

**JUSTIFYING REPORT OF THE BOARD OF DIRECTORS  
OF TÉCNICAS REUNIDAS, S.A.  
CONCERNING THE PROPOSAL FOR AMENDMENT  
OF THE RULES OF PROCEDURE OF THE BOARD OF  
DIRECTORS**



**TECNICAS REUNIDAS**

**25 June 2020**

# **SUPPORTING DOCUMENT BY THE AUDIT AND MONITORING COMMITTEE OF TÉCNICAS REUNIDAS, S.A. CONCERNING THE PROPOSAL FOR AMENDMENT OF THE RULES OF PROCEDURE OF THE BOARD OF DIRECTORS**

## **I. INTRODUCTION AND PURPOSE OF THE REPORT**

On 29 December 2018, the Official State Gazette published **Law 11/2018 of 28 November**, amending the Commercial Code, the consolidated text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July on Auditing, as regards disclosure of non-financial and diversity information ("**Law 11/2018**").

For its part, and within the framework of the regulatory powers endowed on it by article 21.3 of the revised text of the Securities Market Law, on 27 June 2017 the National Securities Market Commission (the "**CNMV**") published its *Technical Guide 3/2017 on audit Committees at public-interest entities* ("**Technical Guide 3/2017**"), which aims at establishing certain principles, recommendations and criteria concerning the organisation, composition and functions of audit committees.

Likewise, and within the framework of the aforementioned regulated powers provided for in the Securities Market Law, on 20 February 2019, the CNMV approved *Technical Guide 1/2019 On Nomination and Remuneration Committees* ("**Technical Guide 1/2019**"), which establishes a series of principles, criteria and good practices for the operation of appointments and remuneration committees.

Based on the foregoing, it is proposed that the Regulations of the Board of Directors of TÉCNICAS REUNIDAS, S.A. (the "**Company**") be amended to **incorporate certain basic principles from Technical Guide 3/2017 and Technical Guide 1/2019** concerning the composition, functions and operation of the Audit and Monitoring Committee and the Appointments and Remuneration Committee, respectively, reorganising the content of the aforementioned articles following the criteria given in the Guides and, in relation to this, expressly incorporating **certain Recommendations from the Code of Good Governance of listed companies** (the "**Code**") **that the Company declares to be in compliance with in its 2019 Annual Corporate Governance Report** -. It is also proposed to supplement Articles 6 and 14 with certain provisions relating to the diversity of directors established in Law 11/2018.

In turn, certain articles of the Regulations **are coordinated with the provisions of the Articles of Association**, and in this regard: (i) the basic regulation of the new **Risk Management Commission** of the Board is expressly added to Article 15 of the Regulations; (ii) the rules for the Chairman of the Board of Directors

are made more flexible, to allow for this position to be held by both an executive or non-executive director, thus allowing the Board different alternatives for configuring this body in the manner it considers most appropriate to the Company's particular circumstances, (iii) the number of Board members is set at between seven and fifteen; **and (iv) the directors' remuneration system is adapted to the criteria established in the Supreme Court ruling of 26 February 2018**; (v) it is expected that the **Secretary** and the **Deputy Secretary** of the Board will **also be the Secretary of its Delegate and Advisory Committees**; and (vi) the **possibility of holding non-presential meetings of the Board** of Directors of the Company is incorporated in Article 16.

Finally, Article 5.1.(ii) is completed by **empowering the Board** to supervise the process of preparing and presenting the financial information and the management report, in accordance with recent legal reforms, as well as incorporating certain technical details in different articles of the Regulations.

In accordance with the provisions of Article 3.1 of the Regulations of the Company's Board of Directors, the Company's Audit and Monitoring Committee draws up this supporting document for the proposal to amend the Regulations of the Board of Directors, which it submits to the Board of Directors for approval, in order to explain the amendment of the articles 1 ("Purpose"), 3 ("Amendment") 5 ("General function of the Board"), 6 ("Qualitative Composition"), 7 ("Quantitative Composition"), 8 ("The Chairperson of the Board"), 10 ("*The Secretary of the Board*"), 11 ("*The Deputy Secretary of the Board*"), 12 ("Delegated bodies of the Board of Directors"), 13 ("Audit and Control Committee composition, powers and functioning"), 14 ("Appointments And Remuneration Committee. composition, powers and functioning"), 15 - new 16 ("Meetings of the Board of Directors"), 25 - new 26 ("Remuneration for Directors and Members of Board Committees"), 35 - new 36 ("Transactions with Significant Shareholders"), 39 - new 40 ("Relationships with Auditors") of the Regulations and the incorporation of the new Article 15 ("*Risk Committee - Composition, Powers and Operation*") to the Regulations of the Board of Directors of the Company.

## **II. JUSTIFICATION FOR THE AMENDMENT PROPOSAL**

### **1. Proposal to amend Article 1 ("*Purpose*") of the Regulations:**

It is proposed to amend paragraph 2 to specify that the purpose of the Regulations is to lay down the working principles of the Board of Directors, its basic organisation and operating rules and the rules of conduct for its members, "*with a view to achieving the greatest possible efficiency and transparency in its management.*"

It is also proposed that paragraph 2 be amended to state that the "*inspiring principles*" of the Regulations "*shall as far as possible be extended to the management bodies of subsidiary companies*".

## **2. Proposal to amend Article 3 (“Amendment”) of the Regulations:**

It is proposed to amend paragraph 2 to establish that the Board meeting that is to approve the amendment of its Regulations must be convened at least seven days in advance. Also, the name of the “*Audit and Control Committee*” in paragraph 1 should be changed to “*Audit and Control Commission*” in coordination with the proposed amendment to Article 13 of the Regulations.

Paragraph 3 is also amended to specify that to be valid, any amendment to the Regulations will require the corresponding resolution to be adopted by an absolute majority of the Directors present or represented “at the meeting.”

## **3. Proposal to amend Article 5 (“General function of the Board”) of the Regulations:**

Section 1.(ii) is amended to incorporate the Board’s function of “*supervising the process of preparing and presenting the financial information and the management report,*” in accordance with article 529 *ter.1.j)* of the revised text of the Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, as amended by Law 11/2018, of 28 December. It also introduces a clarification in the wording at the beginning of this section, which includes the Board’s power to “*approve*” the financial information that the company must periodically make public due to its status as a listed company.

Also, section 1.(xii) “*Audit and Monitoring Committee*” is replaced with “*Audit and Monitoring Committee*”, in coordination with the proposed amendment to Article 13 of the Regulation. The “*membership*” clause is deleted to include in the Regulations the literal wording of Article 529 *ter.1.h)1°* of the Companies Act.

Article 5, paragraph 2, is amended as follows: “*When there are urgent and duly justified circumstances, decisions concerning the aforementioned matters may be taken by the bodies or delegated persons. These decisions shall be ratified at the first Board of Directors meeting held after the corresponding decision has been taken.*”

On the other hand, it is proposed to expressly incorporate into this article the suitability requirements that directors must meet, also establishing that they must formally commit themselves at the time of taking office to fulfil the obligations and duties provided for in the Board Regulations.

## **4. Proposal to amend Article 6 (“Qualitative Composition”) of the Regulations:**

It is proposed that Article 6 be amended to adapt its provisions concerning the procedures for selecting its members, which must favour diversity by taking into account different diversity criteria, under Article 529 *bis.2* of the Companies Act, in the text given by Law 11/2018.

It is also proposed that the suitability requirements for directors be expressly incorporated into this article, also establishing that they must formally commit themselves at the time of taking office to fulfil the obligations and duties provided for in the Board Regulations.

**5. Proposal to amend Article 7 (“Quantitative Composition”) of the Regulations:**

The number of Board members is adapted to the provisions of the Articles of Association, establishing that it shall be not less than seven or more than fifteen (as opposed to the twelve set in the current Regulations).

**6. Proposal to amend Article 8 (“The Chairperson of the Board”) of the Regulations:**

It is proposed that Article 8 be amended to **provide that the position of Chairman of the Board of Directors may be held by either an executive or a non-executive Director**. In this respect, a distinction has been made between the functions corresponding to him or her in any case as chair of the Board, and those corresponding to an executive Director.

Likewise, the **functions of the Lead Independent Director** (who must be appointed by the Board when the Chairman is an executive director) have been supplemented with those set out in Recommendation 34 of the Code. These are functions which this director had already been exercising in practice but which, with their express incorporation into the Board Regulations, will enable the Company to consider this Recommendation to have been fully complied with in the Corporate Governance Report for next year.

**7. Proposal to amend Articles 10 (“The Secretary of the Board”) and 11 (“The Vice-Secretary of the Board”) of the Regulations:**

A clarification is included in section 1 of each of these two articles, to establish that the Secretary and the Vice-Secretary, if the latter is appointed, shall also be Secretary and Vice-Secretary, respectively, of all the Board’s Delegate or Advisory Committees, in coordination with the proposed amendment to Article 25 of the Articles of Association in this regard.

**8. Proposal to amend Article 12 (“Delegated Bodies of the Board of Directors”) of the Regulations:**

In addition to incorporating certain technical details in section 1 concerning the delegation by the Board of Directors of its powers to one or more Executive Committees, a new section 2 is added, which includes the provisions of article 249.3 of the Companies Act concerning the contract signed between the Company and a member with executive functions, under the terms provided by law.

Also, in section 3 includes the recommendation given in **Technical Guides 3/2017 and 1/2019** regarding the **importance of the committees each having specific** Regulations is also expressly incorporated. This change provides express regulatory coverage to development of the scheme provided for in the Board Regulations specific to the Regulations of the Committees, in addition to changing the name of the “Audit and Monitoring Committee” to “*Audit and Control Committee*”, in coordination with the proposed amendment to Article 13 of the Regulations.

Also, the clause “*without prejudice to the possibility that these committees might, in exceptional cases, be assigned decision-making powers*” in paragraph 4 referring to the Advisory or Consultative Committees of the Board is deleted.

**9. Proposal to amend Article 13 (“Audit and Control Committee: Composition, Powers and Functioning”) of the Regulations:**

It is proposed to amend Article 13 of the Rules of Procedure of the Board of Directors to adapt the content of Article 13 to the **criteria in Technical Guide 3/2017**, incorporating certain basic principles of said Guide regarding the composition, functions and functioning of the Commission (such as the drawing up by the Commission of an annual work plan setting out its main activities for the year), and furthermore, to **reorganise the functions in this Article** according to the criteria followed by Technical Guide 3/2017.

Also, certain Recommendations in the Code relating to the functions and scope of the Commission are incorporated insofar as these are Recommendations that the Company declares itself generally compliant with in its Annual Corporate Governance Report for the 2019 financial year but which are not expressly included in its corporate texts, e.g. Recommendation 42.1 of the Code concerning the Company’s internal monitoring and information systems and the corporate governance and corporate social responsibility functions set out in Recommendation 53 of the Code.

In addition, it is established that the Commission shall normally meet at least eight times a year, and certain technical or drafting clarifications are included in this Article. For example in paragraph 3 of Article 13, by replacing the reference to “*the periodic financial reports that must be submitted to the stock exchange authorities*” with “*the periodic financial reports that must be disseminated to the markets through the relevant authorities.*”

Finally, Commission’s name is changed to “*Audit and Control Commission*”, both in the body of the article and in its heading. This adapts the Commission’s name to that used in the regulations and recommendations applicable to the Company, including the Companies Act and Technical Guide 3/2017, thus unifying the names of the Board’s advisory commissions.

**10. Justification of the Proposal to amend Article 14 (“Appointments and Remuneration Commission: Composition, Powers and Functioning”) of the Regulations:**

Article 14 is supplemented following the **criteria followed by Technical Guide 1/2019**, to incorporate certain basic principles in the Guide concerning the composition, functions and functioning of the Commission, and in particular, **reorganising the Commission’s functions** in accordance with the provisions of Technical Guide 1/2019. It expressly states that the Commission shall normally meet at least six times a year.

In particular, the Commission is responsible for proposing to the Board of Directors its director diversity policy, in accordance with the provisions of Law 11/2018 and section *Tercero.10.d*) of Technical Guide 1/2019.

Also, certain Recommendations in the Code relating to the functions and scope of the Commission are incorporated insofar as these are Recommendations that the Company declares itself compliant with in its Annual Corporate Governance Report for the 2019 financial year but which are not expressly included in its corporate documents, e.g. Recommendation 50 of the Code in paragraphs c) “*Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company*”), d) (“*Ensure that conflicts of interest do not undermine the independence of any external advice the commission engages*”), and e) (“*Verify the information on director and senior officers’ pay contained in corporate documents, including the annual directors’ remuneration statement*”).

**11. Proposal to add a new Article 15 (“Risk Management Commission: Composition, Powers and Functioning”) to the Articles of Association:**

It is proposed to add a new article 15 to the Rules of the Board to include the basic regulation of the new Risk Management Commission, having incorporated the recommendations of CNMV Technical Guides 3/2017 and 1/2019 in coordination with the regulations of the Audit and Control and Appointments and Remuneration commissions.

The Risk Management Commission is responsible for advising the Board of Directors on the supervision of the Company’s management and risk areas, in coordination, as necessary, with the Audit and Monitoring Commission. The Risk Management Commission shall normally meet eight times a year.

**12. Proposal to amend Article 15 - new Article 16 (“Meetings of the Board of Directors”):**

It is proposed to add the possibility of meetings of the Company’s Board of Directors that are not face-to-face when circumstances so advise. In these cases, the session must be conducted using a technical procedure that provides

identity verification and real-time, multi-person connection of remote attendees, to provide flexibility to the operation of this corporate body.

### **13. Proposal to amend Article 25 – new Article 26 (“Remuneration for Directors and Members of Board Commissions”) of the Regulations:**

Although focused on non-listed companies, the **ruling of the Spanish Supreme Court on 26 February 2018** interpreted certain precepts of the Companies Act on directors’ remuneration, insofar as generally applicable to companies (articles 217 to 219 and 249 of the Companies Act), to also affect the remuneration system for directors of listed companies, without prejudice to the special provisions for directors (articles 529.*sexdecies* to 529.*novodecies*, 540.4(c) 2 and 541 of the Companies Act), which must also be taken into account.

In this regard, and within the framework of the proposed amendment of Article 22 of the Company’s Articles of Association concerning the directors’ remuneration scheme to adapt it to the **Supreme Court ruling of 26 February 2018**, it is proposed that Article 25 of the Regulations of the Board of Directors be amended with the following criteria:

- It shall distinguish between, on the one hand, the items of remuneration applicable to all directors based on their membership of the Board of Directors and its commissions and, on the other hand, items of remuneration applicable to directors with delegated or executive functions for the performance of these functions.
- Specifically, it shall allow for the possibility of remunerating directors through the award of shares, as per Article 219 of the Companies Act.
- The remuneration items specifically applicable to Directors with delegated or executive functions are included expressly. This change coordinates the system provided for in the Articles of Association with the Directors’ Remuneration Policy and the Executive Directors’ contracts and completes the provisions regarding the contract they are required to sign with the Company under the terms of article 249 of the Companies Act.
- It also adds the provision that the maximum amount of the annual remuneration of all the directors, both for their membership of the Board of Directors and of its Commissions and for their delegated or executive functions, must be approved by the General Shareholders’ Meeting and will remain in force until the General Meeting resolves to modify it, under article 217.3 of the Companies Act.
- Concerning the guidelines to be taken into account by the Board of Directors concerning the remuneration of non-executive directors, it is proposed that the text be brought into line with the wording of Recommendation 56 of the Code (*“Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so*

*high as to compromise the independent judgement of non-executive directors”), which the Company declares itself compliant with in its 2019 Annual Corporate Governance Report. Section b) is deleted (“External directors must be excluded from pension schemes financed by the Company for cases of termination of service, death or other reasons”) as it is unnecessary since there is no mention of pension schemes among the remuneration items for non-executive directors.*

**14. Proposal to amend Article 35 – new Article 36 (“Transactions with Significant Shareholders”) of the Regulations:**

Article 35 of the Regulations are amended to replace “*Audit and Control Commission*” with “*Audit and Monitoring Commission*”, in coordination with the proposed amendment to Article 13 of the Regulations.

**15. Proposal to amend Article 39 – new Article 40 (“Relationships with Auditors”) of the Regulations:**

The name of the “*Audit and Control Commission*” is changed to “*Audit and Control Commission*”, in coordination with the proposed amendment to Article 13 of the Regulations.

Likewise, editorial clarifications are incorporated in accordance with article 529 *quaterdecies*.4.d) of the Companies Act, and paragraph 3 of this article is deleted, since its provisions have been moved to article 13 for organisational reasons, adapting them to the current wording of Recommendation 8 of the Code, which the Company declares to be compliant with in its 2019 Annual Corporate Governance Report (that the Audit and Control Commission should ensure that the Board endeavours to present the accounts to the General Meeting without limitations or qualifications in the audit report).

**III. ANNEX**

A comparison of the text of the articles of the Rules of Procedure of the Board of Directors in force and the proposed amendments is attached as an Annex to this Report.

**ANNEX**

**REGULATIONS OF THE BOARD OF DIRECTORS OF**  
**TÉCNICAS REUNIDAS, S.A.**

**REGULATIONS OF THE BOARD OF DIRECTORS OF**  
**“TÉCNICAS REUNIDAS, S.A.”**

**CHAPTER I**  
**BACKGROUND**

**Article 1. Purpose**

1. The purpose of these Regulations is to determine the guiding principles of the Board of Directors of “Técnicas Reunidas, S.A.” (hereinafter, the “**Company**”), the basic rules of its organization and operation and code of conduct of its members, in order to achieve greater efficiency and transparency in its management.
2. The code of conduct established in these Regulations for Company Directors shall also be applicable to senior executives of the Company, whenever these are compatible with their specific nature and its inspiring principles will be projected as far as possible to the administrative bodies of the subsidiary companies.

**Article 2. Interpretation**

1. These Regulations shall be interpreted in accordance with the legal and statutory rules that may be applicable and the principles and recommendations for corporate governance of approved listed companies or issued by Spanish authorities and surrounding countries that are in effect at any time.
2. The Board of Directors shall resolve any doubts that may arise from the application and interpretation of these Regulations based on the general interpretation criteria of legal rules.

**Article 3. Modification**

1. These Regulations may only be modified on request of the Chairman or one third of the Directors or the Audit ~~Committee~~Commission, which shall accompany their modification proposal with a justification report.
2. The text of the proposal and the justification report of its authors shall be attached to the notification for the Board meeting where it shall be discussed. The notification shall be made with a minimum advance of ~~ten~~seven days.
3. To be valid, the modification of the Regulations shall require the resolution be passed by the absolute majority of the Directors present or represented at the meeting.
4. These Regulations shall be updated as required to adapt its content to current provisions that may be applicable.

#### **Article 4. Distribution**

1. Directors and senior executives have the obligation to know, comply and make others comply with these Regulations. To such purpose, the Secretary of the Board shall provide all of them a copy when they accept their respective nominations or when their hire becomes effective, depending on the case; they must provide the Secretary a signed statement, as per Appendix I of these Regulations, in which they state to know and accept the content of these Regulations, committing to comply with any obligations that may be required in their virtue.
2. The Board of Directors of the Company shall adopt the appropriate measures so that the Regulations are suitably distributed to shareholders and investor public in general. In particular, the current text of these Regulations shall be notified to the National Securities Market Commission, registered in the Company Register and available on the corporate website of the Company as set forth herein.

### **CHAPTER II**

#### **FUNCTION OF THE BOARD**

#### **Article 5. General function of the Board**

1. Except for the matters reserved to the competence of the Meeting of Shareholders, the Board of Directors is the highest decision body of the Company, and shall assume the power legally reserved for its direct knowledge, as well as any others necessary for responsibly exercising the general function of supervising, including among others but not limited to the functions attributed by the Capital Companies Act and, in particular, the functions assumed and that cannot be delegated:
  - (i) the formulation of the annual financial statements, the management report and the proposal for application of the earnings of the Company, as well as the consolidated financial statements and report, and their presentation at the Meeting of Shareholders for approval;
  - (ii) [the approval of the financial and non-information that, as a consequence of listed company, must be made publicly available, as well as the supervision of the process of preparing and presenting the financial information and the management report;](#)
  - (iii) the call of the Meeting of Shareholders as well as the publication of associated announcements and preparing the agenda, making the appropriate proposals, attending to the nature of each Meeting of Shareholders;
  - (iv) the appointment of directors by co-opting and elevation of proposals to the Meeting of Shareholders on the nomination, ratification, re-election or dismissal of directors;
  - (v) the designation and renewal of internal functions of the Board of Directors and members of the Commissions;
  - (vi) the distribution among its members of the remuneration of the directors, on proposal of the Nominations and Remunerations Commission;
  - (vii) the pronouncing on any takeover bid formulated over securities issued by the Company;

- (viii) the authorization or dispensing of obligations derived from the duty of loyalty when legally corresponding to the Board and as legally set forth;
- (ix) its own organization and operation;
- (x) the determination and approval of the policies and general strategies of the Company. In particular, the following shall be considered:
  - (a) The strategic or business Plan, as well as the management objectives and annual budget;
  - (b) The investment and financing policy;
  - (c) The definition of the corporate group structure of which the Company is the parent company;
  - (d) The corporate governance policy of the Company and its group, its organization and operation and, in particular, the approval and modification of its own Regulations;
  - (e) The corporate social responsibility policy;
  - (f) The dividends policy;
  - (g) The remunerations policy and performance appraisal of senior executives;
  - (h) The risk control and management policy, including tax, as well as periodic follow-up of internal information and control systems;
  - (i) The treasury shares policy and, in particular, its limits;
  - (j) The determination of the tax strategy of the Company.
- (xi) the approval of the following operating decisions:
  - (a) The nomination and dismissal of Company directors, as well as the establishing of their contract conditions;
  - (b) The nomination and dismissal of senior executives reporting directly to the Board or any of its members, as well as the establishing of the basic conditions of their contracts, including remuneration;
  - (c) Any decisions regarding the remuneration of board members, within the statutory framework and, if applicable, the remunerations policy approved during the meeting of shareholders;
  - (d) Investments, including investments in affiliate companies or taking shares in companies, in Spain or abroad, or transactions of all kinds that, due to their high amount or special characteristics, are strategic or of special tax risk, unless these should be approved during a Meeting of Shareholders;
  - (e) The creation or acquisition of investments in special purpose entities or registered in countries or territories considered tax havens, as well as any other transactions or operations of analogous nature that, due to their complexity, may undermine the transparency of the Company and its group;
- (xii) The approval, previous report of the Audit and Control ~~Committee~~Commission, of the operations that the Company, or other companies of its group, transacts with directors, or with shareholders, directors, individually or in combination with others, of a significant holding, including shareholders represented in the Board of Directors of the Company or in other companies that are part of the same group or related persons ("Related Operations").  
 Affected directors or that represent or are related to affected shareholders shall abstain from taking part in the deliberation and voting of the resolution in question.  
 However, Related Operations meeting the following three conditions shall not require authorization from the Board of Directors:

- 1<sup>a</sup>. That are carried out by virtue of contracts with standardized conditions and applied en mass to a large number of customers;
- 2<sup>a</sup>. That are performed at market prices or rates, generally set by whoever acts as supplier of the good or service at hand;
- 3<sup>a</sup>. That the transaction amount does not exceed one percent (1%) of annual income of the Company.

The approval of Related Operations shall require the prior favourable report of the Audit ~~Committee and Control Commission~~. Affected directors, in addition to not exercising or delegating their voting right, shall leave the meeting room while the Board resolves and votes on them.

- (xiii) Supervision of the effective operation of the Commissions and, as well as the supervision of the effective operation of the delegate bodies and executives that have been appointed;
  - (xiv) The formulation of any kind of report required in law to the Board of Directors, whenever the operation referred to by the report cannot be delegated;
  - (xv) Any power delegated by the Meeting of Shareholders, unless expressly authorized by it to sub-delegate these;
  - (xvi) Any other matter that the Regulations of the Board of Directors or the articles of association reserve to the knowledge of the body as a whole.
2. In the event of duly justified, urgent circumstances, it shall be possible for the delegated bodies or persons to adopt the corresponding decisions for the aforementioned matters ~~(ii), (x) (a) a (f), both inclusive, (x) (h) and (j), (xi), (d) and (e) and (xii)~~, which shall have to be ratified during the first Board Meeting held after the adoption of the corresponding decision.
  3. The policy of the Board is to delegate ordinary management of the Company on the management team and focus its activity on the general function of supervising and adopting the most relevant decisions for management of the Company.
  4. The Board of Directors shall ensure the compliance by the Company of its ethical duties and its duty to act in good faith.
  5. The Board of Directors shall also ensure that no shareholder shall receive a privilege treatment over others.
  6. The Board of Directors shall carry out an annual assessment of its operation and its Commissions, as well as its Chairmen, based on the report raised by the Nomination and Remuneration Commission or the Audit ~~Committee~~Commission, if applicable, and propose, based on its result, an action plan to correct any deficiencies that have been found. The results of the assessment shall be documented in the minutes of the meeting or added to it as an attachment.

## CHAPTER III

### COMPOSITION OF THE BOARD

#### **Article 6. Qualitative composition**

1. The Board of Directors, in the exercising of its proposal power to the General Meeting of Shareholders and co-opting to cover vacancies, shall aim that, in the measure when possible, in the composition of the body, independent, external and non executive directors do not represent a broad majority over executive directors.

To this purpose, it shall be understood that executive directors are those performing management functions in the Company or its group, regardless of the legal relation with it. However, directors that are senior executives or directors of companies belonging to the group of the dominant entity of the Company shall be considered as dominical.

When a director carries out management function and, at the same time, is or represents a significant shareholder or that is represented in the Board of Directors, he shall be considered as executive.

Therefore, the remaining directors of the Company shall be considered as external or non executive, who may be dominical, independent or other external.

2. The Board shall also seek to integrate dominical and independent directors in the majority group of external directors. The aforementioned definitions of director qualifications shall be interpreted as per the rules or recommendations of good governance in effect at any time. Furthermore, the Board shall also seek that, within the group of external directors, the number of dominical directors over the total non executive directors shall reflect the existing proportion between the capital of the Company represented by dominical directors and the rest of capital. In any case, the number of independent directors shall represent at least one third of the total of directors.
3. The Board of Directors shall ensure that the procedures for selecting its members favour diversity in terms of regarding issues such as age, gender, disability or professional training and experience ~~and knowledge~~ and do not suffer from implicit bias that may entail any kind of discrimination and, in particular, that facilitate the selection of female directors.
4. The persons designated as Directors shall be persons of recognized commercial and professional honor and must possess adequate knowledge and experience to carry out their functions and be in a position to exercise good governance in the entity. Likewise, they must meet, in addition to the conditions required by Law and Statutes, those provided for in these Regulations, formally committing themselves at the time of their inauguration to fulfill the obligations and duties set forth therein. To be appointed as a member of the Board, shareholder status is not required.

## **Article 7. Quantitative composition**

1. The Board of Directors shall consist of no less than seven (7) members and not more than ~~twelve~~ ~~(12)~~ fifteen (15), which shall be determined by the General Meeting of Shareholders.
2. The Board shall propose the number to the Meeting of Shareholders that, in accordance with the changing circumstances of the Company and within the statutory boundaries, is most suitable to ensure the due representativeness and effective operation of the body.

## **CHAPTER IV**

### **STRUCTURE OF THE BOARD OF DIRECTORS**

## **Article 8. The Chairman of the Board**

1. The Chairman of the Board of Directors shall be elected, prior report from the Nomination and Remuneration Commission, from ~~its~~ the members of the Board of Directors in compliance with the provisions set forth in the articles of association of the Company.
2. The Chairman will be an executive Director President is the maximum person in charge of the Board's direction and the effectiveness of its functioning, promoting the development of its competences and the coordination with its Commissions for the better fulfilment of its functions. In any case and without prejudice to the powers granted by the Law, the Statutes and these Regulations, it will have all the following authorities:
  - a) Convoke and preside over the meetings of the Board of Directors (except appointing Chairman and Vice Chairman, setting the agenda for the meetings and directing discussions and those not delegable according deliberations.
  - b) Prepare and submit to the law or the Bylaws). The function of Chairman of the Board of Directors a schedule of dates and matters to be discussed.
  - c) Preside over the General Shareholders' Meeting, unless expressly decided otherwise.
  - d) Ensure that directors receive sufficient information in advance to deliberate on the items on the agenda.
  - e) Stimulate debate and the active participation of the directors during the sessions, safeguarding their free taking of positions, ensuring that sufficient time is spent discussing strategic issues.
  - f) Organize and coordinate the periodic evaluation of the Board, as well as, where appropriate, that of the Company's chief executive.
  - g) Agree on and review the knowledge update programs for each director, when circumstances so warrant.

~~2.3. The position of Chairman of the Board of Directors may be assigned to lie with an executive director. In this, in which case, the appointment of the Chairman shall will require the favourablefavorable vote of two thirdthirds of the members of the Board. In this case, of Directors. Likewise, in the appointment of event that the Chairman shall requirehas the favourable votestatus of two thirdexecutive director, the Board of Directors, with the membersabstention of the Board. executive directors, must necessarily appoint a coordinating director among the independent directors, who shall have the following powers:~~

- ~~• In addition to Request the power that is legally granted, the Chairman shall have the ordinary power to convene and chair the call of the Board meetings, to produceof Directors or the inclusion of new items on the agenda of a Board already called.~~
- ~~• Preside over the Board of Directors in the meetingsabsence of the President and the Vice-Presidents.~~
- ~~• Coordinate and to moderate discussions. gather non-executive directors, echoing their concerns.~~
- ~~• Maintain contacts with investors and shareholders to know their points of view in order to form an opinion on their concerns, particularly in relation to the Company's corporate governance.~~
- ~~• Direct the periodic evaluation of the Chairman of the Board of Directors in the event that the Chairman has the status of Executive Director.~~
- ~~• Coordinate the President's succession plan.~~

~~3. The Chairman, however, shall convene Board meetings and include in the agenda the required items when required by three directors, the Vice-Chairman or the coordinator director, if applicable. In addition, unless expressly resolved otherwise,President, in the event that he shall chair the General Meeting of Shareholders.~~

~~4. In the event of a voting tie, the Chairman's vote shall be deciding.~~

~~5.4. The Chairman shallis an executive director, will be considered as the highest executive superior of the Company, empoweredand will be vested with the necessary attributionspowers to exercise this authority, includingwhich will be delegated to him by the Board of Directors and, in particular, the following:~~

~~Ensure the directors receive, in advance, sufficient information to deliberate on the items on the agenda;a) ensure that the Articles of AssociationStatutes are fulfilled in fullfully complied with and that the resolutions of the General Meeting of Shareholders and the Board of Directors are faithfully executed; and~~

~~Exercise seniorb) exercise high inspection of the Company and all its services; and.~~

- ~~a) Stimulate discussion and active involvement of the directors during the sessions, protecting their free taking of position.~~
- ~~6. In addition, the Chairman shall, under the statutorily provided terms, have the power and rights of the Board except for those that cannot be legally or statutorily delegated.~~
- ~~7. In the event the Chairman should have the condition of executive director, the Board of Director, with the abstention of executive directors, shall necessarily appoint a coordinator director from the independent directors, which shall be especially empowered to convene the Board of Director's meeting or the inclusion of new items on the agenda of an already convened Director's meeting, coordinate and gather non executive directors and direct, if appropriate, the periodic assessment of the Chairman of the Board of Directors.~~

The powers delegated to the President, if he is an Executive Director, may be delegated to other persons.

#### **Article 9. Vice-Chairmen**

1. The Board, prior report from the Nominations and Remunerations Commission, shall necessarily appoint from its members one or more Vice-Chairmen, of which at least one shall be independent. The First Vice-Chairman shall substitute the Chairman in the event of impossibility or absence, or when determined by the Chairman himself. Likewise, the Second Vice-Chairman shall substitute the First Vice-Chairman in the event of impossibility or absence, or when determined by the Vice-Chairman himself.
2. The First Vice-Chairman may convene the Board when, having been requested by three directors to the Chairman, their request had not been attended to within a period of one week. The same power shall correspond to the Second Vice-Chairman in the event the First Vice-Chairman should not convene the Board meeting under the aforementioned terms.

#### **Article 10. The Secretary of the Board**

1. The Board of Directors shall elect, prior report from the Nominations and Remunerations Commission, a Secretary whose nomination shall fall on a person, that may be a director or not, with aptitude to perform the duties specific to such function. In the event the Secretary of the Board of Directors is not a director, he shall have a voice but not vote. The Secretary of the Board of Directors will also be the Secretary of all its Delegate or advisory Commissions.
2. The Secretary shall assist the Chairman in his duties and shall provide for the proper operation of the Board occupying himself, very especially, of providing directors with the necessary advice and information, maintaining company documentation, duly reflecting the development of the meetings in the minutes and to certify the resolutions of the body.
3. The Secretary shall ensure that the activities of the Board of Directors are compliant with applicable legislation and in line with the Articles of Association and other internal regulations; he shall ensure formal and

material legality of the Board's activities, and shall check the fulfilment of provisions resulting from regulatory bodies and ensure the observance of the Company's corporate governance criteria and rules set forth in the Regulations of the Board of Directors.

4. In addition, the Secretary shall assist the Chairman so that the directors receive relevant information for the exercising of their functions with sufficient advance and in the appropriate format.

#### **Article 11. The Vice-Secretary of the Board**

1. The Board of Directors, prior report from the Nominations and Remunerations Commission, may appoint a Vice-Secretary, who shall not need to be a Director, to assist the Secretary of the Board of Directors or to substitute him in his absence in the execution of such function. The Deputy Secretary of the Board of Directors will also be the Deputy Secretary of all its Delegate or Advisory Commissions.
2. Unless otherwise resolved by the Board of Directors, the Vice-Secretary may attend the sessions of the Board to assist the Secretary in drafting the minutes of the meeting.

#### **Article 12. Delegate bodies of the Board of Directors. Commissions of the Board of Directors**

1. ~~The Board of Directors may appoint in its heart an Executive Commission or one or more Directors, regardless of the power it may confer to any person, delegating on them, in full or in part, temporarily or delegate permanently, all power that may not be delegated as per within the limits established by the applicable legislation regulations and the articles without prejudice to the powers of attorney that may be conferred on any person, all or part of association. The delegation and nomination their powers in one or more Delegate Commissions, as well as appoint the Directors who will form part of the members delegated body and, where appropriate, the form of exercise of the powers granted. The permanent delegation of any faculty of the Board of Directors that must hold such functions shall require for validity cannot be delegated in accordance with current regulations in favor of one or more Delegate Commissions and the appointment of the Directors who will form part of the delegated body must be approved by the Board of Directors with the favourable vote of two thirds of the its members of the Board, and shall will not be effective produce any effect until registered its registration in the Mercantile Registry.~~
- 1.2. When a member of the Board of Directors is attributed executive functions by virtue of any title, a contract must be concluded between it and the Company Register, which must be approved by the Board of Directors with the favorable vote of two thirds of its members. members, the affected Director must abstain from attending the deliberation and from participating in the voting and the approved contract must be incorporated as an annex to the minutes of the session.

- ~~2. In addition, the Board may create other commissions with consulting or advisory functions regardless that exceptionally they may be assigned some decision power.~~
- ~~3. In any case, the Board shall constitute both the audit and the nominations and remunerations committees as per legal requirements.~~
3. Audit and Control Committee. In any case, the Board of Directors must set up an Audit and Control Commission and an Appointments and Remunerations Commission in accordance with legal requirements and a Management and Risk Commission. The Board of Directors may approve a Regulation of the Audit and Control Commission and a Regulation of the Appointments and Remuneration Commission, being able to also approve specific Regulations of the other Commissions that it may constitute, which will develop the regulations regarding composition, functions and operation provided for in these Regulations for each of the Commissions.
4. Likewise, the Board may create advisory commissions within it with powers of information, advice and proposal in matters determined by the Board of Directors itself, as well as designate the Directors who will form part of them.

**Article 13. Audit and Control Commission. Composition, responsibilities and operation**

1. Within the core of the Board of Directors, an Audit and Control ~~Committee~~Commission shall be created in accordance with the following rules:
  - a) The Audit and Control ~~Committee~~Commission shall be formed by a minimum of three (3) and a maximum of five (5) directors, appointed by the Board of Directors from among its non executive directors, the majority of which, ~~at least,~~ shall be independent directors.
  - b) The Chairman of the Audit and Control ~~Committee~~Commission shall be elected by the Board of Directors from among the independent directors forming part thereof, who shall be replaced every four years, and may be re-elected after a period of one year from the end of his tenure.
  - c) At least one independent director member of the Audit and Control ~~Committee~~Commission and in particular, the Chairman, shall be appointed based on their knowledge and experience in accounting, auditing ~~or both. In any case, as a whole, the members of the Committee will have the appropriate expertise in relation with the sector of activity of the audited entity, risk management or in all of them, seeking also with respect to the other members, and especially its Chairman, to gather knowledge and experience in these matters, and also, whenever possible, in those other areas that may be appropriate for the fulfillment of its functions by the Audit and Control Commission, such as finance, internal control and information technology.~~

In any case, as a whole, and without prejudice to trying to favor gender diversity and other diversity criteria, the members of the Audit and

Control Commission will have the appropriate expertise in relation with the sector of activity of the Company.

2. Regardless of any other duties that may be assigned to it by the applicable normative or the Board of Directors, the Audit and Control CommitteeCommission shall exercise the following functions:

•Regarding the supervision of financial information:

- a) Inform the General Meeting on matters raised on it in any subjects of its responsibility and, in particular, in the outcome of the auditory, explaining how has the auditory contributed to the integrity of the financial information and the role of the CommitteeCommission in this process.
- ~~• Elevate b) Supervise the process of preparing and presenting the mandatory financial information relating to the Board any selection, nomination, re-election and substitution of Company and, where appropriate, to the group, including the financial information and periodic non-financial reporting that, as a listed company, the Company must supply to the markets and its supervisory bodies, ensuring that the intermediate accounts auditor proposals, as well are formulated with the same accounting criteria as the hiring conditions and regularly collect information from him on the audit plan and its execution, in addition to preserve his independence while executing his functions.~~
- ~~• Review the accounts of the Company, and ensure the fulfilment of legal requirements and the proper application of accounting principles annual ones, counting for all of this with the direct collaboration of the external and internal auditors.~~
- ~~• Supervise the elaboration and presentation process of mandatory financial information of the Company and, if applicable, the group, and make, and presenting, where appropriate, recommendations or proposals to the Board of Directors, aimed to safeguard its integrity, reviewing the fulfilment of regulatory requirements and the proper application of accounting criteria; know and supervise the internal control systems of the Company, check their suitability and integrity; and review the nomination or substitution of the managers, aimed at safeguarding their integrity.~~
- c) Ensure that the Board of Directors tries to present the accounts to the General Shareholders' Meeting without limitations or qualifications in the audit report and that, in the exceptional cases in which there are qualifications, both the Chairman of the Audit and Control Commission as the auditors clearly explain to the shareholders the content and scope of said limitations or qualifications.

Regarding the supervision of the internal control and internal auditory:

- d) Periodically supervise the efficiency of the internal control and the internal auditory of the Company ~~and its risk management systems~~, as well as discuss with account auditors any significant weaknesses of the internal control system detected during the execution of the audit, all of

it without disrupting its independence. To that end, in case, the CommitteeCommission will be entitled to make recommendations to the Board of Directors and the correspondent term for monitorization.

\*e) In relation to the internal control and information systems: (i) know and supervise the Company's internal control systems, check their adequacy and integrity and review the appointment or replacement of those responsible; (ii) review compliance with regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of accounting criteria; and (iii) ensure the independence and effectiveness of the internal audit function, proposing the selection, appointment, re-election and removal of the head of the internal audit service, as well as proposing the budget for said service; approve the orientation and its work plans, ensuring that its activity is focused mainly on the Company's relevant risks; receive periodic information on their activities and verify that senior management takes into account the conclusions and recommendations of their reports.

f) Supervise the unit that assumes the internal audit function that ensures the proper functioning of the information and internal control systems and that functionally reports to the Chairman of the Audit and Control Commission.

The head of the unit that assumes the internal audit function will present his annual work plan to the Audit and Control Commission, will inform him directly of the incidents that occur in its development and will submit an activity report at the end of each year.

g) Establish and supervise a mechanism that allows employees to communicate confidentially and, if possible and considered appropriate, anonymously, any irregularities of potential significance, especially financial and accounting, that they notice within the Company.

Regarding the auditor:

h) Submit to the Board of Directors the proposals for the selection, appointment, re-election and replacement of the auditor of accounts, taking responsibility for the selection process in accordance with the provisions of the applicable regulations, as well as the conditions of their hiring, and for this purpose, must:

1°. define the auditor selection procedure; and

2°. issue a reasoned proposal that will contain at least two alternatives for the selection of the auditor, except in the case of the re-election of the same.

i) Regularly gather information from the auditor on the audit plan and its execution, in addition to preserving his independence in the performance of his duties.

j) Establish suitable relations with the external auditor to receive information on any matters that may form a threat to his independence, ~~for review by the Committee~~in particular any difference that might exist

between the auditors and the managers of the Company, for review by the Commission and any others related with the account auditing process and, if appropriate, to authorize the services other than those prohibited in the terms established in the applicable normative, as well as any other communications established in account auditing legislation and audit rules.

- k) In any case, the external auditors shall provide a declaration of their independence with regards to the Company or related entities to it directly or indirectly, as well as detailed and individualised information of additional services of any kind provided and the corresponding fees perceived from these entities by the external auditor or by persons or related entities to it in accordance with the provisions established in the rules governing account auditing and any other auditing legislation.
- l) To issue annually, prior to the issuance of the accounts audit report, a report expressing an opinion on whether the independence of the account auditors or audit companies is compromised. This report must contain, in any case, the reasoned assessment of the provision of each and every one of the additional services referred to in the previous point, individually considered and as a whole, other than the statutory audit and in relation to the regime of independence or with the regulatory regulations of the activity of auditing accounts. This report must be published on the Company's website sufficiently in advance of the holding of the Ordinary General Meeting.
- m) In relation to the external auditor: (i) in case of resignation of the external auditor, examine the circumstances that would have motivated it; (ii) ensure that the remuneration of the external auditor for his work does not compromise his quality or independence; (iii) supervise that the Company communicate the change of auditor as other relevant information to the Spanish Stock Market Commission and accompany it with a statement on the possible existence of disagreements with the outgoing auditor and, if any, their content; and (iv) ensure that the external auditor holds an annual meeting with the full Board of Directors to report on the work carried out and on the evolution of the Company's accounting and risk situation.
- n) Supervise the fulfilment of the audit contract, seeking that the opinion on the annual financial statements and main content of the audit report be drafted in a clear and precise manner, as well as assess the results of each audit ~~regularly receiving information from the external auditor on the audit plan and the results of the execution, also ensuring that senior management takes its recommendations into account. The Committee shall also ensure and likewise, ensuring that the Company and the external auditor follow~~ the rules in effect regarding the provision of services other than audit are respected, and the limits to the concentration of the auditor business and, in general, other rules established to ensure the independence of the auditors.
- ~~•~~ Review-o) Make a final evaluation of the periodic auditor's performance and how it has contributed to the quality of the audit and the integrity of the financial information that, as a listed company, the

~~Company must provide to the markets and its supervision bodies, ensuring that the intermediate.~~

Regarding risk management and control:

- p) Periodically supervise the effectiveness of risk management systems.
- q) Directly supervise the internal risk control and management function.
- r) Re-evaluate, at least annually, the most significant list of risks, ~~financial statements are formulated and non-financial, and assess their tolerance level, proposing their adjustment to the Board of Directors, where appropriate.~~
- s) Hold, at least annually, a meeting with the ~~same accounting criteria as the annual financial statements~~ heads of the business units in which they explain business trends and associated risks.
- ~~• Examine the compliance with the Internal Code of Conduct, of these Regulations and, in general, with the governance rules of the Company and make the necessary proposals for its improvement.~~
- ~~• Issue each year and prior to the issuance of the account audit report, a report expressing an opinion on whether the independence of the accounts auditors or accounts firms is compromised. This report shall contain, in any case, the reasoned consideration of providing each and every additional services referenced in the previous item, considered individually and as a whole, other than legal auditing and with regards to the regime of independence or with the regulatory accounts audit activity rules.~~
- \*t) Evaluate everything related to the non-financial risks of the Company (including operational, technological, legal, social, environmental, political and reputational risks).
- u) Be aware of tax policies applied by the Company. In this sense, receive information from the person in charge of tax matters on the tax policies that have been applied, at least, prior to the formulation of the annual financial statements and the presentation of the Corporate Income Tax declaration and, when relevant, on the tax consequences of corporate transactions that have been submitted for approval by the Board of Directors.
- ~~• v) Monitor and control the function of controlling and monitoring the risk control and management policy, directly or through Subcommittees or more subcommissions set up for this purpose. This activity must be coordinated with that, where appropriate, carried out by the Management and Risk Commission.~~
- ~~• Any other reporting Regarding corporate government and proposal function that may be entrusted by corporate social responsibility:~~
- w) Examine compliance with the ~~Board~~ Company's corporate governance rules. In particular, the Audit and Control Committee: (i) will supervise

compliance with the Internal Rules of Directors Conduct in the Securities Markets, these Regulations, the Regulations of the Audit and Control Commission, as applicable, of the other internal codes of conduct and, in general or specifically, or, of the rules of governance of the Company, making the necessary proposals for its improvement; (ii) supervise the communication and relationship strategy with shareholders and investors, including small and medium shareholders; and (iii) periodically evaluate the adequacy of the Company's corporate governance system, so that it fulfils its mission of promoting the corporate interest and takes into account, as appropriate, the legitimate interests of the remaining interest groups.

- x) Monitor compliance with the Company's corporate social responsibility policy. In particular, the Audit and Control Commission: (i) will review the Company's corporate social responsibility policy, ensuring that ~~may be established by~~ it is aimed at creating value; (ii) monitor corporate social responsibility strategy and practices and assess their degree of compliance; (iii) will supervise and evaluate the relationship processes with the different stakeholders; and (iv) coordinate the process for reporting non-financial and diversity information, in accordance with applicable regulations ~~in effect at any time~~ and international reference standards.

▲Other matters:

- y) Supervise the organization and operation of the system and the Regulatory Compliance area of the Company.

- z) Inform the Board of Directors, prior to the adoption by it of the corresponding decisions, on all matters established in Law, the Articles of Association and the Regulations of the Board and in particular, on:

- a) The financial information that the Company must make public regularly.
- b) The creation or acquisition of investments in special purpose entities or registered in countries or territories considered tax havens; ~~and.~~

e) ~~Related Operations.~~

- c) Transactions that imply or may imply conflicts of interest and, in particular, Related-Party Transactions, in the terms provided by Law, the Bylaws or these Regulations.

The ~~Audit and Control Committee shall report, if any, issued by the Audit and Control Committee on related-party transactions, will be published on the Company's website sufficiently in advance of the holding of the Ordinary General Meeting.~~

- d) The economic conditions and the accounting impact and, where appropriate, the proposed exchange equation, of the structural and corporate modification operations that the Company plans to carry out.

- e) Any other report and proposal function that is entrusted by the Board of Directors with a general or particular character, or that is established by the regulations in force at any given time.
3. The Audit and Control Commission will meet, ordinarily, on a quarterly basis a minimum of eight times a year, in order to review the periodic financial information to be submitted to stock market disseminated to the markets through the corresponding authorities, as well as the information that the Board of Directors must approve and include as part of it in its annual public documentation. In addition Likewise, it shall will meet whenever convened by every time its Chairman, who shall calls it, which must do so whenever the Board or its Chairman should request requests the issuance of a report or the adoption of proposals by the Audit and Control Committee Commission and, in any case, when requested by whenever Any of the members of the Audit and Control Committee Commission may request it or is it may be convenient for the proper execution performance of its functions.
4. The Audit and Control Committee shall produce The Audit and Control Commission will establish an annual work plan that will include the main activities of the Audit and Control Commission during the year.
- 4.5. The Audit and Control Commission will prepare an annual report on its operation, highlighting, among other matters, the main incidents that have emerged arisen, if any, with regards in relation to its specific own functions. In addition, whenever considered Furthermore, when the Audit and Control Commission considers it appropriate by the Audit Committee, the report shall, it will include in said report proposals to improve the rules of Company's governance rules. The report of the Company. The Audit and Control Committee report shall Commission will be attached to the annual report on corporate governance of the Company and shall be made available to shareholders and investors through the website sufficiently in advance of the holding of the Ordinary General Meeting.
- 5.6. The members of the management team or personnel the staff of the Company and its group will shall be required obliged to attend the sessions of the Audit and Control Committee meetings Commission and to provide their collaboration and access to the information on available to them when the Audit and Control Commission thus so request of the Committee. The Committee, and the Commission may order them to appear without the presence of any other director. The Audit and Control Commission may also require the attendance of the account auditors at its meetings sessions.
- 6.7. To better fulfil its functions, the The Audit and Control Committee Commission may obtain seek the advice from of external experts, when considered it deems it necessary for the suitable proper fulfilment of its functions.
8. The Company must provide the Audit and Control Commission with sufficient resources to enable it to fulfil its functions. Resource needs must be channelled through the Secretary of the Company's Board of Directors.

**Article 14. Nomination and Remunerations Commission. Composition, responsibilities and operation**

1. Within the core of the Board of Directors, a Nomination and Remuneration Commission shall be created in accordance with the following rules:
  - a) The Nomination and Remuneration Commission shall be formed by a minimum of three (3) and a maximum of five (5) directors, appointed by the Board of Directors from among its non executive directors, two of which, at least, shall be independent directors.
  - b) The Chairman of the Nomination and Remuneration Commission shall be elected by the Board of Directors from the independent directors forming part of the Commission, for a four year period, and may be re-elected one or more times for periods of equal duration.
  - c) Efforts will be made to ensure that the members of the Commission, as a whole, are appointed taking into account their knowledge and experience in those areas that may be appropriate for the fulfillment of their functions by the Appointments and Remuneration Commission, such as human resources, selection of directors and executives and the design of remuneration policies and plans, without prejudice to also seeking to favor gender diversity and other diversity criteria of its members.
2. Regardless of other functions that may be assigned by the applicable normative or Board of Directors, the Nomination and Remuneration Commission shall have the following basic responsibilities:

Regarding the members of the Board of Directors:

- a) Assess the necessary competences, knowledge and experience in the Board of Directors. To such purpose, it shall define the necessary functions and skills of candidates to be covered by each vacancy and assess the time and dedication required in order to efficiently fulfil their duties—, ensuring that non-executive directors have sufficient time available for the proper performance of their duties.
- b) ~~Establish~~Try that the corporate policies are aligned with a representation objective for the least represented gender in the Board of Directors and produce guidelines on how to reach such objective as well as proposing to the Board of Directors the diversity policy of directors.
- c) Periodically verify the category of directors.

Regarding the selection of directors and managers:

- ~~e)d)~~ Raise to the Board of Directors any proposals for nomination of independent directors to be designated by co-opting or for submission for resolution during the General Meeting of Shareholders, as well as the proposals for re-election or separation of such directors by the General Meeting of Shareholders.
- ~~d)~~ Formulate and review the criteria to be following for the composition of the management team of the Company and its affiliates and for the

~~selection of candidates and to inform the Board of Directors on the appointment or dismissal of directors that report directly to the Board of Directors.~~

- e) Inform the Meeting of Shareholders or, in the case of co-opting, the Board of Directors on the nomination or directors prior to their appointment by the Meeting of Shareholders or, if applicable, by the Board of Directors by the co-opting procedure.
- ~~f) Inform~~ Report the proposals for the appointment proposals of the remaining natural persons who are to represent a legal entity director.
- ~~g) Annually verify compliance with the policy for selecting directors for designation via co-opting or for submission for resolution.~~
- ~~f)h) Analyze, formulate and periodically review the policy proposals for hiring, loyalty and dismissal of the General Meeting of Shareholder executives, as well as the proposals for re-election or separation by the General Meeting of Shareholders.~~ Analyze, formulate and periodically review the criteria to be followed for the composition of the management team of the Company and its subsidiaries and for the selection of candidates.
- ~~g)i) Report any nomination and separation the proposals for appointment and removal of senior executives and the basic conditions of their contracts.~~ managers.

#### Inform

Regarding the positions of the Board of Directors and the composition of the Commissions:

- ~~j) Propose the members who should form part of each of the Commissions, taking into account the knowledge, skills and experience of the directors and the tasks of each Commission.~~
- ~~k) Report to the Board of Directors on the appointment of internal functions (Chairman, Vice Chairmen, Chief Executive Officer, if applicable, and the President, Vice-Presidents, members of the Delegate Commission and the Honorary President, where appropriate.~~
- ~~l) Report to the Board of Directors on the appointment and, where appropriate, separation of the Secretary and Vice-Deputy Secretary, if applicable) of the Board of Directors.~~
- ~~h)m) Propose, where appropriate, the appointment of the Coordinating Director.~~
- ~~i)n) Examine and organize the succession of the Chairman of the Board and the first executive of the Company and, if applicable, formulate proposals to the Board of Directors so that such succession takes place in an orderly and planned manner.~~

Regarding the remuneration of the directors and managers:

- ~~j) Propose to the Board of Directors, the remunerations policy of directors and general managers or who carry out senior management functions reporting directly to the Board, of executive commissions or directors, as well as the individual remuneration and other contractual conditions of executive directors, ensuring their observance of Directors.~~
- ~~• Issue and review the criteria which must be followed for the composition of the senior management team of the Company and its subsidiaries and for the selection of candidates and report to the Board of Directors on the appointment or dismissal of those senior executives answering directly to the Board of Directors.~~
- ~~k) Raise to the Board of Directors any nomination proposals of senior executives that must report directly to it, so it proceeds to appoint them.~~
- ~~l) Analyze, formulate and periodically review the proposals of executive hiring, loyalty and dismissal policies.~~
- ~~m) Analyze, formulate and periodically review the remuneration proposal policies of executives, considering their suitability and performance.~~
- ~~n) Inform the Board of Directors each year on the performance appraisal of the Company's senior management.~~
- ~~o) Inform the Board of Directors on the systems and amount of annual remunerations policy applied to directors and senior executives and produce information to be included in the annual public information on director managers, including the remuneration.~~
- ~~p) Ensure the transparency of remunerations.~~
- ~~q) Inform the Board of Directors systems with regards to transactions that imply or may imply a conflict of interests.~~
- ~~p) Inform of nominations and dismissals of senior executives of the Company shares and their application, weighing their adequacy and performance, as well as, if applicable, ensuring that their individual remuneration is proportionate to that which is pay the other directors and senior managers of the Company.~~
- ~~q) Propose to the Board of Directors the individual remuneration and other contractual conditions of the executive Directors, verifying that they are consistent with the current remuneration policies.~~
- ~~r) Propose the basic conditions of the contracts formalized with them for senior managers, verifying that they are consistent with the current remuneration policies.~~
- ~~s) Informar al Consejo de Administración sobre los sistemas y la cuantía de las retribuciones anuales de los consejeros y altos directivos y verificar la información sobre remuneraciones de los consejeros y altos directivos contenida en los documentos corporativos, incluido el informe anual~~

sobre remuneraciones de los consejeros, velando por la transparencia de las retribuciones.

Other matters:

- t) Lead the annual evaluation of the Board of Directors regarding the operation and composition of the Board of Directors and its Commissions and submit to the Board of Directors the results of its evaluation together with a proposal for an action plan or with recommendations to correct the possible deficiencies detected or improve its operation.
  - u) Report annually to the Board of Directors on the evaluation of the performance of the Company's senior management.
  - v) Periodically design and organize knowledge updating programs for the Directors.
  - w) Ensure that the potential conflicts of interest of the advisers do not harm the independence of the external advice provided to the Commission.
- 3.** The Nomination and Remuneration Commission shall meet, ordinarily at least, once a year to prepare the information on director remuneration that the Board of Directors must approve and make public. In addition, it shall meet whenever convened by its Chairman, preferably four times a year, who shall do so whenever the Board or its Chairman should request the issuance of a report or the adoption of proposals and, in any case, when convenient for the proper execution of its functions.
- 4.** The Appointments and Remuneration Commission will establish an annual work plan that will include the main activities of the Appointments and Remuneration Commission during the year.
- 4.5.** The request for information from the Nomination and Remuneration Commission shall be formulated by the Board of Directors or its Chairman. Furthermore, the Nomination and Remuneration Commission shall consider any suggestions sent by the members of the Board, executives or shareholders of the Company.
- 6.** The Appointments and Remuneration Committee may seek the advice of external experts when it deems it necessary for the proper fulfillment of its functions.
- 7.** The Company must provide the Appointments and Remuneration Committee with sufficient resources to enable it to fulfill its functions. Resource needs must be channeled through the Secretary of the Company's Board of Directors.

#### **Article 15. Management and Risks Commission**

- 1. It will be incorporated a Management and Risks Commission within the Board of Directors according to the following rules:

- a) The Management and Risks Commission will be composed by a minimum of three (3) and a maximum of eight (8) directors, appointed by the Board of Directors, being entitled an executive director to be appointed member of the Commission.
- b) The Chairperson of the Management and Risks Commission will be appointed by the Board of Directors from among its members for a four-year term and may be re-elected one or more times for terms of equal duration.
- c) Efforts will be made to ensure that the members of the Commission, as a whole, are appointed taking into account their knowledge and experience in those areas that may be appropriate for the performance of their functions by the Management and Risk Commission, such as economy and finance and capacity, and experience to fully understand and control the Company's strategy, without prejudice to also seeking to favor gender diversity and other diversity criteria of its members. Likewise, efforts will be made to ensure that the members of the Commission have the relevant technical knowledge in relation to the sector of activity to which the Company belongs.

2. Without prejudice to any other duties that may be assigned at any time by the Board of Directors, the Management and Risks Commission's responsibilities will include:

- (a) Periodically reviewing the impact of operations and planning by the Company and its Group.
- (b) Analysing the financial efficiency and resources of each project undertaken by the Company and its Group.
- (c) Analysing the guidelines of the commercial policies and analysing the conditions for the most relevant bids of the Company or its Group.
- (d) Carrying out regular monitoring of the Company's projects, with special focus on those which are most significant in economic, technical or reputational terms.
- (e) Monitoring the periodic analyses of any geopolitical situation of the countries where the Company or its Group operates.
- (f) Conducting periodic analyses of the solvency ratios of clients and suppliers.
- (g) Developing and monitoring the risk map of the Company and its Group.
- (h) Advising the Board of Directors on the Company's and its Group global approach and strategy.
- (i) With respect to all the previous items, bolster the compliance system and activities of the Company and its Group.

Where necessary, the Management and Risks Commission will perform its stipulated functions in coordination with the Audit and Control Commission.

3. The Management and Risks Commission will ordinarily meet at least eight times a year. Likewise, it will meet each time that the Board of Directors or its Chairperson requests the issuance of a report or the adoption of proposals within the scope of its competences and, in all cases, provided it is appropriate for the satisfactory fulfilment of its duties.
4. Meetings of the Management and Risks Commission may be attended by any person who has executive functions assigned by the Board of Directors through any position, even it is not a member of the Commission. Attendance by non-members will be in order to comply with the Commission's functions. Members of the management team or personnel from the Company and its group will be obliged to attend Management Commission meetings and to cooperate and provide access to the information available to them at the Management and Risks Commission's request.
5. The Management and Risks Commission will establish an annual work plan that will include the main activities of the Management and Risks Commission during the year.
6. The Risk and Management Commission may seek the advice of external experts when it deems it necessary for the proper fulfillment of its functions.
7. The Company must provide the Management and Risk Committee with sufficient resources to enable it to fulfill its functions. Resource needs must be channeled through the Secretary of the Company's Board of Directors.

## **CHAPTER V**

### **OPERATION OF THE BOARD**

#### **Article 15.Article 16. Meetings of the Board of Directors**

- 1.** The Board of Directors shall meet with the frequency that Company matters require and, in any case, at least, once every two months and, on initiative of the Chairman, as often as he deems appropriate for the proper operation of the Company, as well as when required by the coordinator director as set forth herein. The Board of Directors shall also meet on request to the Chairman of at least one third of its members, indicating the agenda, in which case the Chairman shall convene the meeting to take place within one month after the request. If after this period, the Chairman should not have convened the meeting without a justified reason, the directors constituting at least one third of the members of the Board shall convene it to take place in the town of the registered address of the Company.
- 2.** The meetings of the Board of Directors shall be convened by the Secretary, on request of the Chairman or, in his absence or incapacity, on request of the coordinating director, (within the authorities that correspond to its position), the First Vice-Chairman, Second Vice-Chairman and so forth.
- 3.** The call for ordinary sessions shall be made personally, by letter, fax or e-mail, and shall be authorized with the signature of the Chairman or, if

applicable, that of the Secretary or Vice-Secretary by order of the Chairman or the conveners. The call shall be processed with a minimum advance notice of five (5) days.

The call shall always include the agenda of the session and include the relevant information duly summarised and prepared.

The call may establish, when circumstances so advise, that the session be held by any non-face-to-face means through any technical procedure (by way of example and not exhaustive, telephone, conference call, videoconference, etc.) that ensures identity and connection Plurilateral in real time of the remote assistants. In these cases, the session will be understood to be held at the registered office.

4. The Chairman of the Board may convene extraordinary meetings of the Board when in his judgment the circumstances so justify it by telephone. Regardless of the above, the documentation that, if appropriate, should be provided to the Directors, shall be provided whenever possible with the sufficient advance. In addition, the Board shall be considered duly incorporated without the need for a call if, present or represented all of its members, they should unanimously accept to hold a meeting.
5. The Board may also resolve in writing without the need for a meeting, as established in the Capital Companies Act.
6. The Board shall produce an annual calendar of its ordinary meetings.

#### ~~Article 16.~~ **Article 17. Development of the meetings**

1. The Board shall be validly constituted when at least the majority of its members concur, present or represented.
2. The directors shall do everything possible to attend the meetings of the Board and, when they cannot do so personally, shall seek to grant their representation in writing and especially for each meeting to another member of the Board including the appropriate instructions and notifying the Chairman of the Board of Directors. Regardless of the above, non executive directors may only delegate their representation on another non executive directors.
3. The Chairman shall coordinate the discussion seeking and promoting involvement of all directors in the deliberations of the body.
4. Except in the cases in which the Law or the articles of association specifically establish other majorities, resolutions shall be adopted by an absolute majority of meeting attendants. In the event of a voting tie, the Chairman's vote shall be deciding.
5. Minutes shall be produced of the meetings of the Board of Directors, which shall be signed by at least the Chairman and Secretary or Vice-Secretary, and shall be transcribed or collected, as set forth in legal regulations, in a Book of Minutes of the Board.

6. The minutes shall be approved by the Board of Directors at the end of the meeting or in a subsequent meeting.

## **CHAPTER VI**

### **APPOINTMENT AND DISMISSAL OF DIRECTORS**

#### **Article 17.Article 18. Appointment of Directors**

The Directors shall be appointed, previous proposal of the Nominations and Remunerations Commission, by the General Meeting of Shareholders or by the Board of Directors according to the Capital Companies Act.

The appointment and re-election proposals of directors submitted by the Board of Directors for consideration by the General Meeting of Shareholders and the appointment resolutions adopted by such body by virtue of the co-opting power it has been legally attributed shall be submitted, in any case, to the policies of selecting of directors approved by the Board at any time, which shall be preceded by:

- a) The corresponding proposal from the Nominations and Remunerations Commission, in the case of independent directors; and
- b) The corresponding proposal of the Board of Directors, in the case of remaining directors, which shall be accompanied by a justifying report appraising the competition, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Meeting of the Shareholders or the Board itself. The appointment or re-election proposal of any non independent director shall be also preceded by a report from the Nomination and Remuneration Commission.

#### **Article 18.Article 19. Appointment of external Directors**

The Board of Directors shall seek that the election of candidates falls on persons of renowned solvency, competence and experience, having to extreme the rigour with regards to those called to cover the independent director posts as set forth in article 6 of these Regulations.

#### **Article 19.Article 20. Re-election of Directors**

The Board of Directors, prior to proposing the re-election of Directors to the General Meeting of Shareholders, shall assess, with the abstention of the affected parties, as set forth in article 22.1, the quality of work and dedication to the function of the proposed Directors during the previous mandate.

#### **Article 20.Article 21. Duration of the function**

1. Directors shall hold their function for a period of four (4) years, regardless of the possibility of being dismissed before by the General Meeting of Shareholders. At the end of their mandate, they may be re-elected one or more times for periods of equal duration.
2. The appointment of directors shall expire when, at the end of the period, the following Meeting of Shareholders has been held or the legal period for the

Meeting has passed that must resolve on the approval of the accounts of the previous fiscal period.

3. Vacancies that take place may be covered by the Board of Directors through co-opting, as per the law, as an interim solution until the meeting of the first General Meeting of Shareholders to be held, which may confirm the appointments, elect persons to substitute non ratified directors or amortize vacancies.
4. The directors appointed through co-opting must see their functions ratified on the date of the next General Meeting of Shareholders.
5. The Director ending his mandate or for any other reason ends performing his function may not be a director or occupy executive functions in another entity with an analogous corporate purpose as that of the Company for a period of two (2) years.

The Board of Directors, if considered appropriate, may dispense the outgoing director from this obligation or shorten the period of its duration.

#### ~~Article 21.~~ Article 22. **Dismissal of Directors**

1. Directors shall be dismissed from their function at the end of the period they were appointed for and when resolved by the Meeting of Shareholders in the use of the attributions it is conferred in law or statutorily. In the case of independent directors, when they have held such function for an uninterrupted period of 12 years, from the moment in which the Company shares are admitted for trading in the Stock Market.
2. Directors shall place their jobs at the disposal of the Board of Directors and formalize, if it considers it convenient, the corresponding resignation in the following cases:
  - a) When ending the executive functions associated to their appointment as director.
  - b) When immersed in any of the scenarios of incompatibility or prohibition that have been defined in law.
  - c) When seriously warned by the Board of Directors due to having breached their obligations as directors.
  - d) When their permanence in the Board may endanger the interests of the Company or when the reasons why they were appointed have disappeared (for example, when a dominical director divests his investment in the Company).
3. Directors shall immediately notify the Board of any criminal causes in which they appear as defendant, as well as their subsequent procedural vicissitudes.

As soon as they are prosecuted or the procedure of opening of hearing is passed for any one of the crimes mentioned in section 213 of the Capital Companies Act, the Board shall necessarily examine the case and, in light of

the specific circumstances and the potential effect on the credit and reputation of the Company, shall decide if the director should resign or not. The Board shall report all this in a reasoned manner in the Annual Corporate Governance Report.

4. When, either by dismissal or for other reasons, a director should end his function before the end of his mandate, he shall explain the reasons in a letter to be sent to all members of the Board. The reasons of the resignation shall be reported in any case in the Annual Corporate Governance Report.

#### ~~Article 22.~~Article 23. **Objectivity and secrecy of voting**

1. In compliance with the provisions set forth in article 29 of these Regulations, the directors affected by appointment, re-election or dismissal proposals shall abstain from intervening in deliberations and voting about them.
2. All voting of the Board on the appointment, re-election or dismissal of directors shall be secret.

### **CHAPTER VII**

#### **INFORMATION OF THE DIRECTOR**

#### ~~Article 23.~~Article 24. **Power of information and inspection**

1. The director may ask for information on any aspect of the Company and examine the books, records, documents and other documentation. The right to information shall be extended to companies with an investment in whenever possible.
2. The request for information shall be sent to the Secretary of the Board of Directors, who shall provide it to the Chairman of the Board of Directors and the appropriate mediator in the Company.
3. The Secretary shall warn the director of the confidential nature of the information being requested and received and the duty of confidentiality in accordance with the provisions established in these Regulations.
4. The Chairman may deny such information if he considers: (i) it is not necessary for the full execution of the functions entrusted to the director or (ii) that the cost is not reasonable in light of the importance of the problem and the assets and income of the Company.

#### ~~Article 24.~~Article 25. **Assistance of experts**

1. In order to be aided in the exercising of their functions, external directors may ask for legal, accounting, financial or other expert advisors to be hired at the expense of the Company.

This request must necessarily cover specific problems of certain relevance and complexity arising in the execution of the function.

2. The decision to hire must be notified to the Chairman of the Company and may be vetoed by the Board of Directors if it accredits:

- a) That it is not necessary for the full performance of the functions entrusted to the external directors;
- b) that the cost is not reasonable in light of the importance of the problem and the assets and income of the Company; or
- c) That the technical assistance obtained can be suitably provided by experts and technicians of the Company.

## **CHAPTER VIII**

### **REMUNERATION OF DIRECTORS AND MEMBERS OF BOARD COMMISSIONS**

#### **Article 25. Article 26. Remuneration of directors and members of Board Commissions**

- 1.**—The members of the Board of Directors ~~shall perceive in will receive for their condition as such membership of the Board of Directors and its Commissions~~ a statutory remuneration, which the annual maximum for the Board as a whole shall that will be determined by the General Meeting of Shareholders depending on the indices and figures defined by the Meeting of Shareholders. This remuneration shall consist made up of the following concepts: (i) a fixed assignment annual allocation for their membership of the Board of Directors; (ii) an additional annual fixed allocation by the chair of the Delegate or advisory Committees to which they belong; and (iii) ~~expenses~~ allowances for effective attendance ~~at~~ meetings of the Board of Directors and ~~its delegate of the delegated~~ or advisory Commissions.
- 2.1.** ~~The global amount of said expenses shall be established by the General Meeting of Shareholders and until not modified by it, shall be increased each year depending on the Consumer Price Index to which they belong.~~
- 3.2.** The Board of Directors shall determine, in each fiscal period, the form and moment of payment and agree on the distribution of the combined amount corresponding to the statutory remuneration set forth in item 1 above. The distribution may be performed in individual manner considering the functions and responsibilities assigned to each director, membership of Board Commissions and other objective circumstances that the Board of Directors may consider relevant.
- 3.** Likewise, directors may be remunerated with the delivery of shares of the Company, options on them or remuneration referenced to the value of the shares. This remuneration must be agreed by the General Shareholders' Meeting and the agreement must include the maximum number of shares that may be assigned to this remuneration system each year, the directors to whom it is addressed, the exercise price or the system of calculation of the exercise price of the stock options, the value of the shares that, as the case may be, are taken as a reference and the term of the plan.
- 4.** The remuneration of the directors shall be in any case to keep a reasonable proportion with the importance of the Company, the financial situation at all times and the market standards of comparable companies. The established remuneration system shall be aimed at promoting the profitability and long term sustainability of the Company and to incorporate the necessary caution

to avoid the excessive assumption of risks and reward of unfavourable results.

5. In particular, the Board of Directors shall adopt any measures that are at its avail to ensure that the remuneration of external directors, including what they perceive as members of Commissions (when applicable) is in line with the following guidelines:

- a) The external director must be remunerated depending on his effective dedication, coalification and responsibility.
- b) ~~The external director shall be excluded from the provision systems financed by the Company for the cases of dismissal, decease or any other.~~
- c) ~~The remuneration amount of the external director shall be calculated in such a way to offer incentives for dedication, but not constituting an obstacle for his independence.~~

~~Executive of external directors shall perceive, in exchange for the execution of the executive functions that have been delegated or entrusted by the Board of Directors, the remuneration determined by the Board. Such remuneration shall be in line with the director remuneration policy approved by the Meeting of Shareholders and shall be reflected in the corresponding contract entered into by the director and the Company. must be that necessary to attract and retain directors of the desired profile, but not so high as to compromise their independence of opinion.~~

6. ~~The Company is authorized to~~ In addition to the provisions of the preceding sections, the directors who have executive functions attributed by any title will receive, for the performance of said functions, the remuneration that the Board of Directors itself determines based on the following concepts: (i) a fixed part, adequate to the services and responsibilities assumed; (ii) an annual variable part, correlated with some indicator of the income of the Director or the Company; (iii) long-term variable remuneration, correlated with some indicator of the Director's or Company's income; (iv) a welfare benefit, which may include social security and insurance systems and, where appropriate, Social Security; (v) the delivery of shares of the Company, of options thereon or through other remuneration referenced to the value of the shares; (vi) remuneration in kind linked to the provision of services inherent in the exercise of their functions; and (vii) compensation in the event of separation or any other form of termination of the legal relationship with the Company not due to non-compliance attributable to the Director, exclusivity agreements, non-concurrence post-contractual and / or permanence or loyalty.

7. The maximum amount of the annual remuneration of all the Directors, both for their membership of the Board of Directors and its Commissions and for their executive functions, must be approved by the General Shareholders' Meeting either by express agreement in this regard or by approving the Directors' Remuneration Policy and will remain in force as long as the

General Meeting does not agree to its modification, and may be updated based on the indices or magnitudes that the General Meeting itself defines.

**6.8.** The Company may engage civil liability insurance for its directors.

**7.9.** The remunerations of external directors and directors with executive directorstasks shall be consigned in the report in individual form for each director.

## **CHAPTER IX**

### **DUTIES OF THE DIRECTOR**

#### **Article 26.Article 27. General obligations of the director**

In the execution of their functions, directors shall work with the diligence of an orderly businessperson and a loyal representative, working in good faith and in the best interest of the Company. The standard of diligence of an orderly businessperson shall be understood as fulfilled when the director has acted in good faith, without personal interest in the matter subject of decision, with sufficient information and subject to a suitable decision process.

In particular, directors shall be required to:

- a)** Be informed and suitably prepare for the meetings of the Board and, if applicable, of the delegate bodies they are members of;
- b)** Attend meetings of the Board and actively take part in deliberations so that their criteria effectively contribute in the decision making process.

In the event that, for justified reasons, they cannot attend the meetings they have been convened for, they shall instruct the director that will represent them.

- c)** Provide (and, to a greater extent, independent directors) their strategic vision, as well as concepts, criteria and innovative measures on the optimal execution and evolution of the Company's business.
- d)** Execute any specific duty entrusted by the Board of Directors or any of its delegate and/or consulting bodies and that reasonably falls within their commitment of dedication.
- e)** Investigate any irregularity in the management of the Company they may have come across and survey any risk situation.
- f)** Call on people with a capacity to call meetings to convene an extraordinary meeting of the Board or to include in the agenda of the first to be held any matters considers convenient.
- g)** Oppose to agreements contrary to the Law, the Articles of Association or corporate interest, and request their position is recorded in the minutes when considered most convenient for the tutelage of the company's interest.

~~Article 27.~~Article 28. **Duty of confidentiality of the director**

1. Directors shall keep secrecy of deliberations of the Board of Directors and delegate bodies they are members of and, in general, shall abstain from revealing information they have had access to during the exercising of their function.
2. The confidentiality obligation shall subsist even after the end of the function, having to maintain secrecy of information of confidential nature and information, data, reports or background they are informed of as a consequence of the exercising of the function, which shall not be communicated to third parties or be subject to disclosure when they may have consequences that are detrimental to the interest of the company. Excluded from the duties referred to in this paragraph are the scenarios in which the laws allow for their communication or disclosure to third parties or that, if applicable, are required or must be submitted to the respective supervision authorities, in which case, the cession of information shall be in line with the provisions established in law.

~~Article 28.~~Article 29. **Obligation of non competition**

1. Directors may not perform the function of executive officers or managers in companies with the same, analogous or complementary type of activity as the Company or perform activities, freelance or for third parties, that entail effective competition, current or sporadic, with the Company or that, in any way represent a permanent conflict of interests of the Company, unless expressly authorized by the Company, through resolution of the General Meeting of Shareholders, under the terms established in the law and excluding the functions they may occupy, when applicable, in group companies.
2. Regardless of the above, directors may provide their professional services to entities that have a corporate purpose that is totally or partially analogous to the Company, as long as their first inform of their purpose to the Board of Directors, who may reasonably refuse their authorization to such activity.

~~Article 29.~~Article 30. **Conflict of interests**

1. Directors shall notify the existence of conflicts of interests to the Board of Directors and abstain from attending and intervening in deliberations that affect matters in which they are personally interested.

It shall be considered there is a personal interest of directors when the matter affects any of the following persons:

- Their spouse or person with analogous affective relation;
- Ascendants, descendants and brothers of the director or the spouse of the director;
- Spouses of ascendants, descendants and brothers of the director; and

- Companies in which the director, directly or through related party, are in any of the situations considered under paragraph one of Trade Code section 42.

In the case of legal entity director, the following shall be understood as related parties:

- Shareholders that are, with regards to the legal entity director in any of the situations considered under paragraph 1 in section 42 of the Trade Code.
  - Directors, de facto or in right, liquidators and representatives with general power from the legal entity director.
  - Companies forming part of the same holding and its shareholders.
  - Persons that with regards to the representative of the legal entity director are considered as related party of the director as established in the previous paragraph.
2. Any situations of conflict of interest that may be incurred by directors shall be reported in the annual financial statements report.

~~Article 30.~~ Article 31. **Use of company assets**

Directors may not make use of Company assets, including confidential information of the Company, or make use of their position in the Company to obtain an equity advantage, unless the corresponding dispense or authorization of the Company has been obtained under the terms legally established.

~~Article 31.~~ Article 32. **Non public information**

Directors shall observe the code of conduct established in the securities market legislation and, in particular, those consecrated in the Internal Conduct Regulations on Matters Related to Securities Markets of the Company with regards to processing privileged information and reserved information.

~~Article 32.~~ Article 33. **Business opportunities**

1. Directors may not make use for personal benefit or of a related person under the terms established in article 29 above, of a business opportunity of the Company, unless they have obtained the corresponding dispense or authorization from the Company, under the legally established terms.
2. For the purposes of the aforementioned section, a business opportunity shall be understood as any possibility of performing an investment or business transaction emerging or discovered in relation with the exercising of the function by the director, or through the use of Company information systems, or under circumstances that would make it reasonable to think that the offering from the third party was in reality addressed to the Company.

~~Article 33.~~Article 34. **Indirect operations**

Directors shall infringe their loyalty duties with the Company if, knowing in advance, they allow or not reveal the existence of transactions carried out by the persons indicated in article 29.1 of these Regulations that have not been subject to the conditions and controls established in the previous articles.

~~Article 34.~~Article 35. **Duty of information of directors**

1. Directors shall inform the Company of its shares they own directly or indirectly through persons indicated in article 29.1 of these Regulations, all in compliance with the provisions set forth in the Internal Conduct Regulations on Matters Related to Securities Markets.
2. Directors shall also inform the Company of functions they hold in the Boards of Directors of other listed companies and, in general, of events, circumstances or situations that may be relevant for their activities as directors of the Company in accordance with the provisions of these Regulations.

~~Article 35.~~Article 36. **Transactions with significant shareholders**

1. The execution by the Company of any transaction with Directors and significant shareholders shall be subject to the authorization by the Board of Directors, prior report of the Audit ~~Committee.~~Commission, in the terms and conditions established in these Regulations.
2. The Board of Directors, prior to authorizing the execution of transactions of this nature by the Company, shall consider the transaction from the perspective of equal treatment of shareholders and market conditions.

**CHAPTER X**

**RELATIONS OF THE BOARD**

~~Article 36.~~Article 37. **Relations with shareholders**

1. The Board of Directors shall arbitrate suitable paths to identify proposals that may be formulated by shareholders with regards to the management of the Company.
2. The Board, through any of its directors and with the collaboration of the members from senior management considered pertinent, shall organize informative meetings on the progress of the Company and its Group, for shareholders residing in the most relevant financial centers, in Spain and other countries.
3. In its relations with the shareholders, the Board of Directors shall guarantee equal treatment, simultaneously providing presentations used in the public information meetings for the CNMV (Stock Exchange Commission) and publishing these on the Company's website.
4. The Board of Directors shall promote the informed involvement of shareholders in General Meetings of Shareholders and adopt any measures

are considered appropriate to ensure the General Meeting of Shareholders effectively exercises its specific functions as per the Law and the Articles of Association.

In particular, the Board of Directors shall adopt the following measures:

- a) It shall make every effort to provide Shareholders, prior to the Meeting, any information that is legally required and any other than, even if not required, may be of interest and be reasonably supplied.
- b) Attend, with the greatest diligence, any requests for information that may be formulated by shareholders prior to the Meeting.
- c) Attend, with the greatest diligence, any questions that may be formulated by shareholders prior to the Meeting; and
- d) Ensure that the matters proposed to the Meeting of Shareholders are voted in an orderly manner and separately, giving shareholder the opportunity to intervene and express their opinion on each one of the matters submitted to voting.

~~Article 37.~~**Article 38. Relations with institutional shareholders**

1. The Board of Directors shall also establish suitable mechanisms to exchange regular information with institutional investors forming part of the Company's shareholder structure.
2. Under no circumstance shall the relations between the Board of Directors and institutional directors be translated into the provision to these of any information that may give them a privilege or advantage situation compared to other shareholders.

~~Article 38.~~**Article 39. Relations with markets**

1. The Board of Directors, through notifications of relevant facts to the National Securities Market Commission and the corporate website, shall immediately inform the public of all relevant information under the terms established in the Securities Market Act and its developing legislation.
2. The Board of Directors shall adopt the necessary measures to ensure that six-monthly, quarterly financial information and any other that prudence may require providing to the markets be produced in accordance with the same principles, criteria and professional practices used for preparing the annual financial statements and enjoying the same reliability as the latter.
3. The Board of Directors shall include information in its public annual documentation on the governance rules of the Company and their degree of fulfilment.

~~Article 39.~~**Article 40. Relations with auditors**

1. It is the responsibility of the Audit Committee shall and Control Commission to propose to the Board of Directors, for submission to the General Shareholders' Meeting-of Shareholders, the selection, appointment (indicating the engagement conditions and the scope of the professional mandate),

~~renovation, re-election~~ and ~~revocation~~replacement of the auditor and to supervise ~~the fulfilment of compliance with~~ the audit contract in accordance with article 13.2. of the Regulations of the Board of Directors.

2. The Audit ~~Committee~~and Control Commission shall abstain from proposing to the Board of Directors, which shall in turn abstain from submitting to the Meeting of Shareholders the appointment as account auditor of the Company any auditing firm that is immersed in a cause of incompatibility as per account auditing legislation as well as any others in which the fees to be paid by the Company, for all concepts, represent more than five percent of its total income over the last fiscal period.
- ~~3. The Board of Directors shall seek to definitively formulate the accounts so as to not have any comments from the auditor. However, when the Board considers it must maintain its criteria, it shall publicly explain the content and scope of the discrepancy.~~

#### ~~Article 40.~~Article 41. **Annual Corporate Governance Report**

1. The Board of Directors shall approve yearly an Annual Corporate Governance Report of the Company with the legal information and any other that, in case, deems appropriate. In particular, the report shall provide a detailed explanation on the structure on corporate governance of the Company and its execution, including a description of the main characteristics of the internal systems of risks control and management for the issue of the financial information.
2. The Annual Corporate Governance Report shall be approved before the announcement of the call of the ordinary General Meeting of the Company of the tax year which the report is referred to and will be available for the shareholders jointly with the remaining documentation of the General Meeting.
3. The Company shall include the Annual Corporate Governance Report in a separate section of the management report.
4. Additionally, the Annual Corporate Governance Report shall be made publicly available as per the stock market applicable law. In particular, it shall be published as relevant information.

#### ~~Article 41.~~Article 42. **Annual Report on the Remunerations of the Directors**

Together with the Annual Corporate Governance Report, the Board of Directors shall produce and distribute an annual report on the remunerations of the directors, which shall include complete, clear and understandable information on the remunerations policy of the Company approved by the Board for the current year, as well as, if applicable, that planned for future years. It shall also include a global summary of how the remunerations policy was applied during the year, as well as the detail of individual remunerations accrued by each one of the directors.

This report shall be distributed and submitted for voting, for consulting purposes and as a separate item on the agenda, to the Ordinary General Meeting of Shareholders.

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