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**IDENTIFICATION DATA OF THE ISSUER**

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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. THE COMPANY'S REMUNERATIONS POLICY FOR THE CURRENT YEAR**

A.1. Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.

Specific calculations for the year in progress should be described, for the remuneration of directors in their status as such as well as for their executive functions carried out for the Board pursuant to the contracts signed with executive directors and to the remuneration policy approved by the General Shareholders' Meeting.

In any event, the following aspects should be reported:

- Description of the company's procedures and bodies involved in the calculation and approval of the remuneration policy and its terms and conditions.
- State whether comparable companies have been considered to establish the company's remuneration policy, and if so provide details.
- Information about whether any external advisors were involved in this process, and if so provide details.

In accordance with that outlined in articles 529r and concordant provisions of the Capital Companies Act, for the calculation and approval of the Remuneration Policy of the Board of Directors of the Company, the Appointments and Remuneration Committee approves the corresponding report on the Remuneration Policy and submits the Proposed Remuneration Policy to the Board of Directors, which is submitted for approval to the General Shareholders' Meeting.

In relation to the members of the Board of Directors in their capacity as such, the Remuneration Policy determines their remuneration within the system put forth by statutory regulations and includes the maximum amount of annual remuneration to be satisfied to the group of them in their capacity of Directors.

In relation to the Directors performing executive functions (Executive Directors), the Remuneration Policy considers the amount of the annual fixed remuneration, the parameters for fixing the variable components, and the main terms and conditions of their contracts.

Any remuneration received by the Directors for the exercise or termination of their position and for the performance of executive functions must be consistent with the applicable Remuneration Policy at each time, except for remunerations expressly approved by the General Shareholders' Meeting.

The general principles on which it is based the Remunerations Policy are as follows:

- Balance and moderation.
- Alignment with generally accepted remuneration practices.
- Generally monitoring the recommendations on good corporate governance relating to the remuneration of the Directors.
- Compatibility with (i) adequate and effective risk management, not providing incentives to take risks that are based on the level of risk tolerated, and (ii) the Group's long-term business strategy, goals, values and interests, avoiding potential conflicts of interest, and
- Being subject to the decisions taken by the General Shareholders' Meeting.

The Remunerations Policy distinguishes the remuneration of the Directors in their capacity as such and the remuneration of the Directors for their performance of executive functions.

The remuneration of Directors in their capacity as such is based on the following principles:

- Sufficiency to compensate for their dedication, skill and responsibility, but without this being so high as to compromise their independence.
- Relationship with the effective dedication.
- Connection with the responsibility and the development of their functions by the various Directors.
- Absence of variable components.
- Incentive by nature, but in measures that do not affect their independence.
- To take into account, as reference, market criteria, focusing on the remuneration foreseen for Directors of listed companies with which a comparison can be established.

With regard to the remuneration for Directors who perform executive functions are based on the following principles:

- To reward the performance of their functions with a comprehensive offer of cash and non-cash elements that meet the variety of needs and expectations in a professional environment, and that serve as a tool for the communication of organizational and business objectives.

- To align the performance with the objectives of the group at different time lines, encouraging the sustainability of results.
  - To recognise the capacity for creating value, as well as personal abilities and characteristics.
  - To promote a culture of commitment with the group's objectives, taking into account that both personal and team contribution is essential
  - To evaluate professional development and the results of activities using standardised criteria.
  - To provide equitable and competitive remuneration, bearing in mind the responsibilities of the position and a flexible approach to the market, in order to attract and retain the best professionals.
  - To review the systems and remuneration updates so that, the necessary adjustments can be introduced, where appropriate, addressing the results and the capacity for motivation.
- The Appointments and Remuneration Committee examined the preparatory work of the Remuneration Policy, which included a comparison to the remuneration of the Directors of other listed companies, with this one being one of the principles in which the Directors' remuneration is based on their capacity as such.
- Characteristics of the comparative study were as follows:
- Sample of companies having similarities with Corporación Financiera Alba, S.A.: family firms, companies of similar share capital to Alba, international holdings and companies from the investment and financial sectors. Data was obtained from remuneration reports published by companies.
  - Remuneration of directors in their capacity as such: An assessment was made of the remuneration received for being a member of the Board or Committees, the maximum estimated remuneration for a Director also belonging to two Committees, the total remuneration paid to the Directors in the year that was analysed and the maximum amount planned for that year.
  - Remuneration of the Executive Directors in these companies: An assessment of each was made for the total received by Executive Directors in the year, taking into consideration salary components: wages based on the role of the CEO, short and long-term variable remuneration, and other forms of remuneration (remunerations in kind).

In 2019, with the assistance of an external advisor, Willis Tower Watson, a new annual variable remuneration has been introduced for certain Executive Directors, with the subsequent amendment to the Directors' Remuneration Policy that was approved by the General Shareholders' Meeting of 17 June 2019.

- Relative importance of variable remuneration items in relation to fixed remuneration items (remuneration mix) and the criteria and objectives taken into consideration in their calculation and to ensure a suitable balance between components of fixed and variable remuneration. In particular, state the actions adopted by the Company in relation to the remuneration system to reduce exposure to excessive risks.

and adapt it to the company's long-term goals, values and interests, including, as the case may be, a reference to: planned measures for guaranteeing that the remuneration policy will cater to the long-term results of Company, measures adopted in relation to those categories of staff whose professional activities have a material impact on the risks of the entity and measures for avoiding any conflicts of interest.

Furthermore, state whether the company has established any period of accrual or consolidation of certain variable remuneration items, in cash, shares or other financial instruments, any period of deferral in the payment of amounts or handover of already accrued and consolidated financial instruments, or whether a deferred remuneration reduction clause has been agreed or that obliges the director to return remuneration received, when such remunerations have been based on certain figures that have clearly been shown to be inaccurate has been agreed.

With regard to the Plans for 2017, 2018 and 2019, it is impossible at the present time to determine the relative effect of the variable remuneration on the fixed remuneration of Directors with executive functions, since the variable remunerations approved by the General Shareholders' Meeting held on 19 June 2017, 18 June 2018 and 17 June 2019 have not yet materialised, because they will be due, in each case, on the third year after it is established so it cannot be quantified except for 2017, which is expected to be zero.

In 2019, the relative importance of the multi-year variable remuneration generated in the period 2016-2019 and the variable annual remuneration corresponding to 2019, in relation to the Fixed Remuneration for 2019 for Directors with executive functions, was 64%.

The relative importance of the result of dividing the multi-year variable remuneration generated in the period 2016-2019 by three, plus the variable remuneration for 2019 in relation to the Fixed Remuneration for 2019 of Directors with executive functions, was 32%.

The Remuneration Policy foresees that the remuneration of the Directors should be in reasonable proportion with the importance of the company, the financial position it has at any time and the comparable business market standards, to be driven by promoting the long-term profitability and sustainability of the company, incorporating the necessary precautions to prevent excessive risk taking and unfavourable results.

Fees for Directors in their capacity as such, as well as those established for their participation in the Committees of the Board, are established in moderate amounts, especially if compared with those established for other listed companies.

The annual variable remuneration is based on several parameters that allow the evaluation of the performance and the degree of fulfilment, as well as the deferment of half the accrued remuneration. The parameters and weighting applied are the following:

- Evolution of Alba's net asset value (NAV) over the calendar year, measured in absolute terms relative to a target (25% weighting).
- Total return to the shareholder (evolution of the NAV plus dividends), measured in relative terms to the total return for the Ibex-35 shareholder (25% weighting).
- Value drivers (50% weighting), considering as such: execution of the international strategy, tracking existing investments, analysis and execution of investments and divestitures and corporate management.

To set the multi-year variable remuneration, the following criteria are considered:

- The variable remuneration of Executive Directors shall take into account the management functions they perform and the results obtained therewith.
- For quantifying the variable remuneration of the Executive Directors, one must take into account the creation of value for the shareholder, according to the evolution of the net asset value of the Company (NAV).
- The Executive Directors' variable remuneration must be related to their professional performance and not simply derived from the general evolution of the markets.

To reduce exposure to excessive risks, the Board of Directors has agreed that investment and divestiture decisions are taken collectively, by the Board of Directors itself, if they exceed the two hundred million euros, or by the Investment Committee, when operations exceed the limits set for the CEO, who will make these decisions only for amounts under twenty-five or ten million euros, depending on the investment concerned.

Except as indicated for the CEO, no Executive Director can take decisions that may involve a risk to the Company.

To address the Company's long-term results, the multi-year variable remuneration system for the Executive Directors and for any personnel of the Company that may be approved by the Board of Directors, is linked to the evolution of the company's net asset value, maturing three years from its approval. These plans will be drawn up at the discretion of the Company, by way of cash payments, the granting of stock options and/or shares. This remuneration is received according to the number of units allocated, to link them more directly to the value creation process for the shareholders of Corporación Financiera Alba, S.A. The maximum number of units to be awarded is established annually.

The multi-year variable remuneration system established for the Executive Directors and the Company personnel determined by the Board of Directors does not accrue annually, so it implies a period of deferral of the payment thereof, given no payment of the relevant variable remuneration shall be paid until three years after the date the Board of Directors agrees to implement the variable remuneration system approved by the General Shareholders' Meeting. This deferral in paying multi-year variable remuneration allows for the fulfilment of the established conditions to be verified.

Similarly, the annual variable remuneration includes a deferment of the payment of half of the accrued amount in each period, which is converted into units over the Company's net asset value (NAV), and which will be settled, together with the revaluation and the dividends, no earlier than five years after their accrual, and no later than eight, at the beneficiaries request.

Both the Remuneration Policy approved in 2019 and the contracts of Executive Directors who perform executive functions contain a "clawback" recovery pact of accepted variable remuneration, in the event that (i) variable remuneration is paid on the basis of data which is subsequently proven to be inaccurate (e.g., based on any contingencies in the external auditor's report that undermine the results), (ii) a fraudulent action is committed by the Director, or (iii) the Director inflicts serious damages upon the Company due to fault or gross negligence, the Company shall have the right to claim the reimbursement of the variable remuneration from the Director. In such a case, the claim may be made within a period of three years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

- The amount and nature of the fixed components that are due to be accrued during the year by directors in their capacity as such.

According to the Remuneration Policy approved at the General Shareholders' Meeting held on 17 June 2019, the remuneration of the Directors in their capacity as such is as follows:

The remuneration of all members of members of the Board of Directors in their capacity as such is 100,000 euros per year. Similarly, the following additional remuneration is established.

For the Chairman, 300,000 euros per year.

For the Vice-Chairman, 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.

The amounts indicated are fixed, not depending on the number of meetings held throughout the year. In the event that any membership of the Board of Directors does not extend throughout the year, the amounts will be prorated by quarters.

The annual amount of the fixed remuneration expected to be accrued for the Directors in their capacity as such for the 2020 is 2,240,000 euros

- Amount and nature of the fixed components that are due to be accrued during the year for the performance of senior management functions by executive directors.

With the maximum provided for in the Remuneration Policy approved by the General Shareholders' Meeting of 17 June 2019, the Fixed Remuneration of the Directors who perform executive functions shall consist of an annual gross sum for 2020 amounting to:

- Fixed Remuneration of the CEO: 1,023,308 euros per year.
- Fixed Remuneration of the Secretary of the Board: 400,737 euros per year.
- Fixed Remuneration of Director with other executive functions: 517,744 euros per year.

The Chairman and the Vice-Chairman do not perform executive functions (the Vice-Chairmen became proprietary directors at the General Shareholders' Meeting held on 17 June 2019).

The Fixed Remuneration is updated at the beginning of each calendar year by the Board of Directors, as proposed by the Appointments and Remuneration Committee, by an increase of at least the same percentage as that set forth in the Consumer Price Index. The Fixed Remuneration is paid in fourteen monthly terms.

The maximum Fixed Remuneration for all the Directors who perform executive functions is 3.500.000 euros per year.

The annual amount of the Fixed Remuneration expected to be accrued by the Executive Directors for the year 2020 amounts to 1,942,000 euros.

Any amounts that the Director who performs executive functions may receive from the Company in their capacity as such or for any other positions or functions in other subsidiary companies or entities, participated or related, will be calculated as part of the Fixed Remunerations, of which amount will be reduced by the amount directly credited by the Company.

- Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

Under the Remuneration Policy approved at the General Shareholders' Meeting of 17 June 2019, the Directors performing executive functions at Corporación Financiera Alba shall be entitled to the coverages listed below, for which the Company will arrange the corresponding insurance policies, which will be considered remuneration in kind.

The maximum amount of the remuneration in kind for all the Directors who perform executive functions is 500,000 euros per year.

Components of remuneration in kind are as follows:

- Annual coverage of the alternative pension system
- Life, accident and disability insurance
- Health insurance of the Director, their spouse and their children.

The annual amount of the remuneration in kind expected to be accrued in 2020 is 135,000 euros.

The Directors that received remuneration in kind during 2019 were Santos Martínez-Conde Gutiérrez-Barquín, Ramón Carné Casas and José Ramón del Caño Palop.

- Amount and nature of variable components, differentiating between those established in the short and long-term. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration in the year in progress, explaining the extent to which these parameters are related to performance, both of the director and of the company, together with their risk profile, and the methodology, deadline necessary and techniques established to determine the degree of compliance with the parameters used in the design of the variable remuneration at the end of the year.

State the range in monetary terms of the different variable components based on the degree of achievement of established objectives and parameters, and if there is a maximum monetary amount in absolute terms.

Directors who perform executive functions at Corporación Financiera Alba may, at the Company's discretion, be the beneficiaries of two types of variable remuneration:

### 1) Annual variable remuneration.

This variable remuneration is based on the establishment of a series of parameters that allow the evaluation of the performance and the degree of fulfilment, as well as the deferment of half the accrued remuneration, which is converted into units based on the Company's net asset value (NAV), and which will be settled, together with the revaluation and the dividends, no earlier than five years after their accrual, and no later than eight, at the beneficiaries request.

For the generation of the "Bonus pool", a "Bonus target" is set for each beneficiary at the beginning of the year and, at the end of the year, the Board determines the degree of fulfilment of the objectives for the whole team between 0% and 125%, with 100% being the fulfilment of the expectations. The "Bonus pool" is calculated by multiplying the degree of fulfilment by the total of the "Bonus targets". The targets are reviewed annually.

At the proposal by the Appointments and Remuneration Committee, and depending on the "Bonus target" and of the assessment of the performance, it will allocate the part of the "Bonus pool" earmarked for the Chief Executive Officer. The remainder will be distributed in the same manner, but at the proposal by the Chief Executive Officer.

In accordance with the Remuneration Policy of the Board, the maximum amount of the Annual Variable Remuneration for all the Directors who perform executive functions is 1,000,000 euros per year. However, the real effective maximum for variable annual remuneration in 2020 is 360,000 euros.

In the case of voluntary resignations before the year-end, the right to receive the variable annual remuneration will be forfeit, and in the case that this occurs during a deferral period, at least five years will have had to have passed in order not to lose said right. In the case of dismissal, the remuneration will be forfeit, both that for the year, and any deferred remuneration. In the case of death, retirement or disability, the right to the annual variable remuneration is conserved, and it shall be settled in the month following the effective cause.

The variable annual remuneration does not take into account non-financial parameters.

In 2019, the annual variable remuneration of the Executive Directors totalled 255,185 euros (as detailed in section C.1.a i)).

Given the characteristics of the annual variable remuneration, and how investment and divestment decisions at the Company are made, it cannot be said that Executive Directors have a certain risk profile or that they generate a particular risk.

### 2) Multi-year variable remuneration.

The multi-year variable remuneration plans are linked to the evolution of the Company's net asset value and is established in favour of the Executive Directors, the Directors that represent Alba in subsidiaries, investee or associated companies, the senior management and other personnel agreed by the Company. Such plans may be realised, if the Company so chooses, by way of cash payments, the granting of stock options and/or shares.

Currently, the present multi-year variable remuneration plans are expected to be settled in cash, although, at the Company's choosing, they may be settled by payment in shares valued at the closing of the day before they are transferred to the Directors.

When variable remuneration is in the form of stock option plans or share plans, these plans shall have the following principal characteristics: they will be issued free of charge; the settlement will be carried out by differences, and they shall be not be transferable, unless subject to exceptions.

Multi-year variable remuneration may be established every year, and its maturity may be multi-year, and shall take into account the difference between the "final net asset value" and the "initial net asset value" of the Company, which shall be calculated by valuing the assets of Corporación Financiera Alba, S.A. with the criteria set by the Board of Directors, deducting the treasury stock and excluding the taxes derived from the theoretical settlement.

In order to establish the "initial net asset value" and the "final net asset value" of Alba, the valuation of the Company's assets shall be in accordance with the following criteria:

- Listed companies: the closing share price on the day of the calculation
- Non-listed companies: the last book value established according to the requirements reflected in the last financial statements of Corporación Financiera Alba, S.A.
- Real estate: the annual appraisal value determined by an independent expert, plus the acquisitions and less any disposals for the year, at book value.

When calculating the "initial net asset value", the ten days prior to the "initial day" of Plan on which there has been a stock exchange trading session will be taken into account. The "initial day" of the Plan shall be the day agreed by the Board of Directors on which to implement the plan.

When calculating the "final net asset value", the ten days prior to the "final day" of Plan on which there has been a stock exchange trading session will be taken into account. The "final day" of the Plan will be the day on which the number of years established in the Plan counted from "initial day" end.

The maximum amount of the Multi-year Variable Remuneration for all the Directors who perform executive functions is 7,000,000 euros per year.

In the event that a positive result is not obtained by the maturity of a plan, the "initial net asset value" of the plan that is approved, if any, as a successor of which it would have matured will be calculated with a minimum of 90 percent of the "initial net asset value" of the matured plan.

The Multi-year Variable Remuneration does not take into account non-financial parameters. The parameters described are not directly related to the performance of each Executive Director individually, but to the entity.

Given the characteristics of the variable remuneration systems, and how investment and divestment decisions at the Company are made, it cannot be said that Executive Directors have a certain risk profile or that they generate a particular risk.

In the Multi-year Variable Remuneration plans referred to in detail in Section B.7 of this Report (referred to in 2017, 2018 and 2019) the range in monetary terms in which the multi-year variable remuneration may oscillate is based on the maximum limit of the cited remuneration, which shall be 30% of the initial net asset value of each of the Plans for 2017 and 2018 and 50% for the 2019 Plan. Monetary ranges for the different Plans will be as follows:

- For 2017: between 0 and 3,024,000 euros.
- For 2018: between 0 and 3,183,000 euros.
- For 2019: between 0 and 4,235,000 euros

Taking into account the evolution of the final net asset value, as at the date of this report, it is not forecast for there to be an accrual of the multi-year variable remuneration corresponding to the 2017 plan, described in Section B.7.

- Main features of long-term savings systems. Among other information, the contingencies covered by the system will be stated, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution system, the benefits directors are entitled to in the event of defined benefit systems, the conditions under which economic rights are consolidated for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director.

State if the accrual or consolidation of any of the long-term savings plans is linked to achieving certain objectives or parameters related to the short- or long-term performance of the director.

The Remuneration Policy contemplates for Executive Directors two possible provision systems, one of determined benefits and one of defined benefits, provided that the relationship is prior to or after 01-01-2017. Notwithstanding, the two Directors that currently benefit from a provision system, do so under the defined benefits system. They are outsourced with insurance companies.

The characteristics of the two systems are detailed as follows:

### A. Defined benefit planning system.

A.1. Alternative pension system: When reaching the legal age of retirement, Directors may retire at their own request or by the decision of the Company, which, irrespective of the pension of the Social Security, shall pay an annual income and lifetime pension of 35% of the Fixed Remuneration ("Retirement Pension"). If they voluntarily retire early, they will be entitled to the annual income and cited lifetime pension, accrued to that date.

A.2. Disability Pension: If the Director's permanent disability is declared, they will receive an annuity income equivalent to the Retirement Pension in the year of disability.

A.3. Widow's Pension: Should the Director die, the spouse will receive an annual income of 21% of the Fixed Remuneration that would have been received by the Director in the year of his/her death. If the Director dies while in a state of disability or when retired, the surviving spouse will receive an annual income equivalent to 60% of what the Director was receiving in the year of his/her death. The spouse's right to the Widow's Pension will be governed by Social Security rules.

A.4. Orphan's Pension: If the Director dies, and in addition to the spouse there are surviving children who may receive an Orphan's Pension, each of them will be paid, in accordance with the requirements, a pension in an amount equal to 7% of the Fixed Remuneration in the year of death. The total amount of the Widow's Pension and/or Orphan's Pension shall not exceed 35% of the sum of Fixed Remuneration that the Director would have received in the year of his/her death. For declared disabled orphans, the Orphan's Pension will remain until recovery, regardless of age. In the case of orphans with no surviving parent, the eldest of those entitled to an Orphan's Pension will also receive the income that would correspond to the spouse's Widow's Pension, and the remaining orphans the above detailed Orphan's Pension. In this case, orphans will be entitled to the Orphan's Pension that they are entitled to until each of them reaches the legal age, which will be extended to 25 years, if the beneficiaries are dedicated solely to pursue studies. The amount to be received by the orphans may not exceed 35% of the Fixed Remuneration that the Director would have been entitled to in the year of his/her death.

### B. Defined contribution planning system.

B.1. Alternative pension system: The annual contribution and its update agreed with the Director, which in compliance with the legal age of retirement may retire at their own request or by the decision of the Company, and shall be entitled to the mathematical provision derived from the contributions provided. The maximum of that mathematical provision will be the capital required to purchase a lifetime income (annual, fixed and reversible at 60% in favour of the spouse and 20% for each orphan, with a joint limit of 100%) this amount being 35% of the sum of the Fixed Remuneration of the year in which retirement occurs. If the Director voluntarily retires early, he/she shall be entitled to receive the above mathematical provision.

B.2. Disability pension: If the Director's permanent disability is declared, he/she shall be entitled to receive 100% of the mathematical provision calculated in B.1., in the year in which the disability occurs.

B.3. Widow's Pension: If the Director dies while active, his/her spouse will be entitled to 60% of the mathematical provision calculated in B.1., in relation to the year of death. The spouse's right to the Widow's Pension will be governed by Social Security rules.

B.4. Orphan's Pension: If the Director dies, and in addition to being survived by the spouse, there are surviving children who may receive an Orphan's Pension, each of them shall be entitled to a temporary income equal to 20% of that of the Director in a situation of retirement in accordance with B.1., and referenced to the year of death. The accumulation of Widow and Orphan benefits may not exceed 35% under any circumstances, 35% of the Fixed Remuneration paid to the Director. In the case of disabled orphans, the Orphan's Pension to be paid will remain until recovery, regardless of age. In the case of orphans with no surviving parent, the eldest of those entitled to an Orphan's Pension will also receive the income that would correspond to the spouse's Widow's Pension, and the remaining orphans the above detailed Orphan's Pension. In this case, orphans will be entitled to the Orphan's Pension that they are entitled to until each of them meets the statutory age, which will be extended to 25 years, if the beneficiaries are dedicated solely to pursue studies. The amount to be received by the orphans will not exceed the limit set in B.1.



C. The maximum amount of contributions by the Company to the planning systems shall be 1,500,000 euros per year. Beneficiaries will only receive benefits if upon retirement they form a part of the workforce or the Board of Directors or any of the dependent companies. Accrual or receipt of benefits is not linked to the achievement of certain objectives or parameters. Information about the contributions for 2020 is not yet available, but in 2019 it was not necessary to make any contributions to the system.

- Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, permanence or loyalty, which entitle the director to any type of remuneration.

In respect of the basic terms of the contracts of the Directors who carry out executive functions at the Company, the Remuneration Policy approved by the General Shareholders' Meeting of 17 June 2019 contains the following clauses relating to indemnification or golden parachute clauses for early termination or termination of the contractual relationship between the Company and the Director:

- If, upon ceasing to perform the executive functions assigned under contract, the Director takes on other functions that are also executive ones, the remuneration agreed upon in his contract shall be maintained, unless some other arrangement is mutually agreed on.
- If at the end of the Directorship in the performance of the executive functions a previous employment relationship resumes its validity, and the termination of that employment relationship is also decided, the remuneration to be paid in case of termination of the relationship by the will of the Company will be adjusted to labour regulations, but shall not be less than the amount of the fund constituted as a pension supplement (depending on that stipulated in the system that may be applicable), or the amount of an annuity of the Fixed Remuneration, increased by one twelfth of said annuity for each year elapsed since the date of seniority in the Group, whichever is greater.
- If, upon ceasing to perform the executive functions, the Director has not resumed any further working relationship, the Director shall be entitled to remuneration equivalent to the amount of a year's Fixed Remuneration, plus one twelfth of the annual payment for every year that has elapsed since the date of seniority in the Group, with a maximum of two years' payment, however from that amount the amount of the fund constituted as a pension supplement (depending on that stipulated in the system that may be applicable), will be deducted, which will be fully applicable, in any case.
- The indemnity will not be paid until the Company has been able to verify that the Director has met the performance criteria that may be established.

In addition, the following exclusivity covenants are established: The provision of services is based on the exclusive dedication of the Director, who may not provide services to any other entity, even if his activity is not concurrent with that of the company, unless he has the Company's prior consent. In the event that the exercise of other activities is authorised and these are paid, the amount of such remuneration may be deducted from the Director's remuneration, if the Company so decides when granting authorisation.

Post-contractual, non-competition or permanence agreements are not established.

- State the conditions that contracts should respect for those exercising senior management functions as executive directors. Among other things, provide information about the duration, the limits on amounts of remuneration, the permanence clauses, periods of notice, as well as the payment as a substitute for the said period of notice, and any other provisions relating to contracting premiums, as well as remuneration or protective payments for early termination or cancellation of the contractual relationship between the company and the executive director. Include, among other things, the pacts or agreements of non-concurrence, exclusivity, permanence or loyalty and post-contractual non-competition, unless they have been stated in the previous section

The basic conditions of contracts of Directors who perform executive functions at Corporación Financiera Alba are as follows:

- Contract duration: indefinite.
- Notice periods: fifteen days, as a general rule.
- Dedication: exclusive.
- Remuneration:
  - Fixed remuneration: This is composed of an annual monetary fixed remuneration in cash (Fixed Remuneration) that is incremented annually with the Consumer Price Index. Amounts that the Director may receive from the Company for their capacity as director or for any charges or functions in subsidiaries, investee or related, will also be calculated as part of the fixed remunerations, of which amount will be reduced by the amount credited by the Company.
  - Variable remuneration: Two types of variable remuneration are established. An annual variable remuneration, the calculation of which will take into account, with the weighting established for each case, the following parameters: evolution of the Company's NAV over the calendar year, total return for the shareholder, and the value drivers, such as the execution of the international strategy, tracking existing investments, analysis and execution of investments and divestitures and corporate management. Furthermore, the Director may be a beneficiary of the multi-year variable remuneration plans linked to the evolution of the Company's net asset value that may be materialised, at the Company's choosing, through cash payments, stock options vesting and/or stock delivery.
  - Remuneration in kind: The Directors shall be entitled to the following coverage: annual coverage from the pension system; life, accident and disability insurance; and health insurance with coverage for the Director, spouse and children.

Both systems have been referred to point 6 of this Section A.1.



- Compensation for early termination or cancellation of the contractual relationship between the company and the executive director: explained in the above point of this Section A.1.

- Recovery agreement for variable remuneration satisfied ("clawback"). In the event that (i) the variable remuneration is paid based on data whose inaccuracies are demonstrated after it has been paid (e.g., based on any reservations in the external auditor's report that undermine the results), (ii) a fraudulent action is committed by the Director, or (iii) the Director causes serious harm to the Company due to fault or gross negligence, the Company shall have the right to claim the reimbursement of the relevant components of the variable remuneration from the Director. The claim may be made within a period of three years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

The planning system applicable to the Directors has been outlined in Section A.1. Item 6 of this Report.

- The nature and estimated amount of any other supplementary remuneration accrued by directors in the year in progress in consideration for services rendered other than those inherent in the post.

N/A

- Other remunerative items or by-products, as the case may be, of the company granting the director advance payments, loans, guarantees or any other remuneration.

N/A

- The nature and estimated amount of any other planned supplementary remuneration accrued by directors in the year in progress that are not included in the previous sections, whether payment is satisfied by the company or another group company.

The Remuneration Policy approved by the General Shareholders' Meeting of 17 June 2019 has made a provision for Directors with executive functions so that the Board, subject to a report by the Appointments and Remuneration Committee, may establish a supplement in favour of one or more of these Directors, payable once only, and which may not exceed a combined total of 1,000,000 euros.

No remuneration for this concept was paid in 2019.

### A.2. Explain any significant change in the remuneration policy applicable in the current year resulting from:

- A new policy or a modification of the policy already approved by the General Shareholders' Meeting.
- Significant changes in the specific calculations established by the Board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.
- Proposals that the Board of Directors has agreed to submit to the General Shareholders' Meeting to which this annual report will be submitted and proposed to apply in the current year.

The Board of Directors, within the provisions of the Remuneration Policy valid until 17 June 2019, approved, at the start of year the update of the Fixed Remuneration of the Executive Directors.

In accordance with Article 529 novodecies 1 of the Capital Companies Act, during the previous financial year the General Shareholders' Meeting approved a new Remuneration Policy of the Board of Directors of the Company, amending the current policy, which had been approved by the General Shareholders' Meeting of 2018, in which, for Directors carrying out executive functions, (i) the previously named "Base" and "Supplementary" remunerations were unified into a single Fixed Remuneration, but still maintained the possibility for a "special" supplementary one, for extraordinary reasons, and payable only once, (ii) it introduced an annual variable remuneration, and (iii) it reduced the number of units that can be assigned to the beneficiaries of the multi-year variable remuneration. Similarly, it amended the remuneration of the Directors in their capacity as such, in particular, as a result of the extinction of the Operations Committee and the Investment Monitoring Committee, and the creation of the Investments Committee.

The introduction in 2019 of the annual variable remuneration led to the reduction in the number of units that will be assigned to the beneficiaries of the multi-year variable remuneration, compared to previous years, so that the growth of the total variable payout is limited, even in the case of maximum compliance with the targets set.

The Board of Directors intends to submit the following proposals for remuneration before the General Shareholders' Meeting: (i) proposed approval of the Remuneration Report for 2019; (ii) proposed multi-year variable remuneration approval system referenced to the net asset value (NAV) for the year 2019 (similar to that agreed in previous years).

A.3. Identify the direct link to the document where the current company remuneration policy is posted, which must be available on the website of the company.

[https://www.corporacionalba.es/wp-content/uploads/2019/12/2019-06-17-ALBA-Politica-de-retribuciones\\_2019\\_EN.pdf](https://www.corporacionalba.es/wp-content/uploads/2019/12/2019-06-17-ALBA-Politica-de-retribuciones_2019_EN.pdf)

A.4. Explain, taking into account the data provided in Section B.4, the outcome of voting, of a consultative nature, by shareholders at the General Shareholders' Meeting on the annual report on remuneration for the previous year.

The Annual Remuneration Report of 2018 was approved by 99.19% of the votes issued at the General Shareholders' Meeting of 2019, therefore no modification to the Company's Remuneration Policy which was approved at the same General Shareholders' Meeting is deemed necessary.

## **B. OVERALL SUMMARY OF HOW REMUNERATION POLICY HAS BEEN APPLIED DURING THE YEAR ENDED**

B.1. Explain the process followed to apply the remuneration policy and calculate the individual remuneration contained in Section C of this report. This information will include the role played by the Remuneration Committee, the decisions taken by the Board of Directors and, as the case may be, the identity and the role of the external advisors whose services have been used in the process to apply the remuneration policy in the year ended.

The Articles of Association refer to the remuneration of the members of the Board of Directors in their article 39.

The Appointments and Remuneration Committee issued the corresponding report on the Remuneration Policy of the Board of Directors of Corporación Financiera Alba, which submitted it to the Board of Directors, who in turn submitted it to the General Shareholders' Meeting.

The Appointments and Remuneration Committee favourably reported on the revision of the remuneration of the Executive Directors, in accordance with the Remuneration Policy in force until 17 June 2019, which were approved by the Board of Directors.

It also reported favourably on the proposal for a new annual variable remuneration for the executive Directors, which was detailed in the proposed amendment to the Remuneration Policy of the Board of Directors, submitted before said body and approved by the General Shareholders' Meeting.

In accordance with Article 529 novodecies 1 of the Capital Companies Act, which requires that any amendment or substitutions of the Remuneration Policy of the Board of Directors be approved, as a separate item on the agenda, at the General Shareholders' Meeting of 17 June 2019 the new Remuneration Policy was approved. In addition, the maximum amount of the annual remuneration of the Board for their position of Directors was set to 2,500,000 euros. The Remuneration Policy approved by the General Shareholders' Meeting is effective as of its approval and shall be in force for the following three years, unless amended by the General Shareholders' Meeting. The annual variable remuneration provided for therein shall take into account 2019 as a whole.

The Appointments and Remuneration Committee also informed in the amendment to the Contracts of the Executive Directors, as a result of the approval by the General Shareholders' Meeting of the new Remuneration Policy for the Board of Directors of the Company, with said amendment being approved by the Board.

The proposal for the establishment of a multi-year variable remuneration plan intended for Executive Directors and the personnel of Corporación Financiera Alba, S.A. as determined by the Board of Directors, for 2019 was duly reported by the Appointments and Remuneration Committee, as were the plans for 2017 and 2018.

The Board of Directors favourably reported the proposed Multi-year Variable Remuneration Plan, which was approved by the General Shareholders' Meeting of 17 June 2019, to be implemented by the Board of Directors, before the end of the year 2019, as reported by the Appointments and Remuneration Committee. The Variable Remuneration Plans for 2017 and 2018 were also favourably reported on and, after approval by the General Shareholders' Meetings for these years, were implemented by the Board of Directors.

Similarly, the Board of Directors confirmed the application of the annual variable remuneration plan provided for in the Appointments and Remuneration Policy, and established the weighting for determining the "2019 Bonus".

The Company engaged the external expert Willis Tower Watson to establish a new annual variable remuneration plan, included in the new Remuneration Policy of the Board of Directors of the Company, approved by the General Shareholders' Meeting of 17 June 2019. In 2017 and 2018, the Company did not have external advisors for matters related to the remuneration policy.

- B.2. Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks and adapting them to the long-term objectives, values and interests of the company, including a reference to the measures that have been adopted to ensure that the long-term results of the company have been taken into consideration in the remuneration accrued and that a suitable balance has been attained between the fixed and variable components of the remuneration, the measures that have been adopted in relation to those categories of staff whose professional activities have a material repercussion on the company's risk profile and the measures that have been adopted to avoid any conflicts of interest.

In the year 2019, the Company followed the principles of its Remuneration Policy, both that approved in 2018, and valid until 17 June 2019, and that approved by the General Shareholders' Meeting on that same date, which entered into effect as of its approval, and for the annual variable remuneration it took into account the whole of 2019. The principles followed are those set out in Section A.1. Item 1 of this Report.

The remuneration paid to the Directors in their capacity as such, both for membership of the Board and the various Committees, if compared to those of comparable companies, must be of moderate quality.

Fixed remuneration payouts are clear, they respond to the Remuneration Policy and their upgrade system is well known.

The annual variable remuneration was determined once the fulfilment of the objectives set for 2019 had been evaluated, which take into account, in particular, the evolution of Alba's NAV and the return for shareholders measured in relative terms, compared to the total return for the shareholder from the IBEX-35. Fifty percent of the annual variable remuneration is converted into "phantom shares" in Alba and the payment is deferred for between five and eight years.

Multi-year variable remuneration payouts have been made at the net asset value of the Company's share, therefore they are only paid out if there has been a positive performance.

In addition, in connection with multi-year variable remuneration, this is not paid until three years have elapsed from the date the Board of Directors agrees to implement the variable remuneration system approved by the General Shareholders' Meeting, thereby verifying compliance at all times with the established conditions.

All stated circumstances ensure that the remuneration accrued are based on long-term results, which includes the Company's right to reclaim from a Director any variable remuneration received (clawback clause) based on the assumptions and during the period referred to in section A.1. Item 2 of this Report.

As described in Section A.1. Points 2 and 6, the method of application of investment and divestiture decisions does not permit individuals whose activity could individually impact the Company's risk profile.

B.3. Explain how the remuneration accrued over the year meets the provisions contained in the current remuneration policy.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, as the case may be, how the variations in the performance of the company have influenced changes in the remuneration of directors, including those accrued whose payment would have been deferred, and how the latter contribute to the short long-term results of the company.

The remuneration accrued by the Directors in 2019 fully complies with the Company's Remuneration Policy, having applied the concepts set out in it and none other. In the detail of the individual payouts reflected in Section C below the amounts of the concepts mentioned in the corresponding points in Section A above are listed. The evolution of the results of the entity does not influence the Fixed Remuneration of the Directors (in their capacity as such or as executives). The annual variable remuneration depends on the parameters detailed in section A.1, point 3 and the performance of each beneficiary of said remuneration. The multi-year variable remuneration depends not so much on the Company's results as on the evolution of its net asset value.

B.4. Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes against that may have been cast.

	Number	% of total
Votes cast	54,169,632	100.00
	Number	% of issued
Votes against	440,504	0.81
Votes in favour	53,729,128	99.19
Abstentions		0.00

Observations

**B.5. Explain how the fixed components accrued during the year by the directors in their capacity as such have been calculated and how they have changed with respect to the previous year**

The calculation of the fixed components accrued during year 2019 by the Directors in their capacity as such, has been carried out, up until 17 June 2019, in accordance with the Remuneration Policy approved on 18 June 2018, and as of that date the new Remuneration Policy approved by the General Shareholders' Meeting, with the amounts and characteristics detailed in A.1. Point 3 of this Annual Report on Remuneration for 2019. The amounts established in the new policy have varied to those applicable until 17 June 2019, both in terms of the amounts and also due to the extinction of the Operations Committee and the Investment Monitoring Committee and the creation of the Investments Committee.

**B.6. Explain how the salaries accrued by each one of the executive directors over the past financial year for the performance of management duties were calculated, and how they have changed with respect to the previous year.**

The calculation of the fixed components accrued during the year 2019 until 17 June 2019 by the Executive Directors has been in accordance with the Remuneration Policy approved by the General Shareholders' Meeting on 18 June 2018, and since said date by the new Remuneration Policy approved by the General Shareholders' Meeting, the amounts and characteristics of which are set out in A.1. Point 4 of this 2019 Annual Remuneration Report, as well as their respective contracts and amendments. The amounts established in the Policy applicable since 17 June 2019, have changed due to the unification of the previous "Base Remuneration" and "Supplement" into a single item called "Fixed Remuneration" and being updated with a single criterion.

The Fixed Remuneration received by the Executive Directors was established by the Board at the beginning of the year, subject to a favourable report by the Appointments and Remuneration Committee, and its amount was not amended as a result of the approval of the new Remuneration Policy (in which two items were unified, as detailed above).

In respect of 2018, the Fixed Remuneration in 2019 for the Executive Directors, who have held the post for two complete years, was increased by 2.1%.

B.7. Explain the nature and the main characteristics of the variable components of the remuneration systems accrued in the year ended.

In particular:

- Identify each one of the remuneration plans that have calculated the different types of variable remuneration accrued by each of the directors in the year ended, including information on their scope, their date of approval, their date of incorporation, the periods of accrual and validity, the criteria used to evaluate performance and how this has affected the establishment of the variable amount accrued, as well as the measurement criteria used and the period necessary to be in a position to suitably measure all the conditions and criteria stipulated.

In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (consolidation) and to exercise these options or financial instruments, including the price and term to exercise them.

- Each one of the directors, together with their category (executive directors, proprietary external directors, independent external directors and other external directors), that are beneficiaries of remunerations systems or plans that include variable remuneration.
- As the case may be, information is to be provided on periods for the accrual or deferment of payment applied and/or the periods for withholding/unavailability of shares or other financial instruments, if they should exist.

Explain the short-term variable components of the remuneration systems:

**A- Annual variable remuneration**

In 2019, the new Remuneration Policy of the Board of Directors of the Company established annual variable remunerations for the Executive Directors, it being agreed to be applied to the whole of 2019, establishing a transitory regime as it coincided with the three-yearly variable remuneration already agreed in 2016, 2017 and 2018 (the number of units that can be allocated to the beneficiaries of the Multi-year Variable Remuneration plan was reduced, as a consequence of the introduction of the annual variable remuneration). The annual variable remuneration was introduced by the new Remuneration Policy approved by the General Shareholders' Meeting of 17 June 2019, proposed by the Appointments and Remuneration Committee.

The executive Directors who will benefit from the annual variable remuneration are Santos Martínez-Conde Gutiérrez-Barquín and José Ramón del Caño Palop.

The accrual period is annual and fifty percent of the remuneration is deferred between five and eight years.

In the event that (i) the variable remuneration is paid based on data whose inaccuracies are demonstrated after it has been paid (e.g., based on any reservations in the external auditor's report that undermine the results), (ii) a fraudulent action is committed by the Director, or (iii) the Director causes serious harm to the Company due to fault or gross negligence, the Company shall have the right to claim the reimbursement of the relevant components of the variable remuneration from the Director. In such a case, the claim may be made within a period of three years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

**B- Remuneration in respect of participation in benefits or premiums.**

Remuneration consisting of profit sharing is not established, but there is a variable remuneration for the executive Directors as established in letter A above.

**C- Basic parameters and basis of any annual bonus system.**

See section A.1.

**D- Classes of directors who are beneficiaries of the annual variable remuneration.**

Annual variable remuneration apply only to Executive Directors.

**E – Basis of the systems of variable remuneration, criteria for evaluation of performance, methods of evaluation and estimation of the absolute amount of the variable remunerations according to the current remunerations plan.**

The annual variable remuneration is based on the establishment of a series of parameters that allow the evaluation of the performance and the degree of fulfilment, as well as the deferment of half the accrued remuneration, as detailed in Section A.1.

The method takes into account the following parameters: evolution of the Company's NAV over the calendar year; the total return for the shareholder; and the value drivers, such as the execution of the international strategy, tracking existing investments, analysis and execution of investments and divestitures and corporate management.

The amount of annual variable remuneration for executive directors amounts, in 2019, to 255,000 euros.

**F- Periods of deferral of payment or retention of shares.**

Fifty percent of the annual variable remuneration is converted into "phantom shares" in Alba and is deferred for between a minimum of five and a maximum of eight years from the moment of its accrual.

**G- Share option plans.**

Share option plans are not approved.

Explain the long-term variable components of the remuneration systems:

A- Multi-year variable remuneration plans of which the Directors are beneficiaries.

**A.1. 2016 Plan**

The 2016 Plan matured on 7 June 2019, which was approved by the General Shareholders' Meeting held on 8 June 2016 consisting of a variable remuneration referenced to the net asset value of the Company, as detailed in Section A.1. Point 6 of this Report. Each beneficiary had been assigned a certain number of units, which totalled 140,000 units for the Executive Directors. The difference between the initial and final net asset value of Alba amounted to 8.23 euros, which is reflected in the "Consolidated share price" column of the table in Section C.1.a.ii), and which is multiplied by the units of which the Executive Directors were beneficiaries.

The characteristics detailed in the 2016 Plan can be found in Relevant Fact no. 239,565, published on 8 June 2016. The Directors benefiting from this Plan were allocated the following "units": Juan March de la Lastra, 30,000 units; Juan March Juan, 20,000 units; Santos Martínez-Conde Gutiérrez-Barquín, 70,000 units; and José Ramón del Caño Palop, 20,000 units.

The amounts effectively received by virtue of the 2016 Plan are as follows: Juan March de la Lastra, 247,000 euros; Juan March Juan, 165,000 euros; Santos Martínez-Conde Gutiérrez-Barquín, 576,000 euros; and José Ramón del Caño Palop, 165,000 euros, as detailed in the table in Section C.1.a.i).

**A.2. Plan 2017**

The system was approved by the General Shareholders' Meeting held on 19 June 2017 and was implemented by agreement of the Board on the same date. Its characteristics are:

- The plan consists of a variable remuneration system referenced to the net asset value of the company.
  - The Beneficiaries of the Plan are the Executive Directors and personnel of Corporación Financiera Alba, S.A. determined by the Board. Each beneficiary is assigned a certain number of units, totalling 140,000 units for all the executive Directors.
  - Value of the units. Each unit will grant the right to receive the difference between the "final net asset value" and the "initial net asset value" of Alba, per share. The calculation of the initial and final net asset values is explained in Section A.1. Point 6 above. Therefore,
    - the "initial net asset value" is 72.00 euros, equivalent to the net asset value of Alba during the ten days prior to the "initial day" of the plan (19-06-2017), on which there were stock exchange trading sessions, and,
    - the "final net asset value" will be the net asset value of Alba during the ten days prior to the "final day" of the Plan, on which there are stock exchange trading sessions. The "final day" of the Plan will be 19-06-2020.
  - The maximum difference between the "final net asset value" and "initial net asset value" may not exceed 30 per cent of the "initial net asset value".
  - In the event of a dilution effect caused by a capital increase, the "initial net asset value" shall be adjusted downward by the theoretical value of the preferential subscription right. A similar adjustment shall occur in the event that it is agreed to distribute an extraordinary dividend or any other course that produces a similar economic effect.
  - Plan maturity. Maturity of the Plan will occur after three years from 19-06-2017, at which time the Company will perform the corresponding calculation and will proceed to make the payouts along with the payroll of the month.
- However, if the Company so chooses, the Plan may also be paid in shares, valued at the share price at the close of the day before the one on which they are transferred to the Beneficiaries.
- The rights arising from the application of the Plan are not transferable, except when due to death.
  - It is a basic condition of the Plan that the beneficiary is still on the workforce or on the Board of Alba or its subsidiaries at the time the Plan matures.
  - The amounts resulting from the application are considered to be "gross" and the fiscal regime currently in force shall apply to them, with the beneficiaries paying the corresponding amounts due.
  - In the event that the variable remuneration is settled according to data shown to be wrong after it has been paid, the Company shall have the right to claim a refund of the corresponding components of the variable remuneration from the Director. The claim may be made within a period of two years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

The characteristics detailed in the 2017 Plan can be found in Relevant Fact no. 253,560, published on 19 June 2017. The Directors benefiting from this Plan were allocated the following "units": Juan March de la Lastra, 30,000 units; Santos Martínez-Conde Gutiérrez-Barquín, 70,000 units; Juan March Juan, 20,000 units; and José Ramón del Caño Palop, 20,000 units.

Taking into account the evolution of the final net asset value, as at the date of this report, it is not forecast for there to be an accrual of the multi-year variable remuneration corresponding to the 2017 Plan.



### A.3. Plan 2018

The system was approved by the General Assembly held on 18-06-2018 and was implemented by agreement of the Board on the same date. Its characteristics are:

- The plan consists of a variable remuneration system referenced to the net asset value of the company.
- The Beneficiaries of the Plan are the Executive Directors and personnel of Corporación Financiera Alba, S.A. determined by the Board. Each beneficiary is assigned a certain number of units, totalling 140,000 units for all the executive Directors.
- Value of the units. Each unit will grant the right to receive the difference between the “final net asset value” and the “initial net asset value” of Alba, per share. The calculation of the initial and final net asset values is explained in Section A.1. Point 6 above. Therefore,
  - the “initial net asset value” is 75.79 euros, equivalent to the net asset value of Alba during the ten days prior to the “initial day” of the plan (18-06-2018), on which there were stock exchange trading sessions, and,
  - the “final net asset value” will be the net asset value of Alba during the ten days prior to the “final day” of the Plan, on which there are stock exchange trading sessions. The “final day” of the Plan will be (18-06-2021).

The maximum difference between the “final net asset value” and “initial net asset value” may not exceed 30 per cent of the “initial net asset value”.

- In the event of a dilution effect caused by a capital increase, the “initial net asset value” shall be adjusted downward by the theoretical value of the preferential subscription right. A similar adjustment shall occur in the event that it is agreed to distribute an extraordinary dividend or any other course that produces a similar economic effect.
  - Plan maturity. Maturity of the Plan will occur after three years from 18-06-2018, at which time the Company will perform the corresponding calculation and will proceed to make the payouts along with the payroll of the month.
- However, if the Company so chooses, the Plan may also be paid in shares, valued at the share price at the close of the day before the one on which they are transferred to the Beneficiaries.

- The rights arising from the application of the Plan are not transferable, except when due to death.
- It is a basic condition of the Plan that the beneficiary is still on the workforce or on the Board of Alba or its subsidiaries at the time the Plan matures.
- The amounts resulting from the application are considered to be “gross” and the fiscal regime currently in force shall apply to them, with the beneficiaries paying the corresponding amounts due.

In the event that (i) the variable remuneration is paid based on data whose inaccuracies are demonstrated after it has been paid (e.g., based on any reservations in the external auditor’s report that undermine the results), (ii) a fraudulent action is committed by the Director, or (iii) the Director causes serious harm to the Company due to fault or gross negligence, the Company shall have the right to claim the reimbursement of the relevant components of the variable remuneration from the Director. In such a case, the claim may be made within a period of three years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

The characteristics detailed in the 2018 Plan can be found in Relevant Fact no. 266,910, published on 18 June 2018. The Directors benefiting from this Plan were allocated the following “units”: Juan March de la Lastra, 30,000 units; Santos Martínez-Conde Gutiérrez-Barquín, 70,000 units; Juan March Juan, 20,000 units; and José Ramón del Caño Palop, 20,000 units.

### A.4. Plan 2019

The system was approved by the General Assembly held on 17-06-2019 and was implemented by agreement of the Board on the same date. Its characteristics are:

- The plan consists of a variable remuneration system referenced to the net asset value of the company.
- The Beneficiaries of the Plan are the Executive Directors and Directors that represent Alba on the Board of Directors of subsidiaries, investees or associated companies and any directors or personnel as determined by the Board. Each beneficiary is assigned a certain number of units, totalling 115,000 units for all the Directors.
- Value of the units. Each unit will grant the right to receive the difference between the “final net asset value” and the “initial net asset value” of Alba, per share. The calculation of the initial and final net asset values is explained in Section A.1. Point 6 above. Therefore,
  - the “initial net asset value” is 73.66 euros, equivalent to the net asset value of Alba during the ten days prior to the “initial day” of the plan (07-06-2019), on which there were stock exchange trading sessions, and,
  - the “final net asset value” will be the net asset value of Alba during the ten days prior to the “final day” of the Plan, on which there are stock exchange trading sessions. The “final day” of the Plan will be (06-06-2022).

The maximum difference between the “final net asset value” and “initial net asset value” may not exceed 50 per cent of the “initial net asset value”.

- In the event of a dilution effect caused by a capital increase, the “initial net asset value” shall be adjusted downward by the theoretical value of the preferential subscription right. A similar adjustment shall occur in the event that it is agreed to distribute an extraordinary dividend or any other course that produces a similar economic effect.
- Plan maturity. Maturity of the Plan will occur after three years from 17-06-2019, at which time the Company will perform the corresponding calculation and will proceed to make the payouts along with the payroll of the month. However, if the Company so chooses, the Plan may also be paid in shares, valued at the share price at the close of the day before the one on which they are transferred to the Beneficiaries.
- The rights arising from the application of the Plan are not transferable, except when due to death.
- It is a basic condition of the Plan that the beneficiary is still on the workforce or on the Board of Alba or its subsidiaries at the time the Plan matures.
- The amounts resulting from the application are considered to be “gross” and the fiscal regime currently in force shall apply to them, with the beneficiaries paying the corresponding amounts due.
- In the event that (i) the variable remuneration is paid based on data whose inaccuracies are demonstrated after it has been paid (e.g., based on any reservations in the external auditor’s report that undermine the results), (ii) a fraudulent action is committed by the Director, or (iii) the Director causes serious harm to the Company due to fault or gross negligence, the Company shall have the right to claim the reimbursement of the relevant components of the variable remuneration from the Director. The claim may be made within a period of three years starting from the moment when the Company has paid the variable remuneration that is the subject of the claim.

The characteristics detailed in the 2019 Plan can be found in Relevant Fact no. 279,244, published on 17 June 2019. The Directors benefiting from this Plan were allocated the following “Units”: Santos Martínez-Conde Gutiérrez-Barquín, 50,000 units and José Ramón del Caño Palop, 15,000 units.

B- Remuneration in respect of participation in benefits or premiums.

Remuneration consisting of profit sharing is not established, but there is a multi-year variable remuneration for the executive Directors as established in letter A above.

C- Basic parameters and basis for any system of annual premiums.

See section A.1.

D - Classes of directors who are beneficiaries of remuneration systems that include a variable remuneration.

The multi-year variable remuneration plans only apply to the executive Directors and the Directors that represent Alba in subsidiaries, investee or associated companies.

E – Basis of the systems of variable remuneration, criteria for evaluation of performance, methods of evaluation and estimation of the absolute amount of the variable remunerations according to the current remunerations plan.

Variable remuneration is based on the management carried out by the Executive Directors and the results obtained with it and the value created for the shareholders will be taken into consideration when quantified.

At this time, it is not possible to estimate the absolute amount of the variable remuneration of the Executive Directors with the Plans mentioned in letters A.2 to A.4. of this section.

F- Periods of deferral of payment or retention of shares.

The multi-year variable remuneration system provided for in sections A.2, A.3 and A.4 have an implicit delay of three years for it to be received.

G- Share option plans.

Share option plans are not approved.

H- Accounting.

The amount accrued in accounting terms by the Directors receiving multi-year variable remuneration in 2019 represented 1,610,200 euros, which are recognised in the Annual Accounts under “Staff costs”.

The amounts effectively received in 2019 in accordance with the multi-year and annual variable remunerations are detailed in the tables in Section C.1.a.i.

**B.8. Indicate whether certain variable components have been reduced or clawed back when, in the case of the former, payment has been consolidated and deferred or, in the case of the latter, consolidated and paid, on the basis of data that have subsequently proved to be inaccurate. Describe the amounts reduced or clawed back through the application of the reduction or clawback clauses, why they were implemented and the years to which they refer.**

No assumptions have occurred during the year 2019 which would have resulted in the reduction or referred to claim, although there is a provision for the corresponding reduction or claw back clauses in the Remuneration Policy and in the Contracts of the Executive Directors and Directors.

**B.9. Explain the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefits that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefit, the contingencies covered, the conditions to consolidate economic rights for directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.**

In Section A1. Point 7 of this Annual Remuneration Report for 2019, the main characteristics of the two planning systems approved by the Company have been explained.

During 2019, it was not necessary to make contributions to the long-term savings system intended for Directors who perform executive functions.

**B.10. Explain, where appropriate, the severance pay or any other type of payment deriving from early dismissal or early resignation, or from the termination of the contract in the terms provided for therein, accrued and/or received by directors during the year ended.**

During the year 2019, the Company has not paid out any remuneration or any other payments derived from the assumptions arising from them not having occurred.

**B.11. Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, where appropriate, explain such changes. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.**

In the new Remuneration Policy of the Board of Directors of the Company, approved by the General Shareholders’ Meeting on 17 June 2019, for Directors carrying out executive functions, (i) the previously named “Base” and “Supplementary” remunerations were unified into a single Fixed Remuneration, but still maintained the possibility for a “special” supplementary one for extraordinary reasons and payable only once, (ii) it introduced an annual variable remuneration, and (iii) it reduced the number of units that can be assigned to the beneficiaries of the multi-year variable remuneration, with the appropriate amendments to the contracts of such Executive Directors.

B.12. Explain any supplementary remuneration accrued by directors as consideration for services rendered outside of their post.

There have been no supplementary remunerations accrued by the Directors for services other than those inherent in their post.

B.13. Explain any remuneration deriving from advance payments, loans or guarantees granted, indicating the interest rate, their key characteristics and the amounts eventually returned, as well as the obligations taken on by way of guarantee or collateral.

There are no remunerations arising from the provision of advances, credits and guarantees.

B.14. Itemise the remuneration in kind accrued by the directors over the year, briefly explaining the nature of the different salary components.

Section A.1. Point 5 of this Report details the nature and maximum amount of the total remuneration in kind intended for the Directors.

In 2019, the remuneration in kind accrued by all Executive Directors was 200,000 euros. The components thereof comprised the following: annual coverage of the alternative pension system, life, accident and disability insurance, health insurance for the Director, their spouse and children under thirty years, and leasing.

B.15. Explain the remuneration accrued by directors by virtue of payments settled by the listed company to a third company at which the director renders services when these payments seek to remunerate the director's services to the company.

There are no remunerations of this type.

B.16. Explain any other items of remuneration other than those mentioned in the previous sections, whatever their nature or the company of the group that settles the payment, particularly when this is a related operation or its settlement distorts the true image of the total remuneration accrued by the director.

There are no other remuneration items that meet the characteristics mentioned above of a related operation or whose settlement distorts the true image of the total remuneration accrued by the directors, and during 2019, the "Special supplement" detailed in sections A.2 and B.11 were not agreed.

**C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR**

Name	Typology	Period of accrual in fiscal year 2019
Mr CARLOS MARCH DELGADO	Proprietary Chairman	From 01/01/2019 until 31/12/2019
Mr JUAN MARCH DE LA LASTRA	Proprietary Vice-Chairman	From 01/01/2019 until 31/12/2019
Mr JUAN MARCH JUAN	Proprietary Vice-Chairman	From 01/01/2019 until 31/12/2019
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	Chief Executive Officer	From 01/01/2019 until 31/12/2019
Mr JOSÉ DOMINGO DE AMPUERO Y OSMA	Coordinating Board Member	From 01/01/2019 until 31/12/2019
Ms MARÍA LUISA GUIBERT UCÍN	Independent Director	From 17/06/2019 until 31/12/2019
Ms MARÍA EUGENIA GIRÓN DÁVILA	Independent Director	From 01/01/2019 until 31/12/2019
Ms ANA MARÍA PLAZA ARREGUI	Independent Director	From 17/06/2019 until 31/12/2019
Ms CLAUDIA PICKHOLZ	Independent Director	From 01/01/2019 until 31/12/2019
Mr ANTONIO MARÍA PRADERA JÁUREGUI	Independent Director	From 01/01/2019 until 31/12/2019
Mr RAMÓN CARNÉ CASAS	Executive Director	From 01/01/2019 until 31/12/2019
Mr JOSÉ RAMÓN DEL CAÑO PALOP	Executive Director	From 01/01/2019 until 31/12/2019
Mr CARLOS GONZÁLEZ FERNÁNDEZ	Independent Director	From 01/01/2019 until 17/06/2019
Mr CRISTINA GARMENDIA MENDIZABAL	Independent Director	From 01/01/2019 until 17/06/2019

## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

C.1. Complete the following tables regarding the individual remuneration of each director (including the salary received for performing executive duties) accrued during the year.

a) Remunerations of the reporting company:

i) Remuneration accrued in cash (in thousands of euros)

Name	Fixed remuneration	Expenses	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other items	Total fiscal year 2019	Total fiscal year 2018
Mr CARLOS MARCH DELGADO	272		12						284	153
Mr JUAN MARCH DE LA LASTRA	183		27	138		247			595	829
Mr JUAN MARCH JUAN	183		27	11		165			386	205
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	83		27	586	213	576			1.485	1.100
Mr JOSÉ DOMINGO DE AMPUERO Y OSMA	83		42						125	75
Ms MARÍA LUISA GUIBERT UCÍN	50		15						65	
Ms MARÍA EUGENIA GIRÓN DÁVILA	83		45						128	90
Ms ANA MARÍA PLAZA ARREGUI	50		17						67	
Ms CLAUDIA PICKHOLZ	83		25						108	90
Mr ANTONIO MARÍA PRADERA JÁUREGUI	83	22							105	80
Mr RAMÓN CARNÉ CASAS	83								83	65
Mr JOSÉ RAMÓN DEL CAÑO PALOP	83			270	42	165			560	457
Mr CARLOS GONZÁLEZ FERNÁNDEZ	32		15						47	95
Ms CRISTINA GARMENDIA MENDIZABAL	33		10						43	85
Observations										

## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments.

Name	Name of Plan	Financial instruments start of year 2019		Financial Instruments granted during 2019		Financial instruments consolidated in the year				Instruments matured and not exercised	Financial instruments end of year 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares
Mr JUAN MARCH DE LA LASTRA	Plan 2017	30.000						0,00				
Mr JUAN MARCH DE LA LASTRA	Plan 2018	30.000						0,00				
Mr JUAN MARCH DE LA LASTRA	Plan 2019			30.000				0,00				
Mr JUAN MARCH DE LA LASTRA	Plan 2016	30.000				30.000		8,23				
Mr JUAN MARCH JUAN	Plan 2017	20.000						0,00				
Mr JUAN MARCH JUAN	Plan 2018	20.000						0,00				
Mr JUAN MARCH JUAN	Plan 2019			20.000				0,00				
Mr JUAN MARCH JUAN	Plan 2016	20.000				20.000		8,23				
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	Plan 2017	70.000						0,00				
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	Plan 2018	70.000						0,00				
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	Plan 2019			50.000				0,00				

## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

Name	Name of Plan	Financial instruments start of year 2019		Financial Instruments granted during 2019		Financial instruments consolidated in the year				Instruments matured and not exercised	Financial instruments end of year 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/handed over	Price of the consolidated shares	Net profit from shares handed over or consolidated financial instrument	No. of equivalent shares	No. of instruments	No. of equivalent shares
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	Plan 2016	70.000				70.000		8,23				
Mr JOSÉ RAMÓN DEL CAÑO PALOP	Plan 2018	20.000						0,00				
Mr JOSÉ RAMÓN DEL CAÑO PALOP	Plan 2019			15.000				0,00				
Mr JOSÉ RAMÓN DEL CAÑO PALOP	Plan 2017	20.000						0,00				
Mr JOSÉ RAMÓN DEL CAÑO PALOP	Plan 2016	20.000				20.000		8,23				

### Observations

The column “Price of the consolidated shares” does not contain the share price, but rather the difference between the “final net asset value” and the “initial net asset value” with regard to the 2016 Plan, which, as detailed in Section B.7 of this report, is multiplied by the “units” allocated to each one of the Directors benefiting from the 2016 Plan.



## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

iii) Long-term savings systems.

Name	Remuneration for consolidation of rights to savings systems
No Data	

Name	Contributions by the company for the year (thousands euros )				Amount of accumulated funds (thousands euros )			
	Savings systems with consolidated economic rights		Savings systems with non-consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with non-consolidated economic rights	
	Fiscal year 2019	Fiscal year 2018	Fiscal year 2019	Fiscal year 2018	Fiscal year 2019	Fiscal year 2018	Fiscal year 2019	Fiscal year 2018
Mr JUAN MARCH DE LA LASTRA							2.661	2.561
Mr JUAN MARCH JUAN							313	302
Mr SANTOS MARTÍNEZ- CONDE GUTIÉRREZ-BARQUÍN							7.417	7.140
Mr JOSÉ RAMÓN DEL CAÑO PALOP							2.661	2.561

Observations
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The figures shown as “Amount of accumulated funds” do not correspond to “accrued rights” but to the mathematical provisions at the date of reference of this report.

## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

### iv) Details of other items

Name	Item	Pay Amount
No Data		

### Observations

### b) Remunerations paid to directors of the company for their membership on Boards at other companies in the Group:

#### i) Remuneration accrued in cash (in thousands of euros)

Name	Fixed remuneration	Expenses	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other items	Total fiscal year 2019	Total fiscal year 2018
Mr JUAN MARCH JUAN				18					18	50
Mr RAMÓN CARNÉ CASAS				431					431	439

### Observations

## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments.

Name	Name of Plan	Financial instruments start of year 2019		Financial Instruments granted during 2019		Financial instruments consolidated in the year				Instruments matured and not exercised	Financial instruments end of year 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/ consolidated shares	Price of consolidated shares	Gross profit of shares or consolidated financial instruments (thousands of	No. of instruments	No. of instruments	No. of equivalent shares
No Data												

### Observations

iii) Long-term savings systems.

Name	Remuneration for consolidation of rights to savings systems
No Data	

## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

Name	Contributions by the company for the year (thousands euros )				Amount of the accumulated funds (thousands euros )			
	Savings systems with consolidated economic rights		Savings systems with non-consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with non-consolidated economic rights	
	Fiscal year 2019	Fiscal year 2018	Fiscal year 2019	Fiscal year 2018	Fiscal year 2019	Fiscal year 2018	Fiscal year 2019	Fiscal year 2018
No Data								

### Observations

#### iv) Details of other items

Name	Item	Pay Amount
No Data		

### Observations

## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

c) Summary of remunerations (in thousands of euros):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to each director (thousand €).

Name	Remuneration accrued in the Company					Remuneration accrued in companies of the Group				
	Total cash Compensation	Gross profit of shares or consolidated financial instruments	Remuneration for savings systems	Remuneration for other items	Total for year 2019 company	Total cash Compensation	Gross profit of shares or consolidated financial instruments	Remuneration for savings systems	Remuneration for other items	Total for year 2019 group
Mr CARLOS MARCH DELGADO	284				284					
Mr JUAN MARCH DE LA LASTRA	595				595					
Mr JUAN MARCH JUAN	386				386	18				18
Mr SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	1.485				1.485					
Mr JOSÉ DOMINGO DE AMPUERO Y OSMA	125				125					
Ms MARÍA LUISA GUIBERT UCÍN	65				65					
Ms MARÍA EUGENIA GIRÓN DÁVILA	128				128					
Ms ANA MARÍA PLAZA ARREGUI	67				67					
Ms CLAUDIA PICKHOLZ	108				108					
Mr ANTONIO MARÍA PRADERA JÁUREGUI	105				105					
Mr RAMÓN CARNÉ CASAS	83				83	431				431
Mr JOSÉ RAMÓN DEL CAÑO PALOP	560				560					
Mr CARLOS GONZÁLEZ FERNÁNDEZ	47				47					

## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

Name	Remuneration accrued in the Company					Remuneration accrued in companies of the Group				
	Total cash Compensation	Gross profit of shares or consolidated financial instruments	Remuneration for savings systems	Remuneration for other items	Total for year 2019 company	Total cash Compensation	Gross profit of shares or consolidated financial instruments	Remuneration for savings systems	Remuneration for other items	Total for year 2019 group
Ms CRISTINA GARMENDIA MENDIZABAL	43				43					
TOTAL	4.081				4.081	449				449

### Observations

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#### D. OTHER INFORMATION OF INTEREST

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If there is any relevant aspect regarding the remuneration of directors that has not been included in the rest of the sections of this report, but which must be included in order to collect more complete and reasoned information on the remuneration structure and practices of the company in question. relationship with your directors, describe them briefly.

This annual remuneration report has been approved by the Board of Directors of the company at its meeting held on:

30/03/2020

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

☐ Yes

☒ No