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1. Letter from the chairman¹

Corporación Financiera Alba has a long-term vision for the management of its investment portfolio and the creation of value for its main stakeholders, two basic pillars in the sphere of social responsibility. These two values are inherently integrated in our corporate culture, evident throughout this sustainability report, which shows, for the second consecutive year, Alba's firm commitment to sustainable economic, social and environmental development.

2016 was an important year for us, not only because of our good financial results, but also because they were the result of the solid and responsible management that has always characterised us and which was formalised in 2015 through the publication of our Social Responsibility Policy and the review of our Investment Policy. The attachment and subsequent reporting to the United Nations Global Compact has allowed us to connect to the international agenda and has helped us to integrate its ten human rights, labour rights, environmental and anti-corruption principles in a more reflexive manner.

During this period, we have made firm strides in the sphere of social responsibility, addressing the purposes we set for ourselves in our first sustainability report under its three basic pillars: environmental, social and good

governance. In this document we explain how we have fulfilled them and on which we must continue working in 2017.

Also worth noting is the fulfilment of all the recommendations for good governance of listed companies set out in the CNMV code and the international recognition we received in the Global Banking and Finance Awards as the Company with the Best Corporate Governance of the Year 2016, awarded by the British publication *The European*.

We are convinced that society and the markets positively and increasingly value companies' commitment to sustainability and their contribution to social progress and welfare. To this end, we strive to actively participate in all our investee companies, in order to increase the degree of implementation of social responsibility therein and the manner in which they manage business risks and opportunities. As part of our responsibility, we are going to continue working proactively to improve that situation and share it with our stakeholders.

¹. G4-1 and G4-2



2. Investing responsibly

Corporación Financiera Alba, S.A. (Alba) is the investment company of the Banca March Group, one of the leading Spanish private family-owned business and financial groups. Since its creation in 1986, it has engaged in investment in different types of assets and in the management of its investment portfolio with a long-term vision. Ensuring utmost diligence and integrity throughout the investment process is one of its main responsibilities, envisaged in its Investment Policy, selection of assets and involvement in the management of its investees.

Alba's investment policy, approved in June 2015, addresses three main aspects: (i) the objective of the investment activity, (ii) the general principles that govern the actions aimed at achieving the objective set and (iii) the specific criteria governing the selection of potential investments within the different types of assets (listed companies, unlisted companies and property) on which Alba currently focalises its investment.

Following is a detail of the principles of the investment policy that help to understand the approach of the Company's long-term vision and value creation approach:

1. Need for in-depth knowledge of its investments.

As a result of its participation in a portfolio with limited number of securities, Alba performs a rigorous analysis of the company or asset, of the sectors and markets in which it is present, and of the macroeconomic context that could affect the value of the organisation. The objective of this process is to identify and try to mitigate the potential present or future risks that could impede the achievement of said objective.

2. Active participation in its investees or assets in which it invests.

This diligent involvement (representation in the Board of Directors -companies- or direct management of assets -i.e. property-) requires holding a sufficiently large ownership interest, not delegating management to third parties and monitoring investments. This requires a high level of dedication that is translated into a relatively limited number of portfolio investments.

3. Credibility and reputation as assets.

Alba considers that its credibility and reputation in the market are two of its main assets that decisively contribute to the achievement of its long-term objectives. The two variables are not based exclusively on the obtainment of gains, but also, how to avoid potential conflicts of interest between investments or their adhesion to the maximum principles in terms of regulatory

2. G4-3 and G4-7

compliance, corporate governance, staff, environmental impact and relationship with society in general.

4. *Prudence and risk control.*

Alba's investments may experience fluctuations in its market value, which requires that, in order to meet its long-term value creation objective, these are undertaken with a high level of prudence, endeavouring to mitigate the possible risks that may affect its activity through, inter alia, adequate portfolio diversification, low levels of corporate debt or maintaining a high proportion of its portfolio in liquid assets.

5. *Flexibility*, both in the internal decision-making process and in the application of the investment principles and criteria for specific investment opportunities.

Responsible management, based on these principles, contributes to the creation of more transparent and better governed markets, connecting financial markets to the real economy and creating opportunities and economic prosperity for society, both in Spain and in other countries where Alba's investees are present.

3. Managing Alba with social responsibility

The Corporate Social Responsibility Policy, approved in October 2015, establishes the CSR principles and guidelines with the aim of orienting the Company's activities towards a sustainable business management model aimed at the different stakeholders. Through this policy, Alba undertakes to develop its activities in a responsible manner at all times, maximise sustainable and shared value creation for its shareholders, other stakeholders and for society as a whole, and to identify, prevent and remedy the possible negative impacts of its activities.

This policy is solidly aligned with the ten principles of the United Nations Global Compact, of which Corporación Financiera Alba became a signatory one year ago and through which it fulfils its annual commitment, reporting, through a progress report -materialised in this report-, its progress in sustainability and CSR.



FIGURE 1. THE TEN PRINCIPLES OF THE GLOBAL COMPACT

Human Rights	1.	Businesses should support and respect the protection of internationally proclaimed human rights.
	2.	Businesses should make sure that they are not complicit in human rights abuses.
Labour	3.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
	4.	Businesses should uphold the elimination of all forms of forced and compulsory labour.
	5.	Businesses should uphold the effective abolition of child labour.
	6.	Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	7.	Businesses should support a precautionary approach to environmental challenges.
	8.	Businesses should undertake initiatives to promote greater environmental responsibility.
	9.	Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	10.	Businesses should work against corruption in all its forms, including extortion and bribery.

Responsible business management is performed through different policies that grant greater credibility and confidence to its activity. Alba has, inter alia, a [Criminal and Fraud Prevention Policy](#), a [Director Candidate Selection Policy](#), a [Risk Management Policy](#), a [Corporate Social Responsibility Policy](#) and a [Communication Policy](#).

In 2012, Alba implemented a Crime Prevention Model which was updated in 2015 and, in 2016, approved a new Internal Code of Conduct in the Sphere of the Securities Market (RIC), a training plan, a continuous evaluation of the effectiveness of the controls and an update of the risks to which it is exposed.

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In 2015, the Spanish National Securities Market Commission (CNMV) published a Code of Good Governance for Listed Companies, which includes specific recommendations on corporate social responsibility (CSR) -specifically CSR strategy, policy, objectives and initiatives-, and the monitoring and evaluation thereof by the Board of Directors committees. Although compliance with this code is voluntary, Alba, aware of the importance of the good governance of the organisations, works continuously to fulfil all its recommendations -except the seven that do not apply-. The 2015 Annual Report indicated the partial fulfilment of recommendation 5 and recommendation 14, aspects that were resolved in 2016, enabling the complete fulfilment of the code's recommendations.

Alba's concern for the search for excellence and for promoting best practices in the sphere of Good Governance and Corporate Social Responsibility were internationally recognised, evident in its election as the company with the **Best Corporate Governance of the Year 2016** in the *Global Banking and Finance Awards*, awarded by the British Publication *The European*⁴ and which reward business excellence and innovation.

3.1. Alba's materiality and stakeholders⁵

This second sustainability report of Corporación Financiera Alba is inspired in the Global Reporting Initiative (GRI) methodology -the best known and most widely used internationally- in its G4 edition and essential format⁶. In 2016 more than 4,300 sustainability reports corresponding to the five continents were uploaded to the GRI portal, of which 40% were presented in Europe and 2.4% in Spain.

One of the keys of this methodology is the performance of a materiality analysis in which the most relevant topics in terms of sustainability for the organisation are determined, in order to be subsequently treated with priority in the report. Before carrying out this evaluation, the stakeholders of the organisation must be identified in order either to consult them in this connection or to have an open perspective of their perception of the organisation and expectations with regard to its activity and impact. A classification of the stakeholders has been made in accordance with their direct two-way relationship -association with stakeholders- and depending on whether they are internal or external to the organisation.

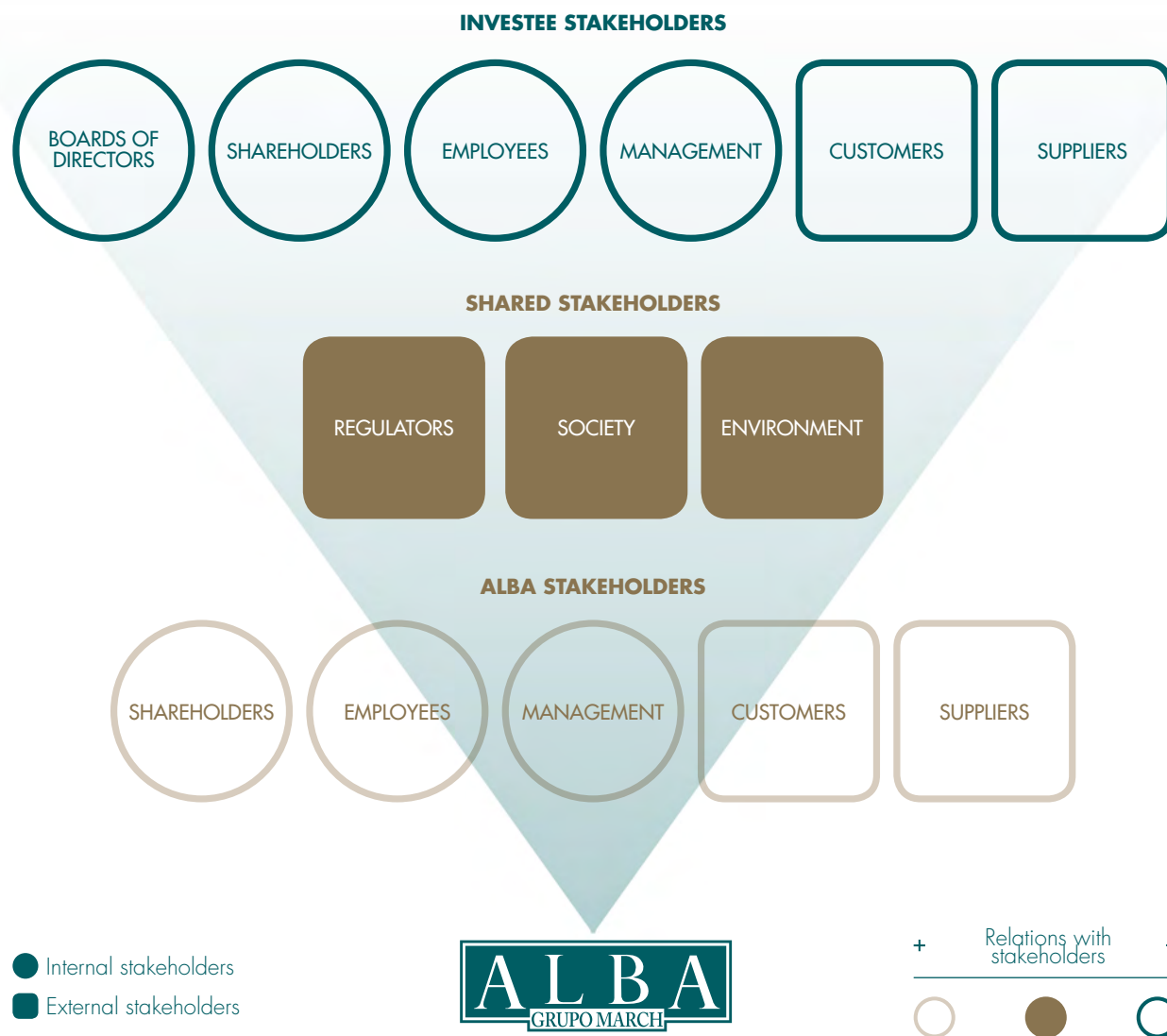
4. Publication specialising in economy and finance headquartered in Great Britain, whose readers include business owners, chairmen, CEOs, executives, institutional investors or investment fund managers and family offices.

5. G4-19, G4-24

6. G4-32



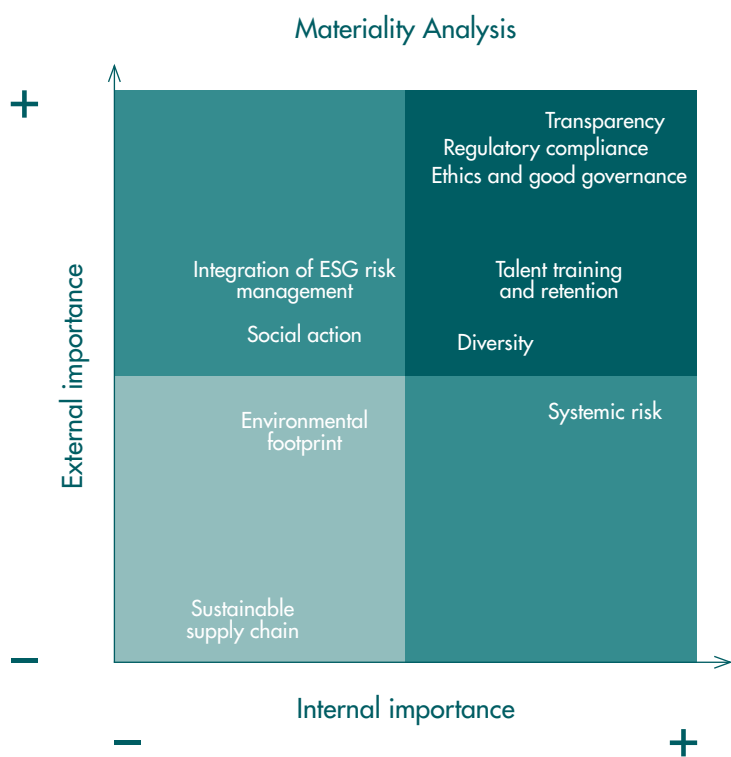
FIGURE 2. PROJECTION OF ALBA'S STAKEHOLDERS



Subsequent to the internal evaluation of a list of topics drawn from various sources, such as the Dow Jones Sustainability Index survey or the GRI methodology, those which were most relevant to Alba’s sector and

activity were screened and contrasted with sustainability experts, resulting in the following matrix in which the X-axis shows the internal measurement of Alba and the Y-axis shows the external measurement:

FIGURE 3. MATERIALITY MATRIX





Communication channels with stakeholders

Transparency is one of Corporación Financiera Alba's maximum attributes, since it generates trust among all those involved with the entity, i.e. its stakeholders. Additionally, it is one of the pillars of social responsibility, since it is a voluntary act of the entities which goes a step further than the mere fulfilment of the regulation.

Alba has enabled different communication channels with its stakeholders, in accordance with their needs:

- Its website contains relevant and updated information in Spanish and English about the company and its history, the performance of its investees and its investment strategy.
- The space for shareholders and investors on this website includes relevant facts and financial information about the company. A channel has been enabled for them on the website with two routes: ordinary correspondence addressed to the headquarters of Alba, S.A. - Calle Castelló nº 77, 5º Planta 28006, Madrid⁷- and a second route through the following email addressed to alba@corporacionalba.es
- Since 2011 there is a communication channel at the disposal of its employees that makes it possible to confidentially report conducts that could represent an irregularity or breach of the Code of Ethics to the Audit Committee or Secretary of the Board of Directors.
- Other sections provide additional information of value to other stakeholders, in order to provide them with in-depth knowledge of the organisation.

7. G4-5

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3.2. Alba’s portfolio from the viewpoint of sustainability

Alba invests in leading companies, with a solid management team, has great financial strength and flexibility and a proven competitive edge

in its sector. Alba is a long-term investor seeking profitability in the sustainable development of companies in which it participates as a shareholder. At 31 December 2016, Alba’s position in its investees was as follows:

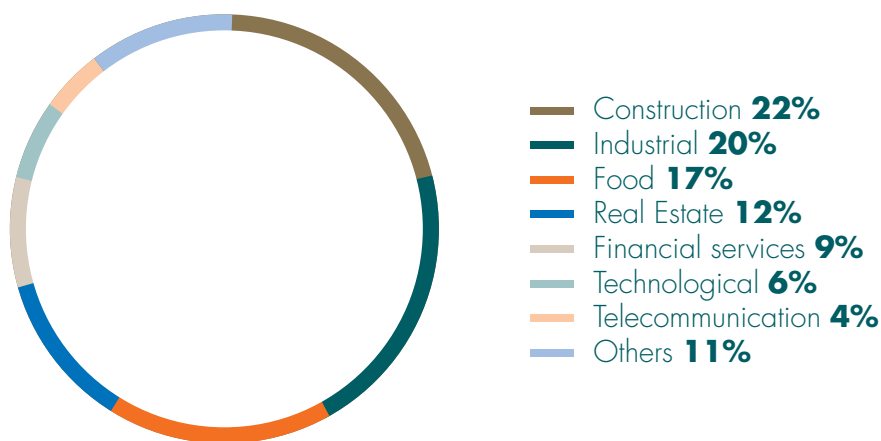
FIGURE 4. INVESTEEES AT 31 DECEMBER 2016





These companies were divided by sector as follows:

FIGURE 5. DISTRIBUTION OF INVESTEEES BY SECTOR AT 31 DECEMBER 2016



At 31 December 2016, the average life of investments in the portfolio, weighted by the initial investment made, was close to 13 years despite including six investments completed in the last two years (in-Store Media, Euskaltel, Parques Reunidos, Siresa Campus Noroeste, Siresa Norte II). Considering Alba's historical portfolio,

practically all investments have a duration in excess of six years and some of the most significant, both in terms of amount and profitability obtained, have a duration in excess of ten years, such as Pryca (14 years), Carrefour (17 years) or Sogecable (13 years).

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Alba is aware that the securities that comprise its portfolio are exposed to different extra-financial risks, which vary according to the sector and other specific variables of the company, such as degree of delocalisation or the countries in which it is present. In terms of sustainability, investees face a multitude of strategic challenges that must be prioritised in order to maintain their level of competitiveness in the long term.

These challenges, which may potentially affect Alba’s investees, translate into risks and opportunities, due to which the proactivity of the management and the detection and monitoring of these challenges are key to ensuring the creation of value and competitiveness. Below we explain the environmental, social and good governance (ESG) challenges considered to be most significant according to the probability and their impact on the different companies:

FIGURE 6. SUSTAINABILITY CHALLENGES FOR INVESTEES

Good governance

Integrity	<p>In view of the cases of corruption at the national and international level, peer groups, society and the public administration have begun to treat this issue with greater precaution. The number of controls and hard and soft legislation (i.e. EU Non-Financial Reporting Directive) developed by regulators is increasing.</p> <p>Beyond reputational implications, companies must consider the possible monetary losses arising from penalties associated with the commission of irregularities or the impact of this type of behaviours on financial markets.</p>
Cyber-Security	<p>The capacity to protect one’s business and information from cybernetic attacks is becoming a significant responsible management factor. This is particularly relevant in the case of companies with assets or critical information belonging to their customers. A cybernetic attack may cause major losses and the infringement of certain legal aspects related to data confidentiality.</p>
Business sustainability	<p>The ability to continue operating at full capacity under adverse conditions such as a significant external shock (i.e. natural catastrophe, cybernetic attack, geopolitical conflict, etc.) is a decisive factor in the creation of long-term value. For sectors where the constant availability of a product or service is a decisive factor -i.e. financial services or electricity supply- implementing systems that respond to the materialisation of this risk is crucial.</p>
Responsible innovation	<p>The inclusion of innovation in the development of new products, services or technologies that contribute to the transition towards a more sustainable world that meets the needs of the base of the pyramid or finds efficient solutions in terms of the circular economy or energy consumption, will allow companies which apply this approach to increase their target public and competitiveness.</p>



Social

Human Rights in the supply chain	The globalisation and delocalisation of production processes multiplies the risks of violating human and labour rights throughout the supply chain. The violation thereof can lead to lack of trust among consumers and society and public institutions in general, in addition to penalties and internal conflicts.
Local community	On many occasions, business activity has an environmental impact on the local surroundings and on the life of the communities where a company is present. It is important for the long-term business stability of the company to legitimate itself before the local community. Taking into account its opinion when making certain strategic decisions or planning and executing some projects not only enhances the company's prospects but also mitigates possible frictions with the environment (i.e. construction of infrastructures in territories with indigenous populations).
Animal welfare	Animal welfare -how safe and healthy they are- is very important for companies whose activity is related to the marketing or treatment thereof. In addition to being an issue with great visibility for certain peer groups that can give rise to controversy, it is also important with regard to their customers' health and to product safety.

Environmental

Greenhouse gas emissions	Greenhouse gas emissions contribute to climate change, whose consequences could alter the global climate system. At the global level, external carbon pricing instruments and emission reduction objectives are becoming increasingly ambitious. In this regard, regulators, peer groups and civil society exhaustively monitor companies' carbon footprint. Companies which do not reduce their greenhouse gases can face monetary, potential and real penalties, and their reputational risk increases.
Emissions in the supply chain	Emissions in the supply chain are acquiring great relevance as the methods used to calculate the carbon footprint become more sophisticated. On many occasions, the greatest impact in terms of emissions of a product is not caused by the manufacture thereof, but rather by upstream supplier activity. Measuring the global environmental impact of products is an increasingly widespread practice and, therefore, analysing their life cycle is becoming increasingly important to mitigate risks and improve company efficiency.
Climate change	Climate change is a challenge that threatens not only the environment, but also health, cities and another aspects that affect our lives. Measures for mitigating and adapting to climate change are appearing more and more often on government and company agendas. They have and will have an impact on the production models of many businesses, which will be forced to introduce innovation parameters to adapt to the demands of the future society.
Biodiversity	Biodiversity contributes to the health of society and of the planet, fulfilling virtually irreplaceable functions in natural cycles. Although the attention of peer groups and the public towards this issue is not yet as developed as in other aspects, it may be a relevant factor in specific industries (i.e. industries whose operations are based in tropical rainforest areas at risk of deforestation are facing potential legal battles and reputational damage).
Water	Water is fast becoming a scarce commodity on the back of a growing world population. Its use is being gradually regulated and controlled, giving rise to legal risks for companies that do not comply with national or international standards. It is vitally important for companies which make intensive use of this raw material to control the water footprint, particularly in areas classified as water-stressed areas.
Waste management	Given the shortage of resources for a growing population and increased consumption, the treatment of waste for reintroduction thereof in the economy in order to close the cycle promoted by the circular economy is of vital importance. Companies can improve their competitiveness in efficient waste management not only in terms of reduction of environmental impact but also cost savings.

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FIGURE 7. IMPACT OF THE MAIN SUSTAINABILITY FACTORS ON THE COMPANIES

	Integrity	Cyber-security	Business sustainability	Responsible innovation	Human rights supply chain
Acerinox	✓			✓	✓
ACS	✓			✓	✓
BME	✓	✓	✓		
CEX	✓			✓	
Clínica Baviera	✓			✓	
Ebro	✓		✓	✓	✓
Encampus					
Euskaltel	✓	✓	✓	✓	
Flex				✓	✓
Indra	✓	✓		✓	
in-Store Media	✓	✓			
Mecalux					✓
Panasa					✓
Parques Reunidos	✓				
Siresa					
TRRG Holding				✓	✓
Viscofan	✓				



Local community	Animal welfare	Gas emissions	Supply chain emissions	Climate change	Biodiversity	Water	Waste management
		✓	✓				✓
✓		✓	✓		✓	✓	✓
		✓					
✓		✓		✓			
		✓					
		✓	✓	✓		✓	✓
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		✓	✓	✓		✓	✓
✓		✓		✓		✓	✓
✓	✓	✓			✓	✓	✓
✓		✓				✓	✓
		✓	✓				✓
✓		✓	✓				✓

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Another international trend envisaged in the strategy of both the public sector and third-party sector organisations and companies is the United Nations Agenda 2030. It proposes 17 Sustainable Development Objectives (SDO) specified in 169 goals that cover all the areas in which the company must make progress in order to achieve sustainable development.

FIGURE 8. THE OBJECTIVES OF SUSTAINABLE DEVELOPMENT





Alba has analysed which SDOs are strategic to companies -by sector- and could represent a competitive advantage or a development opportunity for products, services, technologies

and innovative distribution channels that make it possible to reach a larger number of consumers, increasing their business and capacity to contribute to sustainable development:

FIGURE 9. EXPOSURE OF INVESTEEES TO SUSTAINABLE DEVELOPMENT OBJECTIVES BY SECTOR

Investees	Exposure to SDOs																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Acerinox			✓			✓	✓	✓	✓			✓	✓				✓
ACS											✓		✓		✓		✓
BME							✓	✓					✓			✓	✓
Clínica Baviera	✓	✓	✓														✓
CEX								✓	✓								✓
Ebro Foods		✓	✓			✓		✓	✓			✓	✓	✓	✓		✓
Encampus											✓		✓				✓
Euskaltel									✓							✓	✓
Flex			✓			✓		✓				✓	✓				✓
Indra								✓	✓								✓
in-Store Media																✓	✓
Mecalux			✓			✓		✓	✓			✓					✓
Panasa			✓			✓		✓	✓			✓					✓
Parques Reunidos											✓				✓		✓
Siresa											✓		✓				✓
TRRG Holding			✓			✓		✓	✓			✓					✓
Viscofan		✓	✓			✓		✓	✓			✓	✓	✓	✓		✓

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In addition to the analysis of risks and macro opportunities of each of the investees, studying their degree of progress in terms of social responsibility allow to identify which of the investees require support and greater drive

to integrate sustainability in their strategy and decision-making process. The two figures below show the most common good practices that companies can carry out with respect to CSR⁸ and compliance of the investees:

FIGURE 10. ANALYSIS OF THE CSR OF LISTED INVESTEES AND ALBA

Company	CSR on the website	Year of joining to Global Compact	Sustainability report	GRI	Carbon Disclosure Project	Dow Jones Sustainability Index
IBEX 35						
ACS	✓	2002	✓	✓	✓	
Acerinox	✓	2013	✓	✓	✓	
Indra	✓	2004	✓	✓	✓	✓
Viscofan	✓	2015	✓			
Listed						
Clinica Baviera	✓					
Ebro Foods	✓	2002	✓	✓	✓	
BME	✓	2011	✓	✓		
Euskaltel	✓	2005	✓	✓	✓	
Parques Reunidos	✓					
Alba	✓	2015	✓	✓		

8. As initiatives not mentioned in the report until now, the Carbon Disclosure Project is one of the most relevant projects on the international scene in the sphere of climate change that encourages companies to report their performance and the Dow Jones Sustainability Index is a methodology for measuring the global sustainability of companies -which is only accessed if it is listed, among other requirements- that classifies international companies to include them in the stock market index (DJSI).



FIGURE 11. ANALYSIS OF
THE CSR OF INVESTEEES BY GROUP

	CSR on the website	Year of attachment to Global Compact	Sustainability report	GRI	Carbon Disclosure Project	Dow Jones Sustainability Index
Ibex 35	100%	100%	100%	75%	75%	25%
Ibex 35 + Listed Companies	100%	78%	78%	67%	56%	11%
Listed Companies	100%	60%	60%	60%	40%	0%
Total Companies	67%	39%	39%	33%	28%	6%
Non-Listed Companies	33%	0%	0%	0%	0%	0%

Figures 10 and 11 show that the higher the degree of sophistication of the social responsibility initiative (from left to right), the smaller the number of companies that carries it out. The same occurs if we compare the IBEX 35 companies with those listed on the continuous market. This phenomenon is common not only to the companies of this universe, but also at the national and international level, since companies with greater resources -monetary and human- and with greater visibility usually invest more in social responsibility. As an additional factor, in the decision-making process of institutional investors we can observe an upward trend due to the inclusion of ESG aspects -the so-called socially responsible investment (SRI)- and companies are becoming increasingly aware of the importance of developing the CSR area.

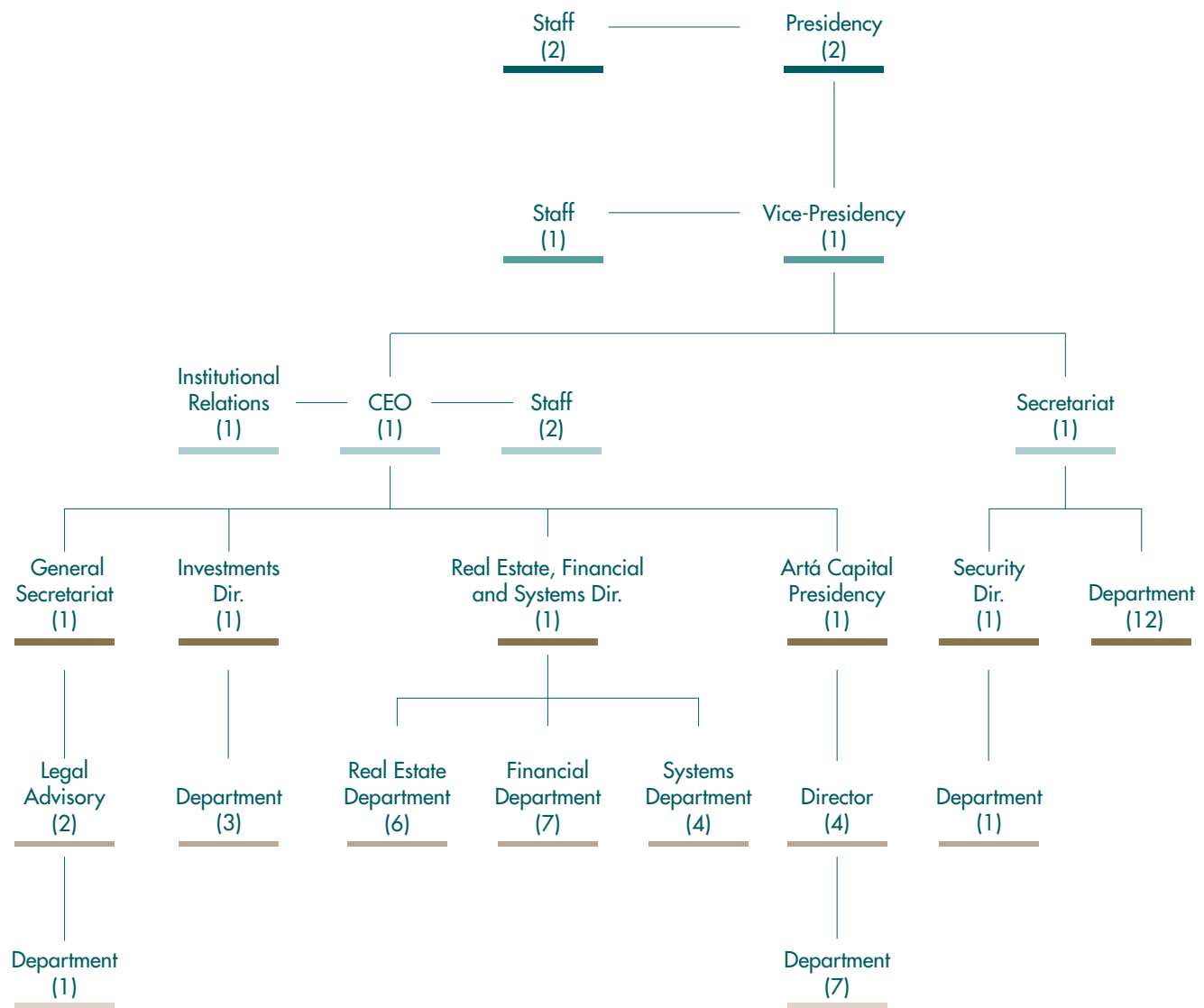
No major differences seen with respect to the previous year between the degree of progress in CSR made by investees, although there is still much room for improvement in this field.

3.3. Alba's human team

Corporación Financiera Alba is an organisation which is aware of the importance of caring for its employees and providing the most favourable work environment possible to achieve optimum results. Beyond the daily functions they discharge to create value, Alba's team is made up of people who value the company's commitment to reconciliation, training, safety and health and talent retention.



FIGURE 12. COMPANY ORGANISATION CHART



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Diversity

At group level, Alba's team grew 11% with respect to 2015, from 54 to 61 employees, as a result of new hires. All employees have permanent employment contracts and the number of women⁹ account for 31% of the total.

Equal opportunities when hiring, promoting or evaluating a person is a governing principle at Alba, where meritocracy, professionalism and other competences and skills are determining factors in the process. These values also apply in the selection of the members of the Board of Directors. In 2015 two female directors were appointed, although one of them could not take office. In 2016, the shareholders at the Annual General Meeting appointed another two female directors, raising the current number to three female members of the Board of Directors. In this manner, Alba fulfils its intention to increase the diversity of its Board, as indicated by the Code of Good Governance of the listed companies of the CNMV, and progresses towards the objective of having 30% of female directors in 2020.

Health and Safety

The work performed by the employees in an office environment ensures that safety and health do not entail a significant employment risk at Alba. However, aware that investment in preventive measures is necessary and

convenient to avoid possible negative impacts on employees' health, the company has an emergency measures plan so that any incident that could affect its facilities has little or minimum impact. It has placed an "Office Work Safety and Health" manual at its employees' disposal and ASEPEYO annually conducts an audit on the offices and prepares a report with recommendations on lighting, workstations, files, etc., that is subsequently evaluated internally to implement improvement initiatives.

As for social benefits, all staff have an annual medical examination, health, life and accident insurance -as payment in kind- and pension plans¹⁰.

Reconciliation

One of the criteria through which the degree of employee satisfaction is measured in an organisation is the possibility of balancing work with other personal aspects. The materialisation of this principle is included in the code of conduct¹¹ through point 6.5, in which Alba undertakes to promote the family reconciliation policies that will facilitate the necessary work-life balance.

Training

The continuous improvement of employees in current society is essential for adapting

9. G4-10 and G4-LA12

10. G4-LA2

11. G4-56.



the organisation to a market undergoing constant change and vulnerable to multiple parameters beyond the organisation's control. Training is aimed at all the organisation's profiles and is more intense in the technical profiles. In 2016 training amounted to 630 hours, distributed as follows between the different departments: Legal 70 hours, Investment 75 hours, Real Estate 433 hours (essentially due to specific recycling courses that increased the usual number of training hours), Administration 150 hours, Systems 32 hours and Communication 20 hours¹². Overall, the objective of exceeding the figures of the previous year has been fulfilled.

3.4. Alba's impact on society¹³

In the 2015 annual report, an objective was established with regard to the activation of the corporate volunteering plan. To put it into practice, Alba availed itself of the plan implemented by Banca March. In this regard, it should be noted that Banca March participated in a project, coordinated by the AEB and Fundación Junior Achievement, for volunteering in financial education in Secondary Education Institutes. Within the framework of the different activities of this programme, a total of 30 people were involved, who dedicated approximately 150 hours of their time. Annually, Alba financially supports different

projects: from entities whose mission is to generate knowledge and research on the evolution of the economy and society at the national level, to those who are responsible for promoting Culture. These collaborations are based on long-term alliances that go beyond sporadic collaborations that do not require a tacit commitment.

Additionally, different types of activities are indirectly promoted by the foundations of investee companies ACS, Ebro Foods, Euskaltel and Parques Reunidos. Also, in 2016 monetary contributions amounting to EUR 315,000 were made to the following organisations:

12. G4-IA9
13. G4-16

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Institute which aims to promote, conduct and disseminate work and research regarding economic and social matters in order to encourage private enterprise and the market as an efficient way of creating and allocation resources.



Fundación de Estudios de Economía Aplicada
Foundation which aims to positively influence society, researching the most important economic and social matters of our time.



Foundation that develops its activities in the field of human and scientific culture.

The measurement of the positive impact on the community is also performed through the responsible management of suppliers and the generation of economic activity in the supply chain¹⁴. Alba forms part of the service sector -not very intensive in the consumption of resources- and is a medium company if we take into account the number of employees, due to

which there are not many risks or opportunities in the purchasing decisions. Even so, it monitors its supply chain and ensures the maintenance of the long-term relationships therewith. In 2016 its contracts and service provisions were carried out through 88 different suppliers -100% local- which entailed a disbursement of EUR 3.7 million plus VAT.

¹⁴. G4-12



3.5. Alba's environmental footprint

The company's role in the care and improvement of the environment is essential and, due to the resources at its disposal and the impacts it generates with its activity, must assume a leading role, together with the States, to reach a balance between the company's development and its co-existence with the environment. As part of its commitment to CSR, Alba takes into account the importance of integrating environmental aspects through its investment decisions and the direct impact generated by the organisation's operations. This is expressed in the prevention of pollution, the rational and sustainable use of resources and correct waste management.

Climate change is a global concern and is considered the greatest current challenge faced by the population with impacts on issues such as food safety, health and immigration.

In 2016 Alba's Carbon Disclosure Project (CDP) report was not presented, since the self-evaluation of the policies and initiatives related to climate change is usually performed by large companies whose activity has a significant impact in terms of CO₂ emissions, and which in Alba's case is practically irrelevant.

Alba did calculate its carbon footprint, in which it considered both air transport and electricity consumption by offices¹⁵. This level of measurement corresponds to Scope 1 GHG emissions (direct emissions)¹⁶ and amounted to 121 tonnes of CO₂, corresponding to 390,518 kwh of electricity consumed and 170 routes by train and plane totalling more than 130,000 kilometres. This figure accounts for 85% of the energy consumed in 2015.

In recent years, actions aimed at reducing CO₂ emissions and achieving greater efficiency have been carried out in the buildings. Thus, all the new luminaires installed in the offices since 2014, both in common and leased areas, are LED luminaires with control, in accordance with the CTE (Spanish Technical Building Code)¹⁸. New, more efficient energy-producing machines¹⁹ and new condensation boilers have also been installed²⁰.

15. G4-EN3

16. G4-EN15

17. Figure extrapolated based on the consumption made in the first nine months of the year.

18. In the buildings of Valrealty, Diagonal II, Miguel Angel 23 and General Perón, 38.

19. In the buildings of Valrealty, Miguel Angel 23 and General Perón, 38.

20. In the buildings of Valrealty and General Perón, 38.

Within the philosophy of efficiency and savings in resources, all the new printers enable double-sided printing, which facilitates a reduction in total paper consumption. For years, efficient bureaucracy has been incentivised by the elimination of paper documents and their replacement by digital remittances. Paper consumption amounted to 296,300 folios in 2016, down 43% on 2015, and they were all certified by the FSC (Forest Management Certification) environmental seal.

Although the activity of the financial sector is not intensive in water consumption, Alba is aware of the need to reduce it insofar as possible, particularly taking into account Spain's characteristics, with potential risk of drought and desertisation. Therefore, control, minimisation of consumption and awareness are paramount. Water consumption amounted to 8.74 cubic metres²¹, slightly up 3% on 2015.

21. G4-EN8

4. Degree of progress of the CSR plan

In the report corresponding to 2015, a series of objectives to be achieved during the year covered by this report were established. In 2016 major progress was made, namely in the achievement of the Good Governance objectives, its election as the Company with the Best Corporate Governance 2016 in the *Global Banking and Finance Awards* and in the volunteering plan and its intention to expand it in 2017.

The table below shows the follow-up of the objectives on which work will continue, in order to gradually address them all.

The area in which most progress has been made is good governance -the most relevant for the Company-, followed by the social and environmental areas, respectively.



Objectives

Level of compliance

Good governance

1.1.	Promote the involvement of investees in terms of corporate social responsibility	✓
1.2.	Promote the attachment of investees to the United Nations Global Compact	✓
1.3.	Promote compliance of investees with the new EU Non-Financial Reporting Directive	x
2.	Training in ESG aspects for the Investment Department team in order to gradually include the analysis of extra-financial risks in portfolio management	~
3.	Join the Good Governance promotion initiatives arising in Spain	✓
4.	Development and consolidation of the crime prevention plan in compliance with current legislation	✓

Social

1.	Definition of a professional and personal work-life balance plan	x
2.	Improve employees training process	✓
1.	Increase the promotion of social action	~
2.	Define a corporate volunteering plan in the company	✓

Environmental

1.	Increase the coverage of the carbon footprint by including the real estate portion to its calculation	~
2.	Promote the reduction of paper consumption	✓
3.	Promote the participation of investees in the <i>Carbon Disclosure Project</i> initiative	~

- x Progress has not been made on this measure
 ~ Remains unchanged / Some progress has been made
 ✓ Fulfilled

5. Table of contents GRI

GRI 4	Section	Omissions
Strategy and analysis		
G4-1	Letter from the Chairman	
G4-2	Letter from the Chairman	
Organisational profile		
G4-3	Alba's materiality and Stakeholders	
G4-5	Alba's materiality and Stakeholders	
G4-6		Transactions are only performed in Spain
G4-7	Investing responsibly	
G4-8		Transactions are only performed in Spain
G4-9		Workforce: 61 people Capitalisation (30-12-2016): EUR 2,498 M€
G4-10	Alba's human team	
G4-11		100% of employees covered by the Office Workers Collective Agreement
G4-12	Alba's impact on society	
G4-13		The shareholder structure did not vary. In 2016, CFA absorbed two subsidiaries, Alba Participaciones and Balboa Participaciones, both wholly-owned by Alba.
G4-14		N/A Corporación Financiera Alba has a limited direct environmental impact and, therefore, does not require application of the precautionary principle.



GRI 4	Section	Omissions
Organisational profile		
G4-15	Managing Alba with social responsibility	
G4-16	Alba's impact on society	
Material aspects and coverage		
G4-17		27 companies including Group companies, associates and venture capital companies, all of which are included in the Notes to the financial statements
G4-18		The process, followed by determination of materiality and content, was performed internally and included the participation of sustainability experts
G4-19	Alba's materiality and stakeholders	
G4-20		N/A
G4-21		Materiality was limited to internal aspects of the organisation
G4-22		There are no restatements of the content of the Notes to the prior year's financial statements.
G4-23		There were no significant changes in the scope or coverage of each material topic
Stakeholders engagement		
G4-24	Alba's materiality and stakeholders	
G4-25		The election is based on the impacts they may have on the business and on those arising from Alba's activity
G4-26		N/A
G4-27		No problems with stakeholders were recorded

SUSTAINABILITY REPORT

GRI 4	Section	Omissions
Report Profile		
G4-28		2016 calendar year
G4-29		30 March 2016
G4-30		Annual
G4-31		lff@alba-cfa.com
G4-32	Alba's materiality and stakeholders	
G4-33		The Notes to the financial statements were not verified by external entities
Governance		
		The Annual General Meeting, called and convened with the legal and statutory formalities and those envisaged in the Regulations of the Annual General Meeting, is the supreme and sovereign body of expression of the company's will.
G4-34		(i) Nomination and Remuneration Committee -composed of external directors, most of its members and its Chairman being independent directors-.
		(ii) Audit and Compliance Committee -composed of external directors, most of its members and its Chairman being independent directors-.
		(iii) Operations Committee -composed of a minimum of three and a maximum of six directors appointed by the Board of Directors, taking into account their knowledge, skills and experience and the Committee's duties-.
Ethics and integrity		
G4-56	Alba's human team	
Economic performance		
G4-EC1		Net revenue: EUR 18.6 M (including rental income)



GRI 4	Section	Omissions
Energy		
G4-EN3	Alba's environmental footprint	
Water		
G4-EN8	Alba's environmental footprint	
Emissions		
G4-EN15	Alba's environmental footprint	
Employment		
G4-LA2	Alba's human team	
Occupational Health and Safety		
G4-LA9		In 2016, four employees took sick leave over a total of 396 days (305, 60, 26 and 5 days) And there were two maternity leaves (43 and 12 days)
Training and education		
G4-LA9	Alba's human team	
Diversity and equal opportunities		
G4-LA12	Alba's human team	
Regulatory compliance		
G4-SO8		In 2016 there were no fines or sanctions in this aspect