



INVESTMENT POLICY OF CORPORACIÓN FINANCIERA ALBA AND COMPANIES OF ITS GROUP¹

1. INTRODUCTION

This document sets out the investment policy of Corporación Financiera Alba, S.A. and of the companies of its group (jointly, "Alba"), to be approved by the Board of Directors in accordance with the terms of Articles 249 bis and 529 ter of the Capital Companies Act (through application of the modifications made by Act 31/2014, 3 December 2014). This policy replaces that approved by the Board of Directors of Alba on 10 June 2015.

It should be pointed out that the Corporate Purpose (Article 3 of the Corporate Bylaws) establishes the activities of Alba on a wide-ranging basis. Nor are there any specific legal restrictions limiting said activity, beyond those activities that could require prior official authorisation.

In this regard, this document is not intended to define the precise composition of the portfolio of Alba, or the assets, sectors or countries where it should invest, but rather to lay out a general framework within which to perform its investment activities, serving as a stable operational guide, although the specific criteria may evolve over time, and their individual application would require an appropriate degree of flexibility, adapting to the specific characteristics of each investment and the economic and market context within which it is performed.

To this end, the document is divided into three separate subsections, defining the following fundamental aspects of the Alba Investment Policy:

- The purpose of investment activities,
- The general principles governing actions intended to achieve the established purpose, and lastly,
- The specific selection criteria for potential investments within the different types of asset on which Alba currently focuses its investment.

2. OBJECTIVE OF THE INVESTMENT ACTIVITIES OF ALBA

The objective of Alba in its activities is to create long-term value for its shareholders through the investments that it makes.

In practical terms, this objective should lead to obtain an attractive long-term return on its investment, appropriate to the risk borne and the market conditions from time to time, serving to increase the Net Asset Value per share in the long term.

¹ Approved by the Board of Directors at its meeting held on 23 October 2017.

3. GENERAL PRINCIPLES

The general principles, derived from the experience built up over the years, guide the actions of Alba in its investments in order to achieve its objective.

In addition, significant practical consequences of the application of these principles are also included, tying in to the specific criteria detailed in Subsection 4 of this document.

The general principles are as follows:

- Need for a high degree of familiarity with the investments.
- Active participation in the investee companies or assets invested in.
- Credibility and reputation as an asset.
- Prudence and risk control.
- Flexibility.

It should be emphasised that these principles are in many cases interrelated.

3.1. Need for a high degree of familiarity with the investments

Alba conducts a rigorous initial analysis of all its investments, along with continuous and detailed subsequent monitoring, both of the company or the specific asset, and of the sector and markets where it operates and the general economic and market conditions that could affect it from time to time.

The aim is ultimately to ensure that Alba has a thorough understanding of its investments and of the surrounding circumstances, on an ongoing and dynamic basis, tailored at all times to the contextual conditions, which will inevitably change. This familiarity covers quantitative and qualitative aspects, the latter being particularly significant given Alba's long-term investment timeframe.

As one would expect, this process must at all times focus on achieving the established objective, and more specifically on identifying and aiming to mitigate potential present or future risks that could hamper the achievement thereof.

This principle has various significant practical consequences:

- Alba must at all times have in place appropriate human and technical resources in order to successfully perform these tasks, and may draw on specialist external consultancy where necessary.
- There are internal communication mechanisms in place serving to provide the different areas of the organisation with the information that they need as regards the investments so as properly to perform their functions. The information provided must be appropriate and sufficient to allow its recipients effectively to perform their operations, while at all times maintaining the strictest level of confidentiality, in particular where said information could be considered to be "inside information" for the purposes of the securities

market, as set out in the Alba Internal Regulation of Conduct in the Sphere of the Securities Markets.

- Geographical scope of operation²:
 - The experience and knowledge built up over the years has prompted Alba to focus most of its investments on assets located in Spain or companies legally incorporated and with their operational or decision-making base in this country. Alba therefore has, on the one hand, a thorough knowledge of the Spanish economic, business and legal context, and on the other a considerable reputation in the marketplace, its investment capacities, track record and philosophy being widely acknowledged and appreciated, which facilitates access to potential investment opportunities.
 - Nonetheless, the volume of Alba's portfolio and the wish to put in place appropriate diversification, make it advisable to consider the possibility of investing a part of its portfolio in non-Spanish companies. In this regard, consideration is given with a medium-/long-term view to investment in companies in developed countries with a high level of stability and legal certainty, preferably with local partners with high-level investment philosophies and reputation equivalent to those of Alba, who can give us an appropriate level of local knowledge.

3.2. Active participation in the investee companies or assets it invests in

Alba believes that the best way to protect the interests of its shareholders and to fulfil the other general principles, and in particular the 3.1 above, is actively to participate in the investments that it makes, with a certain degree of influence.

Given the financial investor profile of Alba, this active participation means the need to have appropriate representation on the Boards of Directors and their committees (and other significant bodies of governance) at the companies where it invests, or otherwise the direct management of its other assets (such as, for example, the real estate assets that it owns).

The most significant practical consequences of the application of this principle are as follows:

- Alba needs to have a stake in companies (or, in the case of assets, a percentage ownership) of a size that provides it with the desired level of influence.
- In order for this active participation to be effective, the investee companies must comply with the utmost standards of transparency, corporate

² Since it began its investment activities in 1986, Alba's portfolio has, with only a few exceptions, comprised minority shareholdings at (listed and non-listed) companies, and the direct ownership of real estate assets, in both cases in Spain.

governance, and, in general, Corporate Social Responsibility, while taking into account at all times their size, activity and available resources. These aspects are likewise relevant with a view to the above principle ("Need for a high level of familiarity with its investments").

- Alba manages and performs its investments directly, and in principle does not delegate management to third parties (such as investment funds, venture capital funds, hedge funds and similar), other than in exceptional circumstances where, for example, this would provide access to assets of particular interest that would otherwise be unavailable, or where they offer Alba the possibility of co-investment with them.
- A high level of dedication to the portfolio investments is required, and as a result: 1) there must be an appropriate balance between the number of investments and the resources assigned on the Alba workforce; 2) they must be investments that given the amount and relative weighting involved, have a degree of importance within the overall Alba portfolio.

As a result of the combination of these factors, the Alba portfolio will tend in general to comprise a limited number of investments.

3.3. Credibility and reputation as an asset

Alba believes that, after more than 25 years of investment activities, its credibility and reputation in the marketplace are one of its main assets, making a decisive contribution to the achievement of its long-term objectives. Alba's considerable reputation facilitates access to investment opportunities, since many potential partners believe that the inclusion of Alba as a stable shareholder at their companies could contribute to their successful long-term development.

This credibility and reputation are not based solely and exclusively on the generation of positive financial returns on its investments, but also aspects that would include the long-term commitment to investee companies, the clarity and consistency of its approaches and strategies, the absence of conflicts of interest and espousal of the very highest principles in terms of corporate governance and ethical behaviour in general.

Given all the above, Alba avoids as far as possible any acts or situations that may undermine its market reputation, accepting how fragile this could be. From a practical perspective, this results, among other aspects, in the following principles:

- Promote the application of the highest ethical standards at Alba and its investees. This includes aspects regarding the application of best practice in the sphere of Corporate Governance, and the promotion of advanced Corporate Social Responsibility policies (environmental, employment, social, taxation, etc.), in accordance with their size, activity and human and financial resources.

- Avoid real or potential conflicts of interest between Alba (or its shareholders) and its investees, and among investees themselves.
- Avoid investments that could for any reason raise objection from significant shareholders and/or managers of the target company, which could jeopardise achievement of Alba's objective or the application of the investment principles described in this document.
- Avoid potentially controversial sectors from a legal or social perspective.

3.4. Prudence and risk control

By definition, Alba's investments could undergo substantial fluctuations in their market value over time, which demands that Alba, in order to fulfil its purpose of long-term value creation, place its investments with a high degree of prudence, aiming to mitigate any risks that could affect its activity as far as possible.

It should be emphasised that this subsection refers specifically to market risk, which could be defined as volatility in the market value of the Alba portfolio or the Net Asset Value per share. An attempt is made to mitigate other risks that could affect Alba and the achievement of its goals through the actions of the Audit Committee and the Internal Audit and Risk Management and Control functions, and are expressed in the form of the various internal control systems that exist (such as the Internal Financial Reporting Control Systems), internal regulations of conduct, the generation and periodic review of the Alba risk map, information as to the monitoring of the main risks, etc.

This principle of prudence and risk control has a series of major implications, as regards both the composition of the Alba portfolio and its own level of indebtedness:

- Portfolio diversification. Alba recognises the need to have in place a diversified portfolio of assets and holdings in different companies, so as to reduce volatility.

This diversification means having in place a minimum number of investments, so that they do not individually represent an excessive percentage of the total portfolio value, and involve diverse activities that are not directly interrelated.

Alba likewise considers the diversification of its portfolio by investing in assets of companies with different profiles: high growth versus income generation, stable versus cyclical sectors, etc. One particular case of diversification would be the geographical presence of Alba's investments, as analysed in the following point.

- Internationalisation. Since Alba will focus most of its investments in Spain, the perceived need is for a significant part of them to be made in companies with an extensive international presence in order at least partially to reduce the exposure to the economic, political and social circumstances of Spain. Furthermore, Alba will actively consider investment in companies in other

developed countries, valuing in particular the existence of local partners with a high level of prestige and a similar investment philosophy.

In the case of investments in Spanish companies, an increase in international presence can be achieved by fostering investment in companies that already have a considerable international presence and/or by promoting the overseas expansion of companies already included in the Alba portfolio, through active participation on their governing bodies.

- Moderate indebtedness. The aim of long-term value creation demands prudent and reasonable management of financial risks, with an acceptable and sustainable level of debt even in unfavourable economic and financial circumstances, both at Alba and its investee companies.

Meanwhile, in the case of Alba as a company, it is particularly important to maintain reasonably low indebtedness for the following reasons:

- The investments that it makes have a relatively low liquidity, even at listed companies, given the considerable shareholdings required. Liquidity is understood in this case as the capacity for Alba to sell the shares in companies (whether listed or not) or in other assets in a short period of time and at a price similar to their listed or market price.
 - Alba's recurrent cash flow depends to a great extent on the dividends received from the companies it invests in, over which it has relative influence.
 - Investment opportunities are in many cases difficult to plan in advance, and so Alba needs to have the necessary financial flexibility so as to be able to embark on new investments without the need to sell other assets in its portfolio in the short term. Having a moderate level of indebtedness allows Alba to separate investment and divestment decisions, and to be able to choose the best moment at which to sell assets, where applicable.
- Liquidity of its assets. Although a part of this is explained under the above point, a considerable percentage of the Alba portfolio focuses on assets with a degree of liquidity, such as shares in listed companies, limiting the proportion of illiquid assets (such as shares in non-listed companies, and real estate assets).

This liquidity allows for relatively swift decision-making as to investment and/or divestment, both from the perspective of a specific listed company and the capacity to adjust the relative composition of the portfolio, where applicable.

In addition, a considerable proportion of more liquid assets likewise makes it easier to obtain financing at the Alba level, reducing the cost and extending the spectrum of available instruments and potential financing entities.

- Hedges. Alba may consider the arrangement of derivative instruments to hedge financial and market risks, thereby reducing its overall portfolio risk, provided that such hedges are genuinely effective, have a reasonable cost, and would not limit its future operational capacity. Alba could furthermore on an occasional basis consider the use of derivatives in the case of purchases or sales of shares in listed companies, essentially for reasons of flexibility.

3.5. Flexibility

This principle is considered from a twofold perspective:

- On the one hand, Alba has in place agile and flexible decision-making processes and structures that would allow it to react swiftly to changes occurring in the marketplace, so that it can exploit any opportunities that might arise. As indicated previously, its financial structure must likewise contribute to this flexibility.
- Meanwhile, the investment criteria and principles detailed here must be applied with an appropriate degree of flexibility, weighing up the relative importance of each of them within the context of a specific investment, and taking into account at all times the objective of long-term value creation.

4. SPECIFIC INVESTMENT SELECTION CRITERIA

The objective and the general principles described in the above subsections take the form of specific criteria for the selection of potential investments from among the different types of asset on which Alba currently focuses its investment, as detailed below.

4.1. Listed companies

- Long-term financial investments in the capital of listed companies in Spain or other developed countries. In the case of Spanish companies, for reasons of geographical diversification a positive view will be taken of a substantial and growing international presence on their part.
- Minority but significant or "strategic" stakes with a capacity to influence. The minimum stake would be of the size required in order to be represented on the Board of Directors, while the maximum is set at the legal limit above which a mandatory takeover bid must be presented, the preferred range being between 10% and 20%.
 - a. Presence on the Board of Directors and its committees and, where applicable, on other governing bodies of the Company.
 - b. Companies where there is no controlling shareholder.
 - c. Hostile situations are avoided.
 - d. In the case of listed companies outside Spain, a positive view will be taken of involvement in the shareholding structure of local investors with a similar philosophy to Alba.

- Minimum initial investment of approximately €100-250M (although larger investments could be considered).
- Leading companies in their sector with a sound business model and secure financial position. Companies in a distressed financial position are avoided.
- Shareholders and management team aligned with the interests of Alba.
- Companies with appropriate Corporate Governance and Corporate Social Responsibility standards.
- Sector-based selection criteria:
 - a. No investments in direct competitors of investee companies, to avoid any type of conflict of interest.
 - b. To avoid conflicts of interest at the level of the March Group, investments in the financial and insurance sector in Spain are not considered.
 - c. For reputational reasons, potentially controversial sectors are avoided (such as gambling or arms), or those with a high level of public exposure (such as the media).
 - d. Sectoral diversification: Preference for investment in sectors not connected with those currently in the portfolio.
- Although it is not easy to make this compatible with large shareholdings, preference for securities with good market liquidity.

4.2. Non-listed companies

The criteria for direct investment by Alba in non-listed companies are exactly the same as those described above for listed companies, both in Spain and in other developed countries, with the following exceptions i) the stake in this type of company could be up to 50%³; and ii) given the lack of liquidity, agreements must be in place with the remaining shareholders to protect the shareholding position of Alba by regulating key aspects of the governance of the company and the future sale of Alba's stake.

Meanwhile, in 2008 Alba founded Artá Capital S.G.E.C.R, S.A. ("Artá Capital"), engaged in the management of venture capital entities in Spain.

- Artá Capital currently manages various development capital vehicles, including Deyá Capital S.C.R., S.A. and Deyá Capital IV, S.C.R., S.A. (the sole shareholder of which is Alba), which invest in the same investee companies in proportion with the funds committed by the shareholders or stakeholders of each.

³ In listed companies the minority stake is limited by the percentage established in law in each market beyond which in general a mandatory Takeover Bid must be presented (see item 4.1).

- The investment criteria philosophy of these vehicles essentially correspond to ⁴ those set out above for Alba.
- Alba may well in the future be involved in new vehicles managed by Artá Capital, with similar investment criteria and philosophies to the general principles of Alba itself.

4.3. Real estate

Alba focuses its real estate investment on office buildings that it manages directly through a specific team, with an asset management vision of generating recurrent income and increasing long-term value.

The future interest is that real estate activity should focus on buildings in prime office locations in some of Spain's main cities, for reasons of scale, operational efficiency and market familiarity and proximity.

Madrid, 23 October 2017

⁴ There are some slight differences, such as the possibility that some of these vehicles could, where applicable, acquire majority stakes. However, since Alba's stake in these vehicles is normally less than 50% of the total committed funds, Alba's indirect stake in the companies that they invest in is normally below 50%. It would in any event be seen as an entirely exceptional possibility that Alba would hold an indirect majority stake in the aforementioned investee companies.