2.1. APPOINTMENTS AND REMUNERATION COMMITTEE

In 2019, and in accordance with the provisions set forth in its regulations, the Appointments and Remuneration Committee approved the Board of Directors Competency Matrix, detailed below, along with the result of the evaluation by the Directors.

COMPETENCIES	TOTAL DIRECTORS	PECENTAGE (%)
- Investments and Capital Risk	11	91.6
- Financial Sector	7	58.3
- Industrial Sector	11	91.6
- Accounting, Finance, Risks	12	100,0
- Senior Management	12	100.0
- HR and Organisation	9	75.0
- Legal, Public Sector	3	25.0
- Corporate Governance and Sustainability	10	83.0
- Strategy	11	91.6
- Technology and Digital Transformation	4	33,3
- International	10	83,3

SECTION C.2.1. OPERATIONS COMMITTEE (until 17 June 2019)

The Board of Directors at its session on 17 June 2019 agreed to dissolve the Operations Committee, terminating all its members, which were at that moment the following Directors: As Chairman, Mr Antonio María Pradera Jáuregui, and as members, Ms María Eugenia Girón Dávila, Mr Juan March de la Lastra, Mr Juan March Juan, Mr Santos Martínez-Conde Gutiérrez Barquín and Ms Carlos González Fernández.

a) Duties
The Operations Committee was entrusted the following duties:

- Reporting on the Company's investment strategy.
- Reporting on the investment or divestment 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 divestment 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) Real estate investment and divestments 25 million euros.
- Make investment or divestment 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
The Operations Committee will be comprised of a minimum of three and a maximum of six Board Members appointed by the Board of Directors, taking into account 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 Committee's sessions with voice but no vote.

c) Actions in 2019, until its dissolution on 17 June 2019
The Operations Committee comprised of six members, and met on two occasions.

The Operations Committee, within the remit of its competences, reported on its activities during 2018. The summary of its activities until is dissolution is included in the report on the actions of the Investments Committee, which has assumed its duties and which is made public at the General Shareholders' Meeting.

SECTION C.2.1. INVESTMENT MONITORING COMMITTEE (until 17 June 2019)

The Board of Directors during its session on 17 June 2019 agreed to dissolve the Investment Monitoring Committee, terminating all its members, which were at that moment the following Directors: As Chairman Mr José Domingo de Ampuero Osma, and as members, Mr Juan March de la Lastra, Mr Juan March Juan, Mr Santos Martínez-Conde Gutiérrez Barquín, Ms Cristina Garmendia Mendizábal and Ms Claudia Pickholz.

a) Duties
As provided by the Board of Directors in its Charter, adopted on 27 March 2017, the Investment Monitoring Committee had the following duties:

- Receive 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.
- Track 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.
- Proposal of measures or decisions which are considered fitting for optimising the profitability of the investments.

b) Composition
The Investment Monitoring Committee was comprised of a minimum of three and a maximum of six Board Members who had the knowledge, abilities and experience of the Board Members and the tasks of the Committee. The Board appointed who would hold the position of Chairman and the Secretary of the Board would act as non-member Secretary or, failing this, the person appointed by the Committee for each session would act as the non-member Secretary.

c) Actions in 2019, until its dissolution on 17 June 2019
The Investment Monitoring Committee comprised of six members, and met on two occasions.

The Investment Monitoring Committee reported on matters within its remit. It reported on its actions during 2018; it examined the investment in two listed companies in its investment portfolio, and the status of the investments and divestments carried out. The summary of its activities until is dissolution is included in the report on the actions of the Investments Committee, which has replaced the Investment Monitoring Committee, and which is made public at the General Shareholders' Meeting.

SECTION G, Recommendation 10

In 2019, there was no situation in which this recommendation was applied.

SECTION G, Recommendation 14

Since 2016, the Appointments and Remunerations Committee has already set a target for the least represented gender on the Board, and that this gender should reach 30% of total members by 2020. In 2019, with the incorporation of two new female Directors, the Board of Directors has 33.33% of female Directors.

It has also deemed it appropriate to approve a new Director Selection Policy, in accordance with the regulation introduced by the Law 11/2018 of 28 December concerning non-financial information and diversity and the provisions set forth in CNMV Technical Guide

1/2019 of 20 February, on Appointments and Remuneration Committees.

SECTION G, Recommendation 15

In 2019, two Directors changed their category from executive to proprietary, thus causing the proprietary and independent directors to represent 75% of all the Directors.

SECTION G, Recommendation 20

In 2019, there was no situation in which this recommendation was applied.

SECTION G, Recommendation 21
In 2019, an independent directors tendered her resignation before the end of her term as her other professional commitments and the applicable regulatory requirements prevented her from remaining on the Board of the Company.

SECTION G, Recommendation 22
Article 19.4 of the Regulations of the Board of Directors expressly states that "The 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.

In 2019, there was no situation in which this standard was applied.

SECTION G, Recommendation 23

Article 15.5 of the Regulations of the Board 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 2019, there was no situation in which this standard was applied.

SECTION G, Recommendation 25

In 2019, a Director tendered her resignation before the end of the term, complying with all the conditions provided for in Recommendation 25.

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 2019, there was no situation in which this standard was applied.

SECTION G, Recommendation 31

In 2019, there was no situation in which this recommendation was applied.

SECTION G, Recommendation 34

According to the provisions of article 529 f.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

In relations to the assessment process of the Board of Directors it should be noted that it was carried out 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 different Committees (by preparing reports concerning its activities in the financial year) and with the intervention of the Appointments and Remunerations Committee, which had the assistance of an external consultant for the assessment of the Board.

The areas assessed were as follows: Corporate Governance in general; composition, functioning and size of the Board; competences of the Board; duties of the board members; frequency and attendance of the meetings; performance of the Chairman, the Managing Director, the Secretary and the Lead Director; composition, functioning and size of the Committees; strategy; diversity; relationship with Senior Management; integration and training; application of the Code of Ethics and Conduct and the Internal Regulations on Conduct within the scope of the Securities Market and of the Crime Prevention and Anti-Fraud 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:

30/03/2020

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

[ ] Yes
[✓] No

CORPORACIÓN FINANCIERA ALBA, S.A. and Subsidiaries.

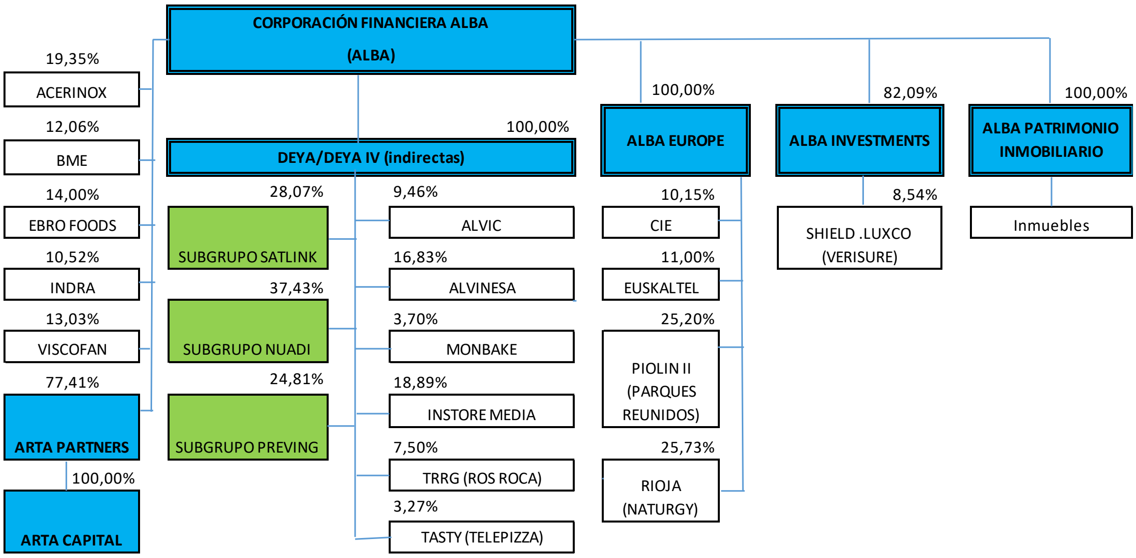
NON-FINANCIAL INFORMATION STATEMENT CORRESPONDING TO THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2019

1. Introduction

This Non-Financial Information Statement, forming part of the consolidated directors' report of the Alba Group, is published in fulfilment of Law 11/2018, of 28 December 2018, amending the Spanish Commercial Code, the Recast Text of the Capital Companies Law approved by Royal Legislative Decree 1/2010, of 2 July 2010, Accounts Auditing Law 22/2015, of 20 July 2015, with regard to non-financial information and diversity reporting (the Non-Financial and Diversity Reporting Law).

Corporación Financiera Alba, S.A. (hereinafter **Alba** or the **Alba Group**) is an investment firm which holds significant stakes in various listed and non-listed companies operating in a range of economic sectors. It also holds stake in companies through venture capital operations.

The organisational structure of the Alba Group is set out below.



Alba Subgroup: Corporación Financiera Alba, S.A., Deya Capital SCR, S.A., Deyá Capital IV, SCR, S.A., Alba Europe, Sàrl., Alba Investments, Sàrl., Alba Patrimonio Inmobiliario, S.A., Artá Partners, S.A. and Artá Capital SGEIC, S.A.U.

The scope of this Non-Financial Information Statement includes the activities of the Alba Group and those of the Satlink, Nuadi and Preving subgroups (its Subsidiaries).

It has been prepared on the basis of the Global Reporting Initiative (GRI) guidelines for the preparation of sustainability reports, this being the internationally recognised standard, fulfilling the principles and content defined by the most up-to-date version of the guide, GRI Standards.

Consideration was also given to the context and regulations of the sectors in which the subgroups operate, sectoral trends and best practice in order to determine which non-financial aspects are relevant for the Alba Group. The following were consequently identified as the key relevant aspects:

- Talent attraction and retention
- Compliance and business ethics
- Diversity and equality
- Health and safety at work
- Consumer safety and satisfaction
- Company commitment to society
- Energy efficiency and environmental management

This Non-Financial Information Statement describes the main lines of performance outside the financial sphere regarding:

- Issues concerning staff and human rights.
- Environmental and social issues.
- Issues concerning anti-corruption and anti-bribery.

Events subsequent to the close-of-year

On 11 March 2020 the World Health Organization declared the health crisis caused by COVID-19 to be an international pandemic. Within this context, the Spanish Government issued Royal Decree 463/2020, of 14 March 2020, declaring a state of emergency for at least 15 calendar days throughout the country in order to address said health crisis. The measures implemented by the aforementioned Royal Decree include, among others, a restriction on the free movement of people and the temporary suspension of certain business activities.

This situation is having a significant impact on the global economy. The impacts of the aforementioned health crisis will be defined by its duration, the effect of the measures adopted for this purpose, how the situation is resolved, and other factors connected with the economic climate within which the Company operates.

In order to mitigate the economic impacts of the crisis, on 18 March Spain saw the publication of Royal Decree-Act 8/2020, of 17 March 2020, on extraordinary urgent measures to address the economic and social impact of COVID-19.

By the date when this Non-Financial Information Statement was drawn up there had been no significant consequences for the Group, and it is not possible to make any reliable estimate as to the impact that this crisis could have in the future on the Company or its investee companies (see Note 30 - Events Subsequent to the Consolidated Annual Accounts of Corporación Financiera Alba, S.A. and Subsidiaries corresponding to the 2019 financial year).

2. Business Model

Alba is an investment company founded in 1986 and listed on the Continuous Market of Spanish Stock Exchanges, holding significant stakes in a number of listed and non-listed companies operating in various economic sectors. It is also engaged in real estate leasing operations, and holds stakes in companies through venture capital.

Alba's aim is to generate long-term value for its shareholders, and it has in place an Investment Policy which establishes a responsible investment philosophy, based on certain principles and criteria which guide the course of its operations.

One of these principles is the need for a high level of understanding of its investments, both in the initial analysis and in the continuous monitoring applied to the company in which the investment is made, the sector in which it functions, and the markets in which it operates. It therefore establishes the most appropriate procedures in order to ascertain the quantitative and qualitative aspects defining the activities of investee companies, which are particularly relevant in Alba's long-term decisions. Where necessary, it draws on external consultancy for this purpose.

In terms of geographical scope, the need to diversify risk has prompted the Group to opt for both domestic and international investment, the aim being that investments should preferably be made in conjunction with local partners, and in companies that stand out in terms of stability, reliability and security. Active participation in the companies and other assets in which the company invests is another key principle of Alba's responsible investment, reflected in the representative status of shareholdings and the responsibility, dedication and commitment shown to investee companies.

Alba sees its credibility and reputation in terms of its long-term commitment and fulfilment of the principles of corporate good governance and ethical conduct promoted by the company. It therefore encourages advanced policies at its investee companies in the spheres of good governance, and environmental, employment, social and taxation aspects. Meanwhile, potential conflicts of interest between investee companies are avoided, as are investments in sectors that could potentially be controversial from the legal or social perspective.

The **Preving** subgroup has extensive infrastructure in place at the national level, with business operations in the following areas:

- Occupational risk prevention plan consultancy;
- Safety at work plans to reduce or eliminate risks connected with occupational illnesses and/or accidents;
- Industrial hygiene, through the prevention of physical, chemical or biological risks that could arise in an occupational context;
- Health monitoring, employing the specialist field of Occupational Medicine to oversee the impact of working conditions for employee health;
- Applied psychosociology, prevention of psycho-social risks, corresponding to those derived from interactions between the organisational characteristics of the job and the capabilities, needs and expectations of the worker;
- Health promotion at work - advice on strategies to prevent occupational risks and to maintain the health and quality of life of employees;
- Coordination of company activities, through advice as to compliance with obligations in this field.

The main activity of the **Nuadi** subgroup is the manufacturing and marketing of disk brake pad components for different applications: motorbikes, cars, road freight transport, public works and railways. It focuses its products above all on the spare parts market, accounting for 94% of total output, with the remaining 6% corresponding to the development of the OEM and original spares market.

The **Satlink subgroup** is a leading technological group in R&D solutions for sustainable fishing and satellite communication services, with 98% of sales generated through its own products. It is the world number one in smart buoys for tuna fishing. It is also a leader in fishing resource management solutions and in satellite telecommunications for the maritime and defence sectors.

3. Information on social and staff-related issues

3.1. Policies

Alba promotes both directly and indirectly in its investee companies, the values and ethics required in order to forge integrated, skilled teams working to achieve corporate sustainability. The commitment given by Alba and its Subsidiaries with regard to equal opportunities for employees ensures that selection, contractual terms, working conditions and professional development are based solely on criteria of merit and the necessary skills requirements in each case, excluding discriminatory criteria of any kind and fostering a working atmosphere that supports dignity and

respect.

Alba and the subgroups referred to in this report have protocols and procedures in place allowing them to develop these principles and objectives.

The **Preving** subgroup also has an Equality Plan.

This commitment to people may be seen in the creation of stable jobs, professional development of employees, providing healthy working environments with respect for diversity, equal opportunities and work-life balance. The Alba Group's commitment to employment may be seen directly in the number of employees it has, and indirectly in the total number of jobs created both directly and indirectly at all its investee and Subsidiaries, along with the promotion of good practice in the field of human resources.

3.2. Social management and performance

3.2.1. Employment and remuneration

Aware of the value of human capital, **Alba** seeks to maintain favourable employment policies aligned with the needs of its workforce, as well as the specific operational requirements of the company. Talent management and retention, and the offer of decent employment, appropriate professional development, good conditions on permanent contracts and social benefits allow the company to maintain low staff churn ratios year after year

Alba and its Subsidiaries had an overall total of 1,562 employees at the close of 2019. 90% of its workforce are on permanent contracts. The details of the workforce at the close of the financial year are set out below, including the employees of Alba Group and its Subsidiaries in Spain.

	Workforce breakdown by gender		
	Men	**Women**	**Total**
Permanent Contract	697	705	1,402
Temporary Contract	91	69	160
Total	**788**	**774**	**1,562**
Full Time	687	493	1,180
Part Time	101	281	382
Total	**788**	**774**	**1,562**
Average remuneration	41,441	26,772	
Number of dismissals	3	4	7

Breakdown of workforce by age

	<35 years	36-50 years	>51 years	Total
Permanent Contract	263	846	293	1,402
Temporary Contract	68	74	18	160
Total	**331**	**920**	**311**	**1,562**
Full Time	263	670	247	1,180
Part Time	68	250	64	382
Total	**331**	**920**	**311**	**1,562**
Average remuneration	23,907	28,965	60,501	
Number of dismissals	4	2	1	7

Workforce breakdown by professional category

	Operatives and Administrative Staff	Middle management	Executives	Total
Permanent Contract	1,272	106	24	1,402
Temporary Contract	160	0	0	160
Total	**1,432**	**106**	**24**	**1,562**
Full Time	1060	96	24	1,180
Part Time	372	10	0	382
Total	**1432**	**106**	**24**	**1,562**
Average remuneration	27,158	71,596	287,428	
Number of dismissals	7	0	0	7

Employees with disability

	Total
Number of employees with disability at close of financial year	17

Both **Alba** and its Subsidiaries demonstrate their commitment to maintaining an employee remuneration model that ensures effective application of the principle of equal pay for work of equal value, and the absence of any salary differences based on gender or any other grounds for discrimination, with the distribution of compensation being based on salary bands in accordance with levels of responsibility, the type of work performed, alignment with market rates of pay for jobs with the same conditions, while also taking into account the sustainability of the company in this regard.

The salary gap is measured as the difference between the average pay received by men and that received by women. During this financial year Alba included the figures for its Subsidiaries in order to combine the remuneration received by all employees included within the consolidation scope, giving a gross figure of 35%. This difference is the result of the fact that men with more years of service at the parent company make up the bulk of more senior positions, along with the existence of a great many technical and administrative posts held by women. As mentioned previously, the remuneration models applied are free of any element of gender discrimination, although Alba strives to redress these differences through effective application of the principle of equality.

3.2.2. Organisation of work

The Alba Code of Ethics and Conduct includes respect for the personal and family life of its professionals, and the company applies measures intended to facilitate the option of flexibility and work-life balance for its employees.

In this regard Alba's Subsidiaries have specific work-life balance and flexible working measures in accordance with the characteristics of each company.

Specifically at the **Preving** subgroup, working hours are defined on the basis of employee productivity, with appropriate occupational flexibility. Policies are likewise promoted to achieve a balanced family life. A digital disconnection protocol is also being developed. The implementation of these work-life balance policies has earned the Preving subgroup the Reconcilia seal of approval.

At the **Nuadi** subgroup, a flexible working agreement was reached during 2019, offering the possibility of working split hours for those employees who so require.

The organisation of working hours at the **Satlink** subgroup is established on the basis of the applicable collective agreement, with appropriate flexibility also being encouraged in terms of arrival and departure times. Measures are likewise promoted to allow employees to switch off from their work, including, for example, meetings never being scheduled outside office hours. Measures are likewise implemented to allow employees to strike a balance between their personal lives and their professional development at the company.

	Total
Number of hours of absence registered during the financial year for all employees [1]	124,136

[1] Hours of absence: Total hours of absence from work because of common or occupational contingencies

3.2.3. Health and Safety

Alba has specific commitments in place in the field of health and safety, as set out in its Code of Ethics and Conduct and the procedures and manuals established for this purpose.

The **Preving** subgroup has certified health and safety management systems.

The **Nuadi** subgroup has occupational risk prevention plans and systems in place.

Alba and its subgroups have measures to monitor and promote Health and Safety at Work, and develop training initiatives for employees in this field, health monitoring programmes, and external audits to ensure that the procedures established in this sphere are being properly applied, among other aspects.

Health and Safety Indicators	**Men**	**Women**
Frequency index[1]	13.94	14.22
Seriousness index[2]	0.24	0.52
Occupational illnesses	0	0
Number of deaths	0	0

[1] Frequency Index: Number of occupational accidents causing absence x 1,000,000/Total number of effective hours of work
[2] Seriousness Index: Number of days not worked because of occupational accidents causing absence x 1,000/Total number of effective hours of work

3.2.4. Labour Relations

Alba and its Subsidiaries aim for effective and detailed management of labour relations with employees, ensuring that the employment rights of all workers are fulfilled. Industrial relations are likewise based on the various applicable collective agreements, ensuring that the principles set out in each of them are respected and adhered to:

- Madrid Regional Collective Agreement for Office Work for **Alba**
- Collective Agreement for Risk Prevention Service Companies for the **Preving** subgroup.
- Navarre Regional Collective Agreement for the Steel and Metal Industry for the **Nuadi** subgroup.
- Metal Trade Collective Agreements for the Madrid Region and for Pontevedra Province, and the National Engineering Firms and Technical Study Offices Agreement for **Satlink**.

At those companies where this requirement applies, there are Works Councils and/or trade union representatives to oversee compliance with the principles established in the relevant collective agreements, and to establish channels for fluid communication among all workers and bodies belonging to the company. In total, 88% of Alba Group employees and their Subsidiaries in Spain are covered by a collective agreement.

3.2.5. Training

Alba has training procedures in place in accordance with employee needs, covering the characteristics of the roles they perform, their career and professional development, which means that resources are focused on the requirements of each job and the current market.

The **Satlink** subgroup has an Occupational Risk Prevention Training Policy for work undertaken on board ships, as well as a technical training for developers and technical staff. It likewise has specialist programmes in place covering its clients' own technologies in order to improve efficiency in the use of the solutions and products offered by the company.

Total number of hours of employee training, with a breakdown by professional category:

	Operatives and Administrative Staff	Middle management	Executives	Total
Training Hours	6,241	810	342	7,393

3.2.6. Accessibility and equality

The Alba Code of Ethics and Conduct sets out non-discrimination and equal opportunities principles intended to achieve a commitment to create a working environment in which all employees enjoy fair treatment, respect and dignity, rejecting any form of violence or harassment, abuse of authority, or any other conduct in breach of workers' and human rights. When general meetings are held, access is also facilitated on the part of people with disability and the elderly, in terms both of access to prior information and facilities in casting votes, reaching the venue and following the meetings.

Those measures that go beyond regulatory compliance in the field of accessibility and equality would include in particular those adopted at the **Preving** subgroup, where 95% of premises have measures to improve worker accessibility (elimination of steps and adapted toilets). With regard to product and service accessibility, training materials are available in accordance with workers' needs (spoken materials for workers with visual disability, graphical documentation for staff with hearing disability, and training material in sign language).

4. Information regarding environmental issues

4.1. Policies

Alba declares as part of its Code of Ethics and Conduct respect for the environment both in behaviour resulting from its direct activities and also environmentally responsible behaviour at the companies in which it invests. It likewise has in place a Corporate Social Responsibility Policy highlighting its firm commitment to preserve the natural environment and reduce any negative impact resulting from its activities, with a particular emphasis on combating climate change. The definition of these commitments provides the baseline for the Alba Group's actions focused on preventing pollution and achieving the responsible and sustainable use of resources, as well as proper waste management. The Investment Policy has also since 2017 included criteria for the evaluation of responsible investment from the environmental perspective.

The **Preving** and **Nuadi** subgroups have an environmental management system in place with certification under international standard ISO 14001:2015, assisting in their response to compliance with the environmental values and principles established in the corresponding Environmental Policy.

Lastly, the **Satlink** subgroup has implemented a Quality and Environment Policy focused on fulfilling a series of measures to protect biodiversity, reduce the consumption of water, energy and other resources, avoid waste generation, and combat climate change.

4.2. **Environmental management and performance**

4.2.1. Energy and Climate Change

Energy consumption at **Alba** is derived essentially from the use of lighting systems, climate control systems and IT equipment at the offices and buildings that it owns. In order to reduce such consumption a number of different energy efficiency measures have been established, such as replacing traditional light bulbs with LED systems, remodelling of buildings to improve energy efficiency, and external energy efficiency audits and checks conducted to assist the Alba Group in reducing its environmental impact.

The emissions generated at Alba and its **Preving** subgroup are likewise derived from the use of company fleet vehicles. With a view to cutting the resulting emissions and reducing its carbon footprint, Alba is replacing petrol and diesel vehicles with hybrid and electric models.

In the case of the industrial facilities of the **Nuadi** subgroup, measures have been established to reduce energy consumption at the company, based on the planning of legal reviews, energy inspections of boilers and coolers, as well as an energy audit process.

Energy consumption

	Total 2019
Electricity consumption (MWh)	7,986.35
Natural gas consumption (MWh)	3,739.14
Diesel consumption (litres)	136,774.00

Greenhouse Gas emissions (tonnes of CO_2eq)

Scope	**Total 2019**
Scope 1	1,100.02
Scope 2	3,274.40
Total	4,374.43

4.2.2. Sustainable use of resources and the circular economy

Alba has adopted a series of measures which, as mentioned previously, aim to improve efficiency and the sustainable and responsible use of resources. As the main material used to undertake its activities is paper, with a view to minimising consumption Alba has a digital archive in place for all departments, used to consult, download and share files, thereby minimising paper consumption. All paper used is likewise certified with the FSC environmental stamp.

At the **Preving** subgroup, the main materials consumed are the disposable sanitary materials used for medical examinations. Preving also conducts internal campaigns promoting responsible and sustainable use of paper at its offices. As for water consumption, this is obtained from the water mains supply.

In the production process of the **Nuadi** subgroup, the main raw material input is steel rolls of various sizes, while surplus material is sent to a metal waste manager once the manufacturing process is complete. Water consumption and optimisation is covered by the phases planned for the forthcoming Waste Reduction Plan.

Lastly, the **Satlink** subgroup aims to minimise the impact caused by product designs and installations in its production processes. The solar buoy is a particularly notable example of this, requiring no battery replacements over the course of its useful life, thereby avoiding the use of lead batteries and fuel cells in the manufacturing process, alongside progress made in reducing the use of materials in buoy production.

Consumption of materials

	Total 2019
Consumption of sanitary water (m3)	46,415.00
Paper consumption (kg)	31,577.50

Meanwhile, **Alba** continues to incorporate specific measures to reduce waste generation and to ensure that waste is properly handled and managed at all its Subsidiaries. Alba offices have replaced plastic water bottles with water coolers, handing out glass bottles to employees to encourage reuse, improving the handling of waste such as coffee capsules, batteries and other office waste, as well as the recycling of pollutant waste such as printer toner cartridges.

At the **Preving** subgroup, given its activities the types of waste generated essentially comprise biosanitary, cytostatic and chemical waste. Waste collection service contracts have been signed with certified external waste managers in order properly to handle this waste.

At the **Nuadi** subgroup a Waste Reduction Plan has been drawn up, with implementation to begin during the 2020 financial year. The main source of waste is the scrap metal left over after the production process. The raw material input comprises different sizes of steel rolls, while the surplus material is transferred to a metal waste manager after manufacturing. As these are small-sized surplus offcuts, they are ideal for use in automatic foundry or steelmaking dosing systems for molten metal composition control. The waste manager sends most of the surplus generated to a foundry, where it is reused in production processes in the automotive sector.

The **Satlink** subgroup reuses components that have been rejected during its production process by repairing them, and if the component cannot be recycled, then it is collected by an authorised waste management company. Satlink has also made contributions through a number of different projects to litter collection at sea and on beaches.

The figures regarding waste generated by Corporación Financiera Alba and its Subsidiaries are set out below, this waste resulting in the main from the industrial operations undertaken by the Nuadi subgroup, with a separate indication of special waste generated by the medical service activities of the Preving subgroup.

Waste generated - Alba Group

Type of waste	**Total**
Hazardous (tonnes)	*323.66*
Non-hazardous (tonnes)	*9,039.43*
Total	*9,363.09*

Special waste generated*

Manager Supplier	**Zones**	**Method of Destruction**	**Volume Collected (kg)**
Elirecon	Navarre	Autoclave sterilisation	44.8

Consenur	Catalonia and Canaries	Physical-chemical treatment not specified by the organisation	2,998.14
Ferrovial	Madrid, Valencia Region and Andalusia	Autoclave sterilisation	1,385.8
Dilabo	Albacete	Autoclave sterilisation	4.5
Cannon	Alcobendas	Incineration	10.5
Serkonten	San Sebastian	Incineration	28.0
		Total	**4,471.7**

*Figures for the Preving subgroup

5. Ethics, Human Rights and Anti-Corruption

5.1. Ethical conduct and respect for Human Rights:

Alba has in place a Code of Ethics and Conduct setting out the values and principles that are to govern its conduct, applicable to all those who in the course of their functions, occupational, commercial or professional relationships are in some way connected. These values include in particular:

- Respect for Human Rights and commitment to the Global Compact, to which the company has subscribed.
- Ethical and legally compliant behaviour.
- Fair and respectful treatment in terms of equal opportunities and non-discrimination.
- Respect for the environment.
- Respect for the interests of other stakeholders of the Company.
- Prudence in the performance of operations, in taking on risks and in relations with clients.
- Processing of information with rigour, integrity and transparency.

The Code sets out mandatory standards of conduct for both employees and the members of the executive management bodies and the Board of Directors of Alba, as well as third parties that have dealings with any of the Group companies.

Likewise, given the emphasis being placed on internal whistleblowing channels, more detailed procedural regulations have been established to handle grievances, allowing for the confidential reporting of any acts or conduct that might be in breach of the applicable regulations or the Code of Ethics and Conduct, at the company, in the actions of third parties that have contractual dealings with it, or to its detriment. The Complaint Channel can be used by all those inside and outside the Company, with the latter including suppliers, contractors and partners of Alba.

Each year Alba reminds those subject to the Code of Ethics and Conduct of its applicability. The 2019 reminder once again set out the general behavioural standards to be followed, the functions of the Monitoring Committee, the procedure for overseeing compliance with the Code, and any developments regarding the Complaint Channel. It was likewise stated that the process for the individual affected to submit grievances regarding unlawful actions or those in breach of the Code of Ethics via the Corporación Financiera Alba website, email address or by post, guarantees the confidentiality of the whistleblower's identity. No grievances were received in 2019, nor any suggestions or consultations connected with the Code of Ethics and Conduct.

The **Preving** subgroup Code of Conduct contains a commitment to establishing forums of trust with its employees based on a long-term relationship, allowing for optimal personal and professional development, and the company is committed to the defence, respect and protection of fundamental employment rights, compliance with the employment legislation in force and the elimination of forced labour, child labour, or labour conducted under harsh, extreme, subhuman or degrading conditions.

The **Nuadi** subgroup also has a Code of Ethics in place, establishing the behavioural standards and associated values both for those individuals who belong to the organisation and any third parties it might have dealings with at any time, based on constant respect for Human Rights and the established regulations in each case.

The Code of Ethics of the **Satlink** subgroup defines its commitment to Human Rights in its General Standards of Conduct, with reference to the adhesion to and respect for the UN Global Compact, and the Declarations of the International Labour Organization. Information via formal and informal channels regarding any practice (or suspected practice) in breach of the company Code of Ethics will be diligently handled in order to eliminate the practice or report any perpetrators who might be involved. This applies equally to both staff and clients and suppliers.

5.2. Anti-corruption and anti-bribery management

Alba establishes the necessary measures to ensure fulfilment of its duties of oversight in order to prevent the commission of offences covered by its criminal prevention model. Ethical values and responsible behaviour are ever present in the daily actions of all individuals who belong to Alba. In order to safeguard these values, and in particular to combat all forms of corruption, in 2015 the Board of Directors approved the Criminal and Fraud Prevention Policy.

This policy has resulted in the creation of a Criminal Offence Prevention Model and Criminal Offence Prevention Manual, comprising a series of effective measures focused on prevention, detection and reaction to criminal conduct. It applies to directors, executives and employees, and serves to keep track of potential situations in which irregularities might be committed. The system is based on principles of coordination and participation by all professionals, transparency and communication, effective action, training, etc. serving to guarantee the proper implementation, monitoring and enhancement of the Model. Contracts with third parties are likewise subject to clauses in which they undertake to monitor situations where there is a risk that offences, infringements or serious irregularities could be committed, along with the rejection of corruption and fraud, including extortion, coercion or bribery.

The general behavioural standards of the Alba Code of Ethics and Conduct include a specific reference to bribes, commissions, gifts and favours, rejecting any influence exerted over the decisions of individuals outside Alba in order to obtain any benefit through unethical practices. Nor are other persons or entities allowed to apply such practices to its employees. Corporate courtesy and hospitality for the benefit of public officials is forbidden in procurement tenders in which Alba is involved, along with facilitating payments and donations to trade unions, political parties, or donations or sponsorships to obtain favourable treatment for Alba. Gifts may only be accepted if they are of an insignificant economic value.

The Code of Ethics and Conduct likewise covers fulfilment of the provisions to prevent money laundering and terrorist financing.

Meanwhile, the **Preving** subgroup has in place a Crime Prevention Policy, and with regard to gifts, favours, invites and other types of remuneration establishes specific guidelines intended to limit, and in some cases to prohibit gifts and invites, whether offered or received by professionals belonging to the subgroup.

The **Nuadi** subgroup has a number of documents in addition to the aforementioned Code of Ethics governing and controlling any conflicts of interest that might arise in the course of operations, or cases connected with intellectual property and the confidentiality of the information handled by the company.

6. Information about the company

6.1. Company commitments to sustainable development

The **Alba** Corporate Social Responsibility Policy establishes the principles and areas helping to improve personal well-being and to foster the economic and social development of the communities where it has a presence, and to create value for the various internal and external stakeholders. The company's main social responsibility is to ensure the utmost diligence and integrity throughout the investment process. This approach is based on three principles applied to its investments:

- Long-term view.
- Responsible management, selecting those assets offering the greatest capacity for influence and transformation
- Mitigation of non-financial risks, including social and environmental aspects, and those connected with good governance.

Alongside these aspects, other notable general principles and operational guidelines at Alba include the pursuit of excellence and adoption of best practice with regard to corporate governance, respect for and promotion of human rights, a safe and healthy working environment, and a firm commitment to the preservation of the natural environment.

Alba likewise focuses on its stakeholders, establishing the required channels of communication in order to respond to all their needs and expectations. The scope of application of these commitments of responsibility applies both to the company itself and to the companies belonging to its group. The company similarly strives at all investee undertakings to extend these guidelines and principles of responsibility through its representatives. Alba clearly expresses its commitment to achieving the Sustainable Development Goals through its investments, its own operations, and the activities of the companies in which it holds a stake. As a part of its commitment to the Global Compact in Spain, Alba likewise takes part in training initiatives organised by the corresponding platform, and submits its progress report to the organisation. In 2019 it attended 5 meetings that discussed matters connected with sustainable development.

Alba furthermore makes an annual funding contribution to the Juan March Foundation and the FEDEA (Foundation for Studies in Applied Economics), amounting in 2019 to 306 thousand euros.

Meanwhile, the **Preving** subgroup is involved with social organisations in the areas where it has a presence, collaborative initiatives with chambers of commerce, business organisations, stakeholders, professional associations and schools. It is likewise involved in social events that contribute value, such as events for charities, conventions, sporting events, social campaigns and other schemes.

The **Satlink** subgroup shows its commitment to these principles of corporate social responsibility by promoting and making an active and voluntary contribution to social and economic development. One of the key values and principles of the Group's corporate project is to support the social integration of groups facing particular difficulties in gaining employment, the occupational integration of people with disability, and groups at risk of social exclusion.

6.2. Subcontracting and suppliers

The **Alba Group** extends the principles and values set out in its Code of Ethics and Conduct to its entire value chain, including contractors, suppliers and partners that have a commercial relationship with the organisation. The contracts and conditions established in its dealings with all such entities clearly state the commitment of all third parties to the observation and fulfilment of these principles of respect for human rights, the environment, and regulatory compliance.

The **Preving** subgroup also has a “Compliance Agreement” guiding its relations with suppliers and how they are handled by company staff, ensuring fulfilment of the principles and values established by the company in its Code of Ethics and Conduct.

For its part, the **Nuadi** subgroup has established an internal purchasing procedure applicable to suppliers affecting the product and process, and each year evaluates performance and achievement of the goals set for each supplier by means of a system of periodic audits.

Lastly, the **Satlink** subgroup conducts an ongoing evaluation of its suppliers and subcontractors on the basis of its responsible purchasing programme, with regard to compliance with environmental, quality and safety at work requirements, conducting this evaluation in terms of both product and process quality, and also social and environmental responsibility aspects.

6.3. Consumers

Alba and its Subsidiaries apply the relevant procedures with regard to consumer health and safety, and provide its consumers with mechanisms to communicate, raise grievances and submit claims as applicable in each case, in accordance with the type of activity it performs with each of them.

In its real estate operations, **Alba** implements all health and safety measures and deploys all means necessary to coordinate company activities at the buildings that it owns. Tenancy agreements and internal regulatory standards at the buildings likewise establish the necessary channels to handle the various needs in this regard, maintaining a continuous and fluid relationship with tenants.

The **Preving** subgroup has specific measures in place to guarantee the health and safety of the customers of the services that it offers, with a claims and grievances management system accessible to all employees via the Internet, where they are required to enter all grievances and incidents notified by customers, while also offering a centralised customer service phoneline for claims and complaints. Such complaints are handled in real time, with both a monthly and a twice-yearly loyalty report being drawn up and shared with the executives of the subgroup, including the action plans implemented.

For its part the **Nuadi** subgroup has implemented a management system certified by the IATF (International Automotive Task Force). This is a fully customer-focused system, with complaints management and customer satisfaction monitoring processes being the key to obtaining certification.

For the **Satlink** subgroup, one of its distinctive strengths is its understanding of its customers' needs This capability is achieved through its proximity to its customers and speed of its response to their requirements, complaints and claims, by means of an open channel of communication, frequent visits and professional service, undertaking installations worldwide and offering a 24x7 telephone support service. The commercial departments also conduct customer satisfaction surveys on a systematic basis, at least once per year.

7. Contents of Non-Financial Statements

Contained in Act 11/2018 on Non-Financial Information Statements		Standard employed	Section of the Report
Business Model			
Description of the Group's business model	– Description of the business model. – Geographical presence. – Objectives and strategies. – Main factors and trends affecting future development.	GRI 102-2, GRI 102-4, GRI 102-6, GRI 102-7, GRI 102-15	2. Business Model
Main risks	– Main risks and impacts derived from Group activities, and how they are handled.	GRI 102-11, GRI 102-15	2. Business Model
Information regarding environmental issues			
Policies	– Management focus.	GRI 103-2, GRI 103-3	4.1 Information on environmental issues - Policies
General	– Effects of company activities on the environment, health and safety.	GRI 102-15, GRI 102-29, GRI 102-31	4.1 Information on environmental issues - Policies
General	– Environmental certification or evaluation procedures.	GRI 102-11, GRI 102-29, GRI 102-30	4.1 Information on environmental issues - Policies
General	– Resources dedicated to environmental risk prevention.	GRI 102-29	4.1 Information on environmental issues - Policies
General	– Application of the principle of foresight.	GRI 102-11	4.1 Information on environmental issues - Policies
General	– Provisions and guarantees for environmental risks.	GRI 307-1	Note 1 on the Consolidated Annual Accounts of Corporación Financiera Alba, S.A. and Subsidiaries for the financial year 2019
Pollution	– Measures to prevent pollution.	GRI 103-2, GRI 302-4, GRI 302-5, GRI 305-5, GRI 305-7	4.2.1 Energy and Climate Change
Circular economy and prevention and management of waste	– Measures to prevent and manage waste.	GRI 103-2, GRI 301-1, GRI 301-2, GRI 301-3, GRI 303-3, GRI 306-1, GRI 306-2, GRI 306-3	4.2.2 Sustainable use of resources
Sustainable use of resources	– Water consumption.	GRI 303-1	4.2.2 Sustainable use of resources
Sustainable use of resources	– Raw materials consumption.	GRI 301-1	4.2.2 Sustainable use of resources

Contained in Act 11/2018 on Non-Financial Information Statements		**Standard employed**	**Section of the Report**
	– Direct and indirect energy consumption. – Measures taken to improve energy efficiency. – Use of renewable energies.	GRI 103-2, GRI 302-1, GRI 302-2, GRI 302-4, GRI 302-5	4.2.1 Energy and Climate Change
Climate Change	– Greenhouse Gas (GHG) emissions.	GRI 305-2, GRI 305-3	4.2.1 Energy and Climate Change
	– Measures to adapt to Climate Change.	GRI 102-15, GRI 103-2, GRI 201-2, GRI 305-5	4.2.1 Energy and Climate Change
	– GHG emissions reduction targets.	GRI 103-2	4.2.1 Energy and Climate Change
Protection of biodiversity	– Measures to preserve or restore biodiversity.	GRI 103-2, GRI 304-3	Not material
	– Impacts caused by the activity.	GRI 304-2	Not material
Information regarding social issues and staff			
Policies	– Management focus.	GRI 103-2, GRI 103-3	3.1 Information regarding social issues and staff - Policies
Employment	– Total number and distribution of employees by gender, age, country and professional classification.	GRI 102-7, GRI 102-8, GRI 401-1, GRI 405-1	3.2.1 Employment and remuneration
	– Total number and distribution of employment contract types.		3.2.1 Employment and remuneration
	– Average annual number of permanent, temporary and part-time contracts, by gender, age and professional classification.		3.2.1 Employment and remuneration
	– Number of dismissals by gender, age and professional classification.		3.2.1 Employment and remuneration
	– Average remuneration by gender, age and professional classification or equal value.	GRI 102-35, GRI 102-36, GRI 201-3, GRI 202-1, GRI 405-2	3.2.1 Employment and remuneration
	– Salary Gap.		3.2.1 Employment and remuneration
	– Remuneration of equal jobs or company average.		3.2.1 Employment and remuneration
	– Average remuneration of directors and executives, with gender breakdown.		Note 27 on the Consolidated Annual Accounts of Corporación Financiera Alba, S.A. and Subsidiaries for the financial year 2019.

Contained in Act 11/2018 on Non-Financial Information Statements		Standard employed	Section of the Report
			There were four women members of the Board of Directors during the 2019 financial year.
	– Work switch-off measures.	GRI 103-2	3.2.2 Organisation of working hours
	– Employees with disability.	GRI 405-1	3.2.1 Employment and remuneration
Organisation of work	– Organisation of working hours.	GRI 102-8, GRI 103-2	3.2.2 Organisation of working hours
	– Number of hours of absence.	GRI 403-2	3.2.2 Organisation of working hours
	– Work-life balance measures.	GRI 103-2	3.2.2 Organisation of working hours
Health and Safety	– Health and safety at work conditions.	GRI 103-2	3.2.3 Health and Safety
	– Accident rate indicators separated by gender.	GRI 403-2, GRI 403-3	3.2.3 Health and Safety
	– Occupational illnesses.	GRI 403-2, GRI 403-3	3.2.3 Health and Safety
Labour Relations	– Organisation of social dialogue.	GRI 102-43, GRI 402-1, GRI 403-1	3.2.4 Labour relations
	– Percentage of employees covered by collective agreement.	GRI 102-41	3.2.4 Labour relations
	– Overview of collective agreements in the field of health and safety at work.	GRI 403-1, GRI 403-4	3.2.4 Labour relations
Training	– Training policies.	GRI 103-2, GRI 404-2	3.2.5 Training
	– Total training hours by professional category.	GRI 404-1	3.2.5 Training
Accessibility	– Universal accessibility for people with disability.	GRI 103-2	3.2.6 Accessibility and equality
Equality	– Gender equality measures.	GRI 103-2	3.2.6 Accessibility and equality
	– Equality plans.		3.2.6 Accessibility and equality
	– Employment development measures.		3.2.6 Accessibility and equality
	– Sexual and gender harassment protocols.		3.2.6 Accessibility and equality

Contained in Act 11/2018 on Non-Financial Information Statements		Standard employed	Section of the Report
	– Universal accessibility of people with disability.		3.2.6 Accessibility and equality
	– Anti-discrimination and diversity management policy.	GRI 103-2, GRI 406-1	3.2.6 Accessibility and equality
Information regarding respect for human rights			
Policies	– Management focus.	GRI 103-2, GRI 103-3 GRI 412-2	5.1 Ethical conduct and respect for Human Rights
Human Rights	– Application of due diligence procedures.	GRI 102-17, 103-2, GRI 419-1	5.1 Ethical conduct and respect for Human Rights
	– Measures to prevent and handle any possible abuses committed.		
	– Complaints of cases of human rights violations.		
	– Promotion and fulfilment of ILO provisions.		5.1 Ethical conduct and respect for Human Rights
Information on combating corruption and bribery			
Policies	– Management focus.	GRI 103-2, GRI 103-3, GRI 205-2	5.2 Anti-corruption and anti-bribery
Corruption and bribery	– Anti-corruption and anti-bribery measures	GRI 103-2	5.2 Anti-corruption and anti-bribery
	– Measures to combat money laundering.		5.2 Anti-corruption and anti-bribery
	– Contributions to foundations and non-profit entities.	GRI 103-2, GRI 201-1, GRI 203-3, GRI 415-1	6.1 Company commitments to sustainable development
Information about the company			
Policies	– Management focus.	GRI 103-2, GRI 103-3	6.1 Company commitments to sustainable development
Company commitments to sustainable development	– Impact of the company's activity on employment and local development.	GRI 203-1, GRI 203-2, GRI 204-1, GRI 413-1, GRI 413-2	6.1 Company commitments to sustainable development
	– Impact of company activities on the local population and region.		
	– Ongoing relations with local communities.	GRI 102-43, GRI 413-1	6.1 Company commitments to sustainable development
	– Actions for partnership.	GRI 102-13, GRI 203-1, GRI 201-1	6.1 Company commitments to sustainable development

Contained in Act 11/2018 on Non-Financial Information Statements		Standard employed	Section of the Report
Subcontractors and suppliers	– Inclusion of ESG aspects in the purchasing policy.	GRI 102-9, GRI 103-3, GRI 407-1, GRI 409-1, GRI 414-2	6.2 Subcontractors and suppliers
	– Consideration in the relationship with suppliers and subcontractors of their social and environmental responsibility.		6.2 Subcontractors and suppliers
	– Systems for supervision and audits, and the corresponding results.		6.2 Subcontractors and suppliers
Consumers	– Consumer health and safety measures.	GRI 103-2, GRI 416-1, GRI 416-2, GRI 417-1	6.3 Consumers
	– System for handling complaints and grievances received.	GRI 102-17, GRI 103-2, GRI 418-1	6.3 Consumers
Tax information	– Profits earned, by country.	GRI 201-1	Note 22 on the Consolidated Annual Accounts of Corporación Financiera Alba, S.A. and Subsidiaries for the financial year 2019
	– Profits taxes paid.		Note 22 on the Consolidated Annual Accounts of Corporación Financiera Alba, S.A. and Subsidiaries for the financial year 2019
	– Public grants received.	GRI 201-4	No Public Authority grants were received during 2019.

CORPORACIÓN FINANCIERA ALBA, S.A.

Auditor's Report on the “Internal Control over Financial Reporting (ICOFR) Information” of Corporación Financiera Alba, S.A. for 2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Auditor's Report on the "Internal Control over Financial Reporting (ICOFR) Information" of Corporación Financiera Alba, S.A. for 2019

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Directors of Corporación Financiera Alba, S.A.

As requested by the board of directors of Corporación Financiera Alba, S.A. (the "Company") and in accordance with our proposal letter dated 16 March 2020, we have applied certain procedures to the "ICOFR information" attached hereto in section F of the Annual Corporate Governance Report (ACGR) of Corporación Financiera Alba, S.A. for 2019, which summarises the Company's internal control procedures for annual financial reporting.

The Directors are responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and monitoring of an adequate system of internal control and developing improvements to that system, as well as defining the content of and preparing the ICOFR information attached hereto.

In this respect it should be borne in mind that, irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute, assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Company's annual accounts. Consequently, the scope of our evaluation of internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficacy of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the Guidelines for preparing the auditor's report on the information on internal control over financial reporting of listed companies, published on the website of the Spanish National Securities Market Commission (CNMV), which define the work to be performed, the minimum scope thereof and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on the efficacy thereof, nor on its design or operating effectiveness, with respect to the Company's annual financial reporting for 2019 described in the ICOFR information attached hereto. Consequently, had additional procedures been applied other than those established in the aforementioned Guidelines, or had an audit or a review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

As this special work did not constitute an audit of accounts and is not subject to the legislation regulating the audit of accounts in Spain, we do not express an audit opinion under the terms provided in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Company regarding ICOFR – disclosures included in the directors' report – and an evaluation of whether this information meets all the minimum reporting requirements, taking into account the minimum content described in section F, on the description of ICOFR, of the ACGR template provided in Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013, subsequently amended by CNMV Circular 7/2015 of 22 December 2015 and CNMV Circular 2/2018 of 12 June 2018 (hereinafter the CNMV Circulars).

2. Inquiries of the personnel responsible for drawing up the information detailed in point 1 above in order to: (i) obtain an understanding of the process that goes into drawing up the information; (ii) obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; (iii) obtain information on whether the control procedures described are in place and functioning in the Company.

3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing ICOFR systems. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit committee.

4. Comparison of the information detailed in point 1 above with the knowledge of the Company's ICOFR obtained through the external audit procedures applied during the audit of the annual accounts.

5. Reading of the minutes taken at meetings of the board of directors, audit committee and other committees of the Company to evaluate the consistency between the ICOFR business transacted and the information detailed in point 1 above.

6. Obtaining a representation letter in connection with the work performed, signed by those responsible for preparing and approving the information detailed in point 1 above.

As a result of the procedures applied to the ICOFR information, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively within the context of the requirements laid down in article 540 of the Revised Spanish Companies Act and in the CNMV Circulars for the purposes of the description of ICOFR in annual corporate governance reports.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Borja Guinea López

1 April 2020