

**REPORT ISSUED BY THE GESTAMP AUTOMOCIÓN, S.A. AUDIT COMMITTEE REGARDING THE PROPOSED AMENDMENT TO THE BOARD OF DIRECTORS REGULATIONS**

**1. BACKGROUND**

On 26 June 2020 the National Securities Market Commission (“CNMV”) published the reform of the *Good governance code of listed companies* (the “Code” or the “CBG”) after reviewing the Code published in 2015. This reform seeks to keep corporate governance of listed companies aligned with the highest international standards and to incorporate several amendments to the law which have been passed since 2015. Furthermore, the CNMV used this review to clarify the scope of certain Recommendations that had raised issues in relation to their application.

In this regard, the amendment to Recommendations 53 and 54 focuses on the development of environmental, social and corporate governance functions and on how important it is that these functions be developed by a specialised committee or distributed among several committees of the board of directors.

In relation to this, the Board of Directors is considering the possibility of setting up a committee specifically for sustainability to develop part of the functions detailed in the aforementioned Recommendations.

**2. PURPOSE OF THIS REPORT**

In accordance with the provisions contained in article 5 of the Board of Directors Regulations, and for the purpose of accompanying the proposal to be submitted to the Board of Directors for approval, the Audit Committee has drawn up this report regarding the amendment to the Company’s Board of Directors Regulations (the “Regulations”) to allow for the possibility of setting up a committee specialised in environmental, social and corporate governance matters, and to introduce amendments to coordinate the wording thereof with the articles of association and to make technical enhancements.

**3. JUSTIFICATION OF THE AMENDMENT**

**a) Adaptations deriving from the new wording of Recommendations 53 and 54 CBG on environmental, social and corporate governance matters.**

In response to the new wording of Recommendations 53 and 54 CBG, the following is proposed:

- On the one hand, to amend the wording of the first paragraph of article 39 of the Regulations (“*Other committees of the Board*”) to clarify that, in exercising its powers of self-organisation, the Board of Directors may set up internal support committees as needed to properly perform its functions and to adapt the rules of operation of any such committees that may be set up.
- And on the other, to amend section 8, article 40 of the Regulations (“*Audit Committee*”), to transfer to the new Sustainability Committee the function of overseeing corporate governance policies, as well as assessing and reviewing the corporate governance systems and environmental and social policies in place at the Company on a regular basis. Similarly, it is also proposed that the environmental and social functions contained in section 10 of the aforementioned article be transferred to the new Sustainability Committee.
- Finally, along the same lines, it is proposed that a new article 42 of the Regulations be inserted to include the functions of the new Sustainability Committee, changing the article’s title to “*Sustainability Committee*” and thus renumbering the article entitled “*Applicable law*” as article 43. In this way, the Sustainability Committee shall be entrusted with the functions contained in Recommendation 54 on environmental, social and corporate governance matters, except for the oversight of compliance with corporate governance rules and internal codes of conduct, as well as oversight of implementation of the general policy on information reporting and contact with shareholders, which shall remain within the functions of the Audit Committee.

**b) Amendments to coordinate the wording with the Articles of Association.**

An amendment to section 2, article 38 of the Regulations (“*Executive Committee*”) is proposed to coordinate its wording with that of section 14, article 19 of the Articles of Association (“*System and functioning of the Board of Directors*”), removing the cap on the number of members that the Executive Committee may have, if established.

**c) Technical enhancements.**

Minor changes to the wording of the following articles of the Regulations are proposed in order to improve their wording: (i) sections 2, 3 and 5, article 5 of the Regulations (“*Amendment*”); (ii) section 3, article 7 of the Regulations (“*Qualitative Composition*”); (iii) paragraphs (vi) and (vii) of section (a), paragraph (ii) under letter (b) and letter (d) of section 3, article 8 of the Regulations (“*Non-delegable powers of the Board of Directors*”); (iv) section 3, article 12 of the Regulations (“*Balance in the development of the Board of Directors’ functions*”); (v) section 5, article 16 of the Regulations (“*Appointment*”); (vi) paragraphs (c), (f) and the final paragraph of section 2, article 20 of the Regulations (“*Dismissal*”); (vii) paragraphs (b) and (f) of section 3, article 22 of the Regulations (“*Directors’ duties. General rules*”); (viii) section 2, article 24 of the Regulations (“*Non-compete obligation*”); (ix) section 1 and paragraphs (a) and (b) of section 3, article 32 of the Regulations (“*Managing Directors*”); (x) article 35 of the Regulations (“*The Company’s minutes book*”); (xi) sections 2 and 3, article 36 of the Regulations (“*Board of Directors meetings*”); (xii) section 8, article 38 of the Regulations (“*Executive Committee*”); (xiii) paragraphs (a), (g) and (j), article 39 of the Regulations (“*Other*”).

*committees of the Board*"); (xiv) section 2, article 40 of the Regulations ("*Audit Committee*"); and (xv) paragraph (h) of section 1, article 41 of the Regulations ("*Appointments and Remuneration Committee*").

#### **4. FULL TEXT OF THE PROPOSED AMENDMENT TO THE REGULATIONS.**

Attached below as an appendix to this report is the comparative text of the Regulations approved by the Board of Directors on 17 December 2020 and the amendment proposed herein, which is expected to be approved by the Company's Board of Directors at their next meeting on 29 March 2021.

*Madrid, 24 March 2021*

*This document is a translation into English of an original document drafted in Spanish. This translation is for information purposes only, therefore, in case of discrepancy, the Spanish version shall prevail*



# REGULATIONS OF THE BOARD OF DIRECTORS

Gestamp Automoción, S.A.

Approved by the Board of Directors on ~~17-December-2020~~29 March 2021

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## CHAPTER I - INTRODUCTION

### Article 1. Purpose of these Regulations

These Regulations (the “**Regulations**”) of the Board of Directors lay down the internal procedure and operating rules for the Board of Directors of Gestamp Automoción, S.A. (the “**Company**”), which are aimed at ensuring the best management of the Company in accordance with the best practices and governance recommendations for listed companies.

### Article 2. Scope

1. These Regulations are applicable both to the Board of Directors, its delegated bodies - individual or collegiate - and their internal committees, as well as their members.
2. The people to whom these Regulations apply are required to know, comply with and enforce their content. The Secretary to the Company’s Board of Directors shall deliver a copy of these Regulations to each of them at the time they accept their appointment, and they shall in return submit a signed statement in which they state they understand and accept their contents and agree to comply with all obligations applicable thereby.

### Article 3. Dissemination

The Regulations shall be communicated to the National Stock Market Commission and registered on the Commercial Registry. They shall also be available on the Company’s website.

### Article 4. Interpretation

These Regulations supplement what is already established for the Board of Directors in current commercial legislation and the Company’s Byelaws. It is the Board of Directors’ responsibility to clarify any queries that may arise and to interpret them in accordance with generally accepted standards for the interpretation of legal norms, principally in regard to their spirit and purpose, and with the principles and recommendations regarding the corporate governance of listed companies as approved by competent Spanish authorities.

### Article 5. Amendments

1. The Board of Directors is responsible for introducing amendments to these Regulations, pursuant to the requirements set out in this article.

2. The Chairman or one third of the Board members may urge the amendment of these regulations when, in their judgement, circumstances exist that make such an amendment desirable or necessary. The proposed amendment should be accompanied by a supporting report explaining the causes and scope thereof, drawn up by the Board of Directors.

3. Amendments shall be proposed by the Audit Committee.

4. The text of the proposal, the ~~proposal of~~ supporting report by the Board of Directors and the Audit Committee report shall be made available to members of the Board prior to the meeting convened to deliberate on it.

The meeting must be convened in good time and according to the other formalities required by law, the Byelaws and these Regulations.

In order to be valid, the amendment to the Regulations must be agreed by at least two thirds of the members of the Board.

5. The Board of Directors shall report to shareholders on the amendments to the Regulations. This requires a specific item to be included on the ~~Agenda~~agenda for the first General Shareholders' Meeting to be held following the amendments' approval.

## CHAPTER II - COMPOSITION, JURISDICTION AND ROLES OF THE BOARD OF DIRECTORS

### Article 6. Quantitative composition

1. According to the Byelaws, the Board of Directors shall have a minimum of nine (9) and a maximum of fifteen (15) members. The specific number of members shall be determined at the General Shareholders Meeting.
2. The Board of Directors shall propose to the General Shareholders' Meeting the most appropriate number of board members in view of the Company's circumstances in order to ensure the body is duly representative and functions effectively.

### Article 7. Qualitative composition

1. Persons appointed as board members must meet not only the conditions required by Law and the Byelaws, but also those provided for by these Regulations.

2. The Board of Directors must approve a policy for selecting Directors that provides for a suitable number of members and which:
  - (a) Is specific and verifiable;
  - (b) Ensures that any proposed appointments or reappointments are based on a preliminary analysis of the duties required of the Board of Directors; and
  - (c) Promotes a diversity of knowledge, experience, age and gender. The result of the preliminary analysis of the duties required of the Board shall be set out in an explanatory report from the Nominations and Compensation Committee that shall be published when convening the Shareholders' General Meeting at which any board member's confirmation, appointment or re-appointment is to be presented.

3. In exercising its duty to make proposals to the General Shareholders' Meeting and to co-opt in the appointment of board members, the Board of Directors shall weigh the existence of the following categories of Directors directors:

- (a) **Independent directors.** Understood as those who, appointed on the basis of their personal and professional qualities, perform their duties without being conditioned by their relations with the Company, its main shareholders or management. Members who meet any of the situations described in Article 529 *duodecies* 4 of the Corporate Enterprises Act may not under any circumstances be considered as independent directors.

Proprietary directors who lose this status as a result of the shareholder they represent selling his shares may only be re-elected as independent directors when the shareholder they represented up until that time has sold all its shares in the Company and when they meet the remaining requirements to be qualified as such.

A director who owns shares in the Company may be classed as independent, provided they meet all the conditions set out in this section and also that their participation is not significant.

- (b) **Proprietary directors.** Understood as those who hold a number of shares greater than or equal to a shareholding legally regarded as significant or who have been appointed given their status as shareholders, although their shareholding does not reach that amount, as well as those representing said shareholders.

- (c) **Other external directors.** Understood as non-executive members that cannot be deemed to be independent directors because they incur in a prohibition or incompatibility as established by law and do not meet the requirements to be proprietary directors in accordance with the criteria established in the previous sections above.

In the event that other external directors exist, this circumstance and, where applicable, the connection between these board members and the Company, its management or shareholders must be explained in the Yearly Corporate Governance Report.

- (d) **Executive directors.** Understood as those who have leadership roles in the Company or any company of its group, whatever the legal relationship they have with it.

When a director performs executive duties and at the same time is or represents a significant shareholder or one represented on the Board of Directors, they shall be deemed to be an executive director.

Proprietary directors, independent directors and external directors are “external directors”.

4. Proprietary and independent directors shall constitute a large majority of the Board and the number of executive directors should be kept to a minimum. An adequate number of independent directors shall sit on the Board of Directors and number no less than one third of all board members.
5. In regard to external directors, it should be ensured that the number of proprietary directors and independent directors should be proportional, as far as possible, to the amount of Company stock represented on the Board by proprietary directors and the remaining share capital.
6. The category of each director shall be justified by the Board of Directors prior to the General Shareholders’ Meeting convened to make or ratify the appointment and shall be maintained or, where appropriate, modified each year in the Yearly Corporate Governance Report, following verification by the Appointments and Remuneration Committee.

## Article 8. Competencies of the Board of Directors. Non-delegable matters

1. The Board of Directors should effectively assume the Company's duties of supervision, management, monitoring and representation attributed by Law and the Byelaws, and, as its core mission, shall approve the Company's strategy and set up the organisation required for its implementation, as well as monitoring and enforcing the management's compliance with those objectives and respect for the purpose and interests of the company.
2. The Board shall perform its duties with unity of purpose and independent judgement, and shall dispense the same treatment to all shareholders in the same position and be guided by the Company's best interests, understood to mean building a sustainably profitable long-term business that enhances and maximises the company's financial value. In its defence of the Company's best interests, apart from abiding by all relevant laws and regulations and performing to high standards of good faith, ethical conduct and respect for generally accepted uses and good practice, it shall seek to balance the company's interests, where applicable, with the legitimate interests of its employees, suppliers, customers and other relevant stakeholders, as well as with the impact the Company and its group's business may have on society at large and on the environment~~...~~.
3. In any case, it is for the Board of Directors, through the adoption of agreements to be approved in each case as provided for by Law, the Byelaws or these Regulations, to deal with the following matters, which are set out as a formal catalogue of matters reserved for its exclusive responsibility, without prejudice to any other which current legislation, the Byelaws or these Regulations recognise as being a competency of the Board of Directors:
  - (a) The Company's general policies and strategies, and in particular:
    - (i) the strategic or business plan, as well as management objectives and annual budgets;
    - (ii) the capital investment and financing policy;
    - (iii) defining the Company and its group's structure;
    - (iv) the Company and its group's corporate governance policy;
    - (v) the sustainability policy in social and environmental matters;
    - (vi) the policy governing the senior management's remuneration and

performance assessment. In this respect, senior management shall be understood as ~~all members of executive committees and senior officers~~ any individual with management responsibilities that ~~report~~ reports directly to the Board, the executive committees or the managing directors;

- (vii) the dividend and treasury stock policy, particularly its limits; ~~and~~
- (viii) the risk control and management policy, including tax risks, and the regular monitoring of internal reporting and control systems.

The risk control and management policy must identify at least:

- The different types of financial and non-financial risk (including operational, technological, legal, social, environmental, political and reputational risks, as well as those relating to corruption) faced by the Company, including financial or economic, contingent, and other off-balance liabilities;
- A multi-tier risk assessment and management system that includes a committee specialised in risk and liability when required by industrial standards or when deemed suitable by the Company;
- Setting a level of risk deemed acceptable by the company;
- The measures designed to mitigate the impact of all identified risks, should they materialise; and

- (ix) Determining the Company's fiscal strategy.

(b) The following decisions:

- (i) At the proposal of the Company's chief executive officer, Senior Management appointments and cessations and their indemnity clauses;
- (ii) distribution among the directors of the fixed annual payment determined by the General Shareholders' Meeting, which shall be carried out by the Board of Directors taking into account each director's specific conditions, his roles and responsibilities and his involvement on various committees and, in the case of executive officers, determining the additional



remuneration for their executive duties and other terms that their contracts must observe;

- (iii) financial information which, as a listed company, the Company must disclose periodically;
  - (iv) all kind of capital investments or operations which, because of the large amounts or special characteristics involved, are strategic or have a special tax risk, except when their approval corresponds to the General Shareholders' Meeting; and
  - (v) the creation or acquisition of shares in entities with a special purpose or domiciled in countries or territories classed as tax havens, and any other transactions or operations of a similar nature whose complexity might impair the Company's transparency.
- (c) The preparation of any kind of report that the law requires of the board whenever the operation that the report relates to cannot be delegated.
- (d) Monitoring the effective functioning of the ~~Committees~~committees and the performance of all delegated bodies and managers it has appointed.
- (e) Convening the General Shareholders' Meeting and drawing up the agenda and proposed resolutions.
- (f) The powers delegated by the General Shareholders' Meeting on the Board of Directors, unless the former has expressly authorised them to be sub-delegated.
- (g) Transactions that the Company or group companies carry out with directors, significant shareholders or shareholders represented on the board of the Company or of other group companies, or with related parties thereto, following a favourable report from the Audit Committee and with the abstention of the members involved, except in cases exempted by law.
- (h) Other decisions specifically provided for in these Regulations.

The competencies of the Board set forth in this article may not be delegated.

4. Notwithstanding the foregoing, in the event of duly justified urgency, decisions concerning the matters above may be taken by delegated bodies or persons but must be ratified at the

first Board of Directors' meeting held after the decision is taken.

## **Article 9. Representation duties**

1. The Board of Directors is responsible for representing the Company in accordance with the provisions established by Law and the Byelaws.
2. The committees and Board members on whom powers of representation have been delegated shall inform the Board of any actions taken in the execution of such powers that go beyond standard administration.

## **Article 10. Specific duties concerning the annual accounts and management report**

1. The Board of Directors shall draw up both the single-entity and consolidated financial statements and management report, to present a true and fair view of the Company's and its group's assets, financial positions and profits, as provided by Law, having previously received the report from the Audit Committee. The accounts shall first be certified as to their completeness and accuracy by the Company CFO, with the approval of the Chairman.
2. Having reviewed the reports alluded to in the preceding paragraph, the Board of Directors may request any clarifications deemed relevant from the authors.
3. The Board of Directors shall ensure that the above financial statements are written in clear and precise terms to facilitate proper understanding of their contents. In particular, they must include any comments that may be useful to that end.
4. The record shall state that, prior to signing the financial statements as required by Law, the members of the Board have perused the report drawn up by the Audit Commission and generally all necessary information to sign them off, and were able to make any observations they deemed appropriate.
5. The Board shall monitor how the Company's accounts that must statutorily be made public at regular intervals evolve, having first received a report thereto from the Audit Committee.

## **Article 11. Specific duties relating to the Stock Market**

1. The Board of Directors shall perform whatever duties are required for any listed company.
2. In particular, the Board shall carry out the following specific functions related to the stock

market as provided for in these regulations:

- (a) Undertake all actions and adopt whatever measures may be required to ensure the Company's transparency on financial markets.
- (b) Undertake all actions and adopt whatever measures may be deemed necessary to prevent, within its scope, manipulation and the use of inside information.
- (c) Approve and update the Internal Code of Conduct in matters relating to securities markets.
- (d) Approve the Yearly Corporate Governance Report and the Annual Report on Officers' Remuneration as required by law.

## **Article 12.      Balanced performance of Board of Directors' duties**

- 1. The Board of Directors is responsible for undertaking whatever actions may be necessary to achieve the corporate business stated in the Byelaws, in accordance with applicable law.
- 2. The delegation of powers within the limits allowed by law, made by the Board on behalf of any of its members, does not deprive that member of those powers.
- 3. The Board of Directors shall perform its duties in accordance with the principle of balance between powers and responsibilities. Directors and committees on whom the Board may delegate powers shall also be bound by this principle.
- 4. The Board of Directors shall establish whatever mechanisms may be suitable or necessary to monitor the decisions taken by any of its members or committees.
- 5. The Board of Directors is liable for its management before the General Shareholders' Meeting.

## CHAPTER III - BOARD OF DIRECTORS' RELATIONSHIPS

### Article 13. Relationships with shareholders

1. The Board of Directors shall define and promote a policy of communication and contact with shareholders, institutional investors and voting advisors that is completely respectful of the rules against market abuse and which dispenses a similar treatment to shareholders in the same position.
2. The Company shall make said policy public through its corporate website, including information on how it is implemented and identifying the person or persons responsible for implementing it.
3. In particular, the Board of Directors shall adopt the following measures:
  - (a) It shall ensure shareholders are provided with any legally required information prior to the General Shareholders' Meeting.
  - (b) It shall address requests for information made by shareholders prior to the General Shareholders' Meeting with the utmost diligence.
  - (c) Furthermore, it shall respond equally diligently to any questions raised by shareholders during the General Shareholders' Meeting.

### Article 14. Relationships with the markets

1. The Board of Directors shall take all necessary measures to ensure immediate public disclosure by submitting the following to the Spanish Securities and Exchange Commission and simultaneously publishing them on the Company's website:
  - (a) Approval of regular public financial information;
  - (b) Any data capable of influencing the trading price of the Company's shares significantly or other information of a financial or corporate nature regarding the company or its shares or financial instruments that any legal provision or regulation requires to be disclosed in Spain or considers should be disclosed to investors given its special interest

- (c) Changes that significantly affect the shareholding structure of the Company;
- (d) Substantial changes to the Company's rules of governance, currently constituted by the Byelaws, the Regulations of the General Shareholders' Meeting, these Regulations, the Internal Rules of Conduct on Stock Markets, and the Operations with Related Parties Protocol; and
- (e) Treasury stock transactions that, under the relevant rules, have to be reported.

The Board of Directors shall take the necessary measures to ensure that the periodic financial data and any other information made available to the markets is prepared according to the same principles, criteria and professional practices as the annual accounts and is equally trustworthy.

For these purposes, the Board of Directors shall define and promote a general policy regarding the disclosure of economic-financial, non-financial and corporate information, through the channels it deems appropriate, that contributes to maximizing the dissemination and quality of the information available to the market, investors and other stakeholders.

## **Article 15. Relationships with auditors**

1. The Board's relationships with the Company and its consolidated group auditors shall be channelled through the Audit Committee.
2. The Board of Directors shall refrain from proposing hiring audit firms for whom the fees that the Company would have to pay for all items would exceed ten percent (10%) of the audit company's revenue in Spain during the immediately preceding year.
3. The Board of Directors shall endeavour to prepare the annual accounts so that no exceptions or reservations are made by the auditor. However, when the Board considers that its criteria must be maintained, the Chairman of the Audit Committee shall explain to shareholders the content and scope of such exceptions or reservations during the general meeting at which the annual accounts are approved and shall provide shareholders with a summary report of said exception along with all other proposals and reports from the Board, when the relevant meeting is called.
4. The auditor shall hold at least one annual meeting with the full Board of Directors to report on the work carried out and the evolution of the Company's accounts and risk situation.

## CHAPTER IV - APPOINTMENT AND CESSATION OF DIRECTORS

### Article 16. Appointments

1. Proposals for the appointment of directors submitted by the Board of Directors to be considered at the General Shareholders' Meeting and appointment decisions adopted by the body under the co-option powers legally attributed to it must consider persons of recognised integrity, solvency, technical competence and experience as pre-informed by the Appointments and Remuneration Committee in the case of executive and proprietary directors, or as proposed by the Appointments and Remuneration Committee in the case of independent directors. When the Board of Directors deviates from the Appointments and Remuneration Committee's recommendations, the former shall substantiate the reasons for their actions and leave written record of them.
2. The Company shall publish and keep updated the following information about its directors on its website:
  - (a) Professional experience and background;
  - (b) other boards of which they are members, whether or not belonging to listed companies;
  - (c) indication of the category to which each director belongs, specifying, where appropriate, the shareholder they represent or have links with;
  - (d) date of first appointment as a Company director, and of any subsequent appointments; and
  - (e) number of company shares and stock options held.
3. The Secretary of the Board of Directors shall provide each new director with a copy of the Byelaws, these Regulations, the Internal Code of Conduct on Securities Markets, the latest single-entity and consolidated annual accounts and management report approved by the General Shareholders' Meeting, auditor's reports relating to those financial statements, the latest Yearly Corporate Governance Report, and the latest economic and financial information supplied to the markets. Also, they shall be provided with the name of the current auditors and their spokesperson.

4. All necessary support shall be given to new directors for them to acquire prompt and ample knowledge of the Company and its corporate governance rules, and orientation programmes shall be available for that purpose. Likewise, the Company may also establish specific refresher programmes when circumstances so warrant.
5. After verification by the Appointments and Remuneration Committee, the Yearly Corporate Governance Report should explain the reasons why proprietary directors have been appointed at the request of shareholders whose shareholding is less than 3%three (3) percent of the capital stock, when applicable; likewise, it should outline the reasons why formal requests for membership of the Board has not been given, when appropriate, to shareholders whose equity stake is equal to or greater than that of others whose request for proprietary directorships have been accepted.

## Article 17. Incompatibilities

Natural persons representing a legal entity director may not be members of the Board when,

- (a) Natural or legal persons holding the position of director in more than eight (8) companies, of which a maximum of four (4) may have their shares traded on domestic or foreign stock exchanges. In this respect, positions on holding companies shall be excluded from the calculation and companies belonging to the same group shall be considered as a single company.
- (b) Natural or legal persons who are in any other situation of incompatibility or legal prohibition.

## Article 18. Term of office

1. Directors shall hold their office for the period specified in the Byelaws.
2. Directors appointed by co-option shall hold their position until the date of the first General Shareholders' Meeting. If the vacancy arises once the General Shareholders' Meeting has been called but before it is held, the Board of Directors may appoint a director until the next General Shareholders' Meeting already called is held. In any case, this period shall not be computed for the purposes mentioned in the previous paragraph.

## Article 19. Re-election

1. Prior to any re-election of board members submitted to the General Shareholders' Meeting, the Appointments and Remuneration Committee shall issue a report on the standard of work and dedication of the board members proposed during the previous mandate.
2. Independent directors may not be elected for more than three (3) consecutive terms.
3. The Chairman, the Vice-Chairman, the independent director coordinator and, assuming they are directors, the Secretary and Vice-Secretary of the Board of Directors re-elected as members of the Board of Directors by the General Shareholders' Meeting shall continue to hold the positions they were exercising previously on the Board of Directors without any need for a new appointment.

## Article 20. Cessation

1. Directors shall cease to hold the position when the period for which they were appointed ends or when so decided by the General Shareholders' Meeting using the legal and statutory powers conferred to it.
2. In the cases defined below, Directors must tender their resignation to the Board of Directors and actually resign if the Board considers it necessary at the request of a majority of two thirds of its membership and following a report in that regard from the Appointments and Remuneration Committee:
  - (a) when they leave the posts, positions or duties with which their appointment as executive directors is associated;
  - (b) in the case of proprietary directors, when the shareholder whose interests they represent sells their entire shareholding, or when they sell an appropriate number of shares so that their shareholding in the Company is reduced;
  - (c) in the case of independent directors, when any of the circumstances which in accordance with the law prevents them from continuing to be considered as such suddenly occurs~~;~~;
  - (d) when they are involved in any situation of incompatibility or prohibition provided for by law;
  - (e) when the Board is aware of a serious breach of their duties as directors, following a



proposal or report by the Appointments and Remuneration Committee;

(f) when situations arise that affect them, whether or not related to their work in or for the Company, that could jeopardize its credit and reputation; or

(g) when they lose respectability, capability, expertise, competence, availability or commitment to their duties to be a director of the Company. In particular, it is understood that this circumstance occurs when the director is indicted or summoned in criminal proceedings-l.

In the cases referred to in paragraphs (f) and (g) above, when the Board has been informed or otherwise knows of any such situations, it must examine the case as soon as possible and, taking into account the specific circumstances, decide, following a report from the Appointments and Remuneration Committee, whether or not to adopt any measure, such as opening an in-house enquiry, requesting the resignation of the director or proposing his/her removal. Likewise, the matter shall be reported in the Annual Corporate Governance Report, unless it is justified by special circumstances, which must be recorded in the minutes. This without prejudice to the information that the Company must disclose, if appropriate, at the time the relevant measures are taken.

3. In the event that a natural person representing a legal entity member of the Board incurs in any of the cases provided for in the preceding paragraph, they shall be prevented from exercising such representation and must necessarily be replaced by the legal entity member, who shall appoint a new representative.
4. When either through resignation or by agreement of the General Shareholders Meeting, a director leaves his post before the end of his mandate, he should explain the reasons for his resignation or, in the case of non-executive directors, his opinions about the grounds for his dismissal, in a letter sent to all members of the Board.

Even though said events shall be reported as significant for investors in the Yearly Corporate Governance Report, the Company shall publish news of the dismissal as soon as possible, including sufficient reference to the reasons or circumstances given by the Director-director

5. The Board of Directors shall not propose the dismissal of independent directors before the expiry of the statutory period for which they were appointed, except where fair cause is found by the Board supported by a report from the Appointments and Remuneration Committee. In particular, fair cause is deemed to exist when the director has breached the duties inherent to his/her position or incurs in any of the circumstances that would have

prevented his/her appointment as an independent director. The dismissal of independent directors may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that represent a change in the share capital structure of the Company, when such changes in the structure of the Board are aimed at adjusting the proportionality between proprietary and independent directors so that the share capital is consistently represented on the Board.

## **Article 21. Duty of abstention**

The board members involved may not intervene in discussions on proposals for appointment, reappointment and dismissal to be submitted to the General Shareholders' Meeting. In addition, executive directors must abstain from participating in the deliberation and from participating in the voting on the contract governing their relationship with the Company, including remuneration for the exercise of executive duties.

## **CHAPTER V - DIRECTOR'S DUTIES**

### **Article 22. Director's duties. General regulations**

1. The director's duty is to promote and monitor the proper management of the Company in order to maximise its long-term value in a sustainable fashion and distribute it properly for the benefit of shareholders.
2. In carrying out their functions, members of the Board shall work with the diligence of an orderly businessperson and a loyal representative; they must comply with the duties imposed by law, the Byelaws and internal regulations that may be applicable. Their actions shall be guided solely by corporate interest, interpreted independently and referred to over a reasonable time scale, seeking to defend and protect the interests of all shareholders, who appointed them and to whom they are accountable, and appropriately evaluating, as part of the decision-making processes they are involved in, the reality and other competing interests of the Company. In this sense, they shall endeavour to reconcile the Company's interest with, as appropriate, the legitimate interests of employees, suppliers, customers and those of other relevant stakeholders, as well as the impact of the Company's activities on the community as a whole and on the environment.
3. Within the scope of strategic and business decisions, subject to business judgement, the standard of diligence of an orderly businessperson is considered fulfilled when the director acts in good faith, without personal interest, in the subject matter of the decision, with

sufficient information and according to an appropriate decision-making procedure. Members of the Board are bound by virtue of their office, in particular:

- (a) To dedicate continuously the time and effort needed to regularly follow the issues raised by the Company's management. To this end, Board Members must inform the Appointments and Remuneration Committee of any professional obligations that may interfere with the commitment required of them.
  - (b) To be informed and prepare the meetings of the Board and the delegated bodies or committees to which they belong adequately, obtaining sufficient information, collaboration or assistance for them as they deem appropriate, at the expense of the Company.
  - (c) To attend meetings of bodies they are part of and actively participate in deliberations so that their criteria effectively contribute to the decision-making process. If, for any reason, they are unable to attend the meetings to which they have been summoned, they must instruct the director representing them. Board members must reduce absences to the bare minimum. Absences of directors shall be quantified in the Yearly Corporate Governance Report.
  - (d) To attend the General Shareholder Meetings.
  - (e) To carry out any specific task delegated by the Board of Directors and which is reasonably included within their dedicated commitment.
  - (f) Urging people with capacity to call meetings to call an extraordinary meeting of the Board or to include the items they deem convenient on the Agendaagenda of the first meeting to be held.
  - (g) To oppose agreements contrary to the Law, the Byelaws, the General Shareholders' Meeting or Board of Directors Regulations or the Company's interests and to request a record in the minutes of their opinions, when deemed most appropriate for the protection of the Company's interest.
4. In their capacity as a loyal representative of the Company, they must inform the latter, within forty-eight (48) hours, about their ownership of Company shares, derivatives or stock options based on the share value and of any changes occurring in such shares or rights held directly or through related parties, as these are defined in the provisions of the Internal Code of Conduct on Securities Markets.

5. Directors must notify the Company of the following,
  - (a) Any direct or indirect conflict that they or persons related to them may have with the interests of the Company.
  - (b) Any significant changes in their professional situation and which affect the nature or conditions under which they were appointed as Director.
  - (c) Any judicial, administrative or any other claim in which they are involved which, given its importance, could seriously affect the Company's credit and reputation. In particular, all directors must inform the Company if they are indicted in criminal proceedings and of the relevant milestones in such proceedings. In this case, the Board of Directors, prior report from the Appointments and Remuneration Committee, shall take the decision deemed most appropriate to the Company's interests.
  - (d) In general, any fact or situation that could be relevant to their performance as director of the Company.

## Article 23. Duty of confidentiality

1. Members of the Board must keep the deliberations and resolutions of the Board of Directors and committees they are part of secret and, in general, they must refrain from disclosing the information, reports or data records to which they have access in the exercise of their office, and from using them for their own benefit, or that of the shareholder who proposed or made their appointment, or of any third party, without prejudice to the obligations of transparency or information imposed by applicable law.
2. The obligation of confidentiality shall remain in force even if the director has resigned from office.

## Article 24. Non-competition duty

1. The director may not hold, directly or through an intermediary, positions of whatsoever kind in companies or enterprises competing with the Company or any of the companies in its group, neither can the director offer representation or advisory services on their behalf.
2. Directors who end their mandate or for any other cause cease to serve in their office may not ~~work for~~ hold any position or provide services of any kind to another entity competing with the Company for a period of one (1) year. If deemed appropriate, the Board of

Directors may relieve the outgoing director from this obligation or shorten its term.

## **Article 25. Use of non-public information and corporate assets**

1. Directors may not make use, for private purposes, of the Company's non-public information, except when such usage is of no detriment to the Company and no exclusive right of the Company or any analogous legal position to the information to be used exists, or when the information is irrelevant for the purchase or sale of shares or financial instruments whose issuer is directly or indirectly referred to by that information. In any case, the rules of conduct established in the Securities Market legislation and the Company's Internal Code of Conduct shall be observed.
2. Directors may not make use of Company assets nor use their position in the Company to obtain any financial advantage.

## **Article 26. Business opportunities**

A director may not benefit from any chance of making an investment or commercial transaction that has arisen or been discovered in the exercise of their office or when using Company's media, or in circumstances in which it is reasonable to assume that the offer from the third party was actually addressed to the Company, except when the Company has already withdrawn from exploiting such a business opportunity and the General Shareholders' Meeting or the Board, as appropriate in accordance with the provisions of applicable law, authorise the director to pursue it.

## CHAPTER VI - DIRECTOR DETAILS

### Article 27. Information and inspection rights

1. In order to fulfil their duties, any director may obtain information regarding any aspect of the Company. For this purpose, they may examine any documentation deemed necessary, make contact with the heads of the departments concerned, and visit relevant facilities.

In particular, directors must be regularly informed of movements in the shareholding and the opinions that significant shareholders, investors and rating agencies hold about the Company.

2. In order not to disturb the ordinary management of the Company, the exercise of information powers shall be channelled through the Secretary, who shall act on requests from a Director by providing the information directly or recommending suitable spokespersons at the appropriate level of the organisation.
3. In the event that a request for information has been denied, delayed or fulfilled defectively, the applicant director may repeat his request to the Audit Committee, which, after hearing the Secretary and the applicant director, shall decide on the appropriate action to take.
4. The information requested may only be refused when, in the opinion of the Audit Committee, it is unnecessary or detrimental to Company interests. Such refusal does not apply when the request has been supported by a majority of Board members.

### Article 28. Expert assistance

1. In order to be aided in the performance of their duties, directors may call in legal, accounting or financial consultants or any other experts, at the company's expense.

The assignment must deal with specific issues of certain significance and complexity arising in the performance of their duties.

2. The request to hire external consultants or experts must be made through the Secretary to the Board of Directors, who may submit it to the Board for authorisation, which shall be granted if, in the Board's opinion:

- (a) it is necessary for the proper performance of duties entrusted to directors;
  - (b) the cost is reasonable, in view of the importance of the issue and the Company's assets and income; and
  - (c) the technical assistance sought cannot be adequately provided by the Company's own experts and technicians.
3. In the event that the request for expert assistance is made by any of the Board committees, it cannot be denied, unless the majority of its members consider that none of the circumstances provided for in paragraph 2 of this article concur.

## CHAPTER VII - DIRECTOR'S REMUNERATION

### Article 29. Directors' remuneration

1. The remuneration of directors for acting as such shall consist of a fixed annual fee to be allocated by the Board of Directors at its discretion, considering the circumstances of each director, the duties and responsibilities attributed to them by the Board, and whether they belong to different committees, which may give rise to different amounts payable to each one of them. The Board of Directors shall also determine the frequency and payment of such annual fee, which shall include insurance and fringe benefits applicable at the time.
2. The amount of the annual fee for the Board of Directors shall be determined by the General Shareholders' Meeting, and shall remain effective until it is amended; however, the Board of Directors may reduce this amount during any year that it deems convenient. Similarly, board members' remuneration must be enough to attract and retain directors with the desired profile and to reward the dedication, abilities and responsibilities that the post entails, but not so high as to compromise the independent judgement of non-executive directors.
3. The remuneration provided for in this article shall be compatible with and independent of payment of any fee or salary which they may earn from the Company for delivery of services or employment pursuant, as the case may be, to a contractual relationship other than that of director and which shall be governed by the applicable legal provisions.
4. In addition, notwithstanding the foregoing, if a director is attributed executive duties, he/she shall enter into a contract with the Company pursuant to law. Such contract shall state all the items for which compensation may be granted as a result of the performance

of executive duties, including, as applicable, potential severance pay for ceasing to hold that office and the amounts payable by the Company for insurance premiums or contributions to savings systems.

The contract may contain a fixed remuneration and an additional variable component that shall accrue if certain targets are met. In any event, variable remuneration shall be related to the beneficiaries' professional performance and shall be linked to performance criteria which: (i) are predetermined and measurable; (ii) assume the risk taken for obtaining a result; (iii) promote the Company's sustainability and include non-financial criteria that are suitable for creating long-term value, as well as compliance with internal rules and the Company's internal procedures and its policies for risk control and management; and (iv) are set on the basis of a balance between fulfilling short, medium and long term targets that allow for reward of continued performance over a period of time long enough to appreciate the contribution made to creating sustainable value, so that measuring indicators of that performance do not revolve solely around specific, occasional or extraordinary events.

5. Efforts shall be made to ensure (i) any remuneration linked to Company earnings takes into account any exceptions noted in the auditor's report that reduce such earnings; that proper checks are made to ensure the payment of the variable component of remuneration is related to the performance or other previously established terms, and (iii) that, where appropriate, a significant percentage of the variable remuneration of executive directors is linked to the delivery of shares or financial instruments indexed to its value.

## **CHAPTER VIII. BOARD OF DIRECTORS STRUCTURE AND OPERATION**

### **Article 30. Chairman. Duties**

1. The Chairman of the Board of Directors shall be elected from among the members prior report from the Appointments and Remuneration Committee. He/she shall have Chairman status over the Company and all company bodies, which he/she shall represent permanently.
2. The Chairman of the Board of Directors, in addition to the duties and powers conferred by Law, the Byelaws and these Regulations, may hold the post of Chief Executive Officer of the Company and as such shall be responsible for the effective management of the Company's



business, always in accordance with the decisions and criteria established by the General Meeting and the Board of Directors.

3. The Chairman shall be responsible for the effective functioning of the Board of Directors; he/she shall prepare and submit to the Board of Directors a schedule with dates and issues to be addressed; he/she shall organise and coordinate through the Appointments and Retribution Committee regular evaluations of the Board and, where applicable, of the company's chief executive officer; he/she shall be responsible for the management of the Board and the effectiveness of its operation; he/she shall ensure that sufficient time is devoted to discussion of strategic issues, and shall agree and revise introductory processes and training refreshers for each member when circumstances so warrant.

Furthermore, the Chairman shall preside the General Shareholders' Meeting and shall conduct its discussions and deliberations.

The Chairman shall also be responsible for convening and chairing Board meetings, setting the agenda for meetings and directing discussions and debates. He/she shall ensure that directors receive enough information to discuss the points on the agenda well in advance, he/she shall clearly indicate those points on which the Board of Directors are required to take a decision or reach an agreement, so that directors may study or gather accurate information for their implementation in advance. He/she shall stimulate debate and active participation in meetings.

4. The Chairman of the Board of Directors may delegate all or part of his/her powers on other members of the Board or of the Company's management, except when such delegation is expressly prohibited by law.

## **Article 31. Vice-Chairman(s) of the Board of Directors**

1. The Board, after receiving the report from the Appointments and Remuneration Committee, may appoint one or more Vice-Chairmen, who shall replace the Chairman in the event of absence, vacancy, illness or inability, in accordance with the Byelaws.
2. Should there be more than one Vice-Chairman, the person expressly appointed for the post by the Board of Directors shall replace the Chairman; failing that, the longest standing in office, and in the event of equal seniority, the eldest of age.

## Article 32. Executive Officers

1. The Board of Directors may permanently delegate on one or more of its members powers vested in the Board of Directors, except those whose competency is exclusive to the Board under the law, Byelaws or these Regulations.

Permanent delegation of such powers by the Board of Directors and the appointment of ~~an Executive Officer~~one or ~~Officers~~more directors on whom powers are delegated, whatever may be the name of the office, shall require the favourable vote of at least two-thirds of the membership of the Board of Directors to be valid.

2. The Chief Executive Officer's appointment shall be proposed by the Chairman, following a report from the Appointments and Remuneration Committee.
3. The Chief Executive Officer shall be responsible for effective representation and management of the Company's business, always in accordance with the decisions and criteria established by the General Shareholders' Meeting and the Board of Directors in the various realms of their respective powers.

The effective representation and management of the Company's business includes, without limitation:

- (a) supporting the Board of Directors in defining the Company's strategy;
  - (b) developing the Business Plan and Annual Budgets, subject to approval by the Board of Directors; and
  - (c) appointing and revoking all positions of employment in the Company, except when appointment is a competency of the Board of Directors under these Regulations.
4. Should an Executive Committee exist, once a year, at the first meeting each year, the Chief Executive Officer shall report to members of the EC about the degree of actual fulfilment of the forecasts made in regard to proposed capital investments submitted to the Committee and the Board of Directors.

## Article 33. Independent co-ordinating director

1. Should the Chairman hold the post status of an executive office, the Board of Directors, at the proposal of the Appointments and Remuneration Committee and with the abstention of the executive officers, shall necessarily appoint a co-ordinating director from among the

independent directors.

2. The independent co-ordinating director shall be specifically empowered, when deemed appropriate, (i) to request the Chairman to convene the Board of Directors, or to include new items on the agenda of an already convened Board Meeting, (ii) to chair the Board of Directors in the absence of the Chairman and, where appropriate, of the Vice-Chairman, if any, (iii) to maintain contact with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the Company's corporate governance, (iv) to co-ordinate and convene the non-executive directors to hear their concerns, (v) to co-ordinate the plan for Chairman of the Board succession, and (vi) to implement, where appropriate, regular assessment of the Chairman of the Board of Directors through the Appointments and Remuneration Committee.

## **Article 34. Secretary of the Board. Duties. Vice-Secretary**

1. At the proposal of the Chairman and following a report from the Appointments and Remuneration Committee, the Board of Directors shall appoint a secretary, who does not need to be a member of the Board. The same procedure shall be followed to approve their cessation.
2. The Secretary of the Board shall also be Secretary to the Audit Committee and the Appointments and Remuneration Committee.
3. Notwithstanding his remaining duties as established by Law and the Byelaws, the Secretary to the Board of Directors shall (i) upkeep the Board of Director's documentation, record the minutes of meetings in the minutes books and bear witness as to its contents and the resolutions taken; (ii) ensure that the Board of Directors' actions are consistent with applicable regulations, Byelaws and other internal regulations and take into consideration the recommendations on corporate governance in listed companies applicable to the Company; and (iii) assist the Chairman so that the members of the Board receive, in advance and in a proper manner, suitable information to exercise their roles sufficiently.
4. At the proposal of the Chairman and following a report from the Appointments and Remuneration Committee, the Board of Directors may also appoint a Vice-Secretary, who need not be a member of the Board, to assist or replace the Secretary in the event of absence, vacancy, illness or inability to perform this function. The same procedure shall be followed to approve their cessation.

## Article 35. The Company's Minutes Book

Unless otherwise agreed by the Board, the Company shall maintain a single ~~Minutes Book~~minutes book, in which minutes of General Shareholders, Board and Committee meetings shall be recorded; this Minutes Book shall be managed by electronic means.

## Article 36. Board of Directors Meetings

1. The Board of Directors shall meet as often as necessary to properly perform its duties, or whenever the interests of the Company so require, and at least six (6) times a year and at least one of the meetings shall be held each quarter.
2. The Board shall prepare a schedule of dates and matters for discussion at the beginning of the year. The programme may be changed by agreement of the Board or at the Chairman's decision, in which case the change shall be notified to members of the Board with no less than ten (10) days' notice prior to the date initially scheduled for the meeting, or to the new date, when that comes earlier.
3. The Board of Directors shall be convened by the Chairman or his/her substitute. A minimum of one third of Board members may also convene a meeting, stating the agenda, which shall be held in the city where the registered offices are located, if, following a request to the Chairman and, for no justified reason, he/she has not convened the Board meeting within one (1) month. Similarly, the Chairman shall be bound to convene a meeting of the Board when so requested by the independent coordinating director.
4. Notwithstanding the power to convene described above, when the initiative to call a meeting does not stem from the Chairman, the latter must convene the meeting within ten (10) days after receiving the request.
5. Ordinary Board meetings shall be convened by personal correspondence (letter or e-mail), or any other media that gives proof of receipt, addressed to each member at the address or e-mail held on Company records, and shall be authorised with the signature of the Chairman or the Secretary or Vice-Secretary by order of the Chairman.

Meetings shall be called with no less than five (5) days' advance notice. The call to meet shall be accompanied by the relevant agenda, the date and venue for the meeting, and all relevant documentation so that Board members can form an opinion and, if necessary, cast their vote in regard to the matters under consideration.

In the event of an urgency freely considered by the Chairman, the minimum call notice shall be twenty-four (24) hours, and in this case, the meeting's agenda shall be limited to the points that sparked the urgency.

6. The Board of Directors shall be deemed constituted without a call when all members of the Board are present or represented and unanimously agree to the meeting and the items on the agenda. Furthermore, if not opposed by any member, voting may be made in writing and without a meeting being held.
7. The Chairman shall decide on the agenda for the meeting. Any director may request the Chairman to include certain items on the agenda, and the Chairman shall be obliged to include them when such a request has been made no less than two (2) days in advance to the date set for the meeting.

When, at the request of the members, items are included on the agenda, the members who requested such inclusion shall either submit the relevant documents with their request, or identify it, so that it can be sent to the remaining members of the Board of Directors.

Given that each member is bound by the duty of confidentiality, efforts shall be made to ensure the importance and confidential nature of the information does not serve as a pretext - except in exceptional circumstances stated by the Chairman - for failure to observe this rule.

8. Where for reasons of exceptional urgency, the Chairman intends to submit decisions or agreements not stated on the agenda to the approval of the Board, the majority of members present shall be required to consent thereto, a circumstance that shall be duly recorded in the minutes.
9. The procedures followed in meetings and the system for adopting agreements shall comply with the provisions of Law, the Byelaws and these Regulations.
10. Members must attend Board meetings and when they cannot do so in person, they shall delegate on another director and furnish that proxy with appropriate instructions. Proxy representation shall be granted specifically for each. In the event of doubt, the Chairman shall decide on the validity of proxy representations granted by directors not attending the meeting.

Non-executive directors may only delegate their proxy on another non-executive director.

11. Resolutions shall be taken by absolute majority of members present and represented,

## REGULATIONS OF THE BOARD OF DIRECTORS

except when a different majority is required by law, the Byelaws or these Regulations. Where votes are evenly divided, the Chairman shall have the casting vote.

In particular, a vote in favour by at least two thirds of the members is required for the permanent delegation of powers, approval of contracts entered into by the Company with executive directors, and for the amendment of these Regulations.

12. When Board members or the Secretary express concerns about a specific proposal or, in the case of directors, about the Company's progress and such concerns are not resolved at the Meeting, at the request of the person who expressed such concerns, that circumstance shall be stated in the minutes.
13. Board meetings may be held by conference call, videoconference or any other similar system, and one or several members may attend the meeting using the afore-mentioned means. To this end, the call to meet shall also state the venue where the face-to-face meeting shall take place and must specify that the meeting may be attended via conference call, videoconference or an equivalent system, indicating and making available the technical means for that purpose, which in any case must enable attendees to communicate directly and simultaneously with the Board.
14. The Board shall devote the first of its annual meetings to assess its own performance during the previous year, evaluating the quality of its work, assessing the effectiveness of its rules and, where appropriate, adopting an action plan to correct any items for improvement. In addition, the Board shall assess (i) the performance of duties by the Chairman of the Board and, should a different person hold that office, the Company's Chief Executive Officer, based on the report submitted by the Appointments and Remuneration Committee; and (ii) the performance of Board committees, based on reports received from them.
15. Every three (3) years, the Board of Directors must be assisted in this assessment by an external consultant, whose independence shall be verified by the Appointments and Remuneration Committee. The Yearly Corporate Governance Report shall contain a breakdown of the lines of business the afore-mentioned consultant has with the Company and a description of the process and the areas assessed by him/her.

## Article 37. Board of Directors Committees

1. The purpose of the Board of Directors creating committees is to seek greater efficiency and transparency in the exercise and performance of the powers and duties allocated to it. These committees are required not only to facilitate decision-making on matters through

prior consideration but also to strengthen the guarantees of objectivity and reflection with which the Board must address certain issues.

## Article 38. Executive Committee

1. The Board may permanently delegate onto the Executive Committee all and any powers vested in the Board of Directors, except those of its exclusive competency according to Law, the Byelaws or these Regulations. Exceptionally, for reasons of urgency, the Executive Committee may make decisions in regard to the matters set forth in Article 8.3 herein but said decisions must subsequently be ratified by the full Board.
2. The Board of Directors shall appoint members to form the Executive Committee, which shall ~~comprise~~have at least three (3) members. At least two (2) of the members must be non-executive directors, and at least one (1) of whom must be independent.
3. ~~The Executive Committee shall consist of a minimum of three (3) members and a maximum of seven (7).~~The Committee's Chairman and Secretary shall the same persons that hold those positions respectively on the Board.
4. Members of the Executive Committee shall cease to hold office when they cease being members of the Board or when so decided by the Board.
5. Any vacancies arising shall be filled by the Board of Directors as soon as possible.
6. In the absence of the Executive Committee Chairman, his/her duties shall be performed by another member elected for that purpose.
7. The Executive Committee shall meet as often as is deemed appropriate by its Chairman or by whomsoever performs his/her duties, or at the request of the majority of its members, and may also convene in an extraordinary meeting when so required by Company interests.
8. The Executive Committee shall be convened in accordance with the relevant provisions in the Byelaws, although, in the event of justified urgency, no less than five (5) days' notice shall be given. The call to meet shall be accompanied by all relevant documentation so that members of the Executive Committee can form an opinion and vote accordingly.
9. The Executive Committee shall be validly convened when more than half plus one of its members attend the meeting, either in person or by proxy.
10. Resolutions shall be taken by absolute majority of the directors attending the meeting.

## REGULATIONS OF THE BOARD OF DIRECTORS

11. The Board shall always be fully informed of the matters under discussion and the decisions taken by the Executive Committee. All Board members shall receive copies of the minutes of Executive Committee meetings.
12. In all other respects, the Executive Committee shall be governed by the provisions in the Byelaws in respect thereof, and, on a supplementary basis, by the provisions in the Byelaws and these Regulations concerning the Board of Directors.

## Article 39. Other Board committees

~~The Board shall have~~The Board, in the exercise of its powers of self-organisation, shall create internal support committees as needed to properly perform its functions, with at least one Audit Committee and one Appointments and Remuneration Committee.

These committees are subject to the following rules in terms of composition and performance:

- (a) The Board of Directors shall appoint the members of these committees, taking into account the directors' knowledge, skills and experience and the duties required of each ~~Committee~~committee; the Board shall deliberate on their proposals and reports, and they are obliged to report to the Board regularly on their activities and the work performed.
- (b) They shall comprise exclusively non-executive directors, with a minimum of three (3) and a maximum of five (5) members. This does not prejudice the possible presence of executive directors or Senior Management at their meetings to provide information when so decided by each committee. However, the Executive Chairman's presence at them shall be exceptional.
- (c) In any case, the majority shall be held by independent directors, one of whom must be appointed as Chairperson.
- (d) The Secretary shall be whoever holds the office of Secretary to the Board of Directors.
- (e) They may seek external advice when deemed necessary for the performance of their duties, under the same circumstances that apply to the Board (*mutatis mutandis*).
- (f) Minutes shall be taken of their meetings and a copy sent to all members of the Board.
- (g) The committees shall meet as often as the Chairperson decides is necessary for the proper exercise of their duties, and when so requested by at least two (2) of its members.
- (h) Their operating rules shall be the same as those that govern the functioning of the Board.

## REGULATIONS OF THE BOARD OF DIRECTORS



In this way, they shall be validly constituted when a majority of their members are in attendance, either in person or by proxy, and their resolutions shall be agreed by an absolute majority of the members present or duly represented. Where votes are evenly divided, the committee's Chairperson shall have the casting vote.

- (i) The Chairpersons of the relevant committees shall inform the Board of Directors of the matters discussed and the resolutions taken at the first meeting of the Board of Directors following the meeting of the committee.
- (j) ~~Each committee~~The Audit Committee and Appointments and Remuneration Committee shall submit a comprehensive report on ~~its~~their activities over the previous year for approval by the Board of Directors, within three (3) months after the end of each year, and this report shall be made available to shareholders at the Annual General Meeting.

## Article 40. Audit Committee.

1. All members of the Audit Committee, and particularly its Chairperson, shall be appointed taking into account their knowledge and experience in accounting, auditing and both financial and non-financial risk management and shall have the technical knowledge relevant to the business sector the Company operates in.
2. The ~~Committee's~~committee's Chairperson shall be replaced every four (4) years and may be reappointed one (1) year after they cease to hold that office.
3. The Company shall have a unit that undertakes the duties of internal auditors, under the supervision of the Audit Committee, to ensure the proper functioning of reporting and internal control systems and which functionally reports into the Audit Committee or the non-executive Chairman, as may be the case.
4. The head of internal auditors shall submit ~~its~~ Annual Work Plan to the Audit Committee for approval; shall report directly on any incidents arising in the course of its work, including any possible incidents and restrictions, and the results and follow-up of its recommendations; and shall submit an activity report at the end of each year.
5. The Audit Committee may summon any Company employee or director. It may also request the presence of the auditor at its meetings.
6. Without prejudice to any other functions assigned by the Byelaws, the Audit Committee shall be empowered to:

- (a) Inform the General Shareholders' Meeting on the issues raised within the scope of its competency and, in particular, on the result of the audit, explaining how it has contributed to the integrity of financial reporting and the role undertaken by the Committee in this process.
- (b) In regard to reporting systems and internal control:
  - (i) To supervise the preparation, integrity and presentation of both financial and non-financial reporting and of the control and financial and non-financial risk management systems relating to the Company, and, where applicable, to the Group (including operational, technological, legal, social, environmental, political and reputational liabilities or those relating to corruption), reviewing compliance with statutory requirements and the correct application of accounting principles.
  - (ii) To periodically review the internal risk management and monitoring systems, including tax, and to discuss with the accounts auditors any significant weaknesses detected in the internal control system during the audit, all while respecting their independence. For this purpose, and where appropriate, they may make recommendations or proposals to the management board and the corresponding term for follow-up.
  - (iii) Defend the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and cessation of the head of internal auditing; approve the budget for the Audit service; approve the internal auditors' annual work plan, making sure their work is mainly focussed on relevant liabilities (including reputational risks); receive regular periodic information on its activities; check that senior management takes the conclusions and recommendations of its reports into account; and discuss with the accounts auditor or auditing firm any significant weaknesses detected in the internal control system during the audit.
  - (iv) Set up and supervise a mechanism that enables employees, other persons related to the Company, such as members of the Board, shareholders, suppliers, or sub-contractors to report anonymously or confidentially any irregularities they detect within the company or its group.
  - (v) Defend the policies and systems in place to ensure internal control are efficiently applied in practice.

- (c) In regard to the Accounts auditor,
- (i) To submit to the Board proposals for the selection, appointment, reappointment and removal of the auditor, as well as the terms of their contract, taking responsibility for the selection process and, in the event of their resignation, examining the reasons behind such withdrawal. [\[ \]](#)
  - (ii) To supervise and make sure the Company notifies the National Securities Commission of any change of auditors and, in the event of any dispute with the outgoing auditor, to attach a statement outlining the dispute and contents thereof.
  - (iii) To receive regular information from the auditor about the audit plan and the results of its execution and verify that senior management takes its recommendations into account.
  - (iv) To ensure that the external auditors hold an annual meeting with the Board of Directors to inform them of the work undertaken and the evolution of the Company's accounts and risk situation.
  - (v) To establish suitable relationships with the auditor to receive information on any issues that may jeopardize their independence or that require consideration by the Audit Committee, and any other matters relating to the execution of the audit and other reports provided for in auditing legislation and auditing standards. In any case, written confirmation must be received regarding their independence from the company or legal entities related to it directly or indirectly from the auditors or auditing companies on an annual basis, as well as information on additional services of any kind provided to these entities by the auditor or audit firm, or by persons or entities linked to them, in accordance with legal provisions on auditing.

In this sense, the Audit Committee shall make sure that the remuneration received by the auditor(s) for their work does not compromise the standard thereof or their independence and that both the Company and the auditor(s) abide by current regulations on the provision of services other than auditing, restrictions in terms of the auditor's concentration of business and generally, all other regulations concerning the independence of auditors-

- (vi) To issue an annual report prior to the issuance of the auditor's report stating an opinion on the independence of the auditor. This report shall, in any case, explain the provision of additional services referred to in the previous section.
  - (d) Regarding the risk control and management policy:
    - (i) To propose to the Board of Directors the risk control and management policy, which must identify at least: (i) the types of risk (among others, operational, technological, financial, legal and reputational liabilities, including those relating to corruption) faced by the company, including financial or economic risks, contingent liabilities and other off-balance risks; (ii) a risk control and management model based on different tiers, (iii) to set the risk level that the Company considers acceptable; and (iv) the measures required to mitigate the impact of any identified risks in case they materialise..
    - (ii) To oversee the Company's risk and management unit operation responsible for: (i) ensuring the proper functioning of the monitoring and risk management systems and, in particular, to identify, manage and adequately quantify all significant risks affecting the Company; (ii) to actively participate in the development of a risk strategy and major decisions about its management; and (iii) to ensure that the risk control and management systems mitigate risks appropriately according to the policy defined by the Board of Directors.
  - (e) To review the brochures or equivalent documents concerning the issuance and/or admission of securities and other financial information to be disclosed by the Company to the markets and their supervisory bodies.
7. The Audit Committee must inform the Board, prior to its adoption of the relevant decisions on the matters covered by Law, the Byelaws and these Regulations and, in particular, on the following matters:
- (a) The financial disclosures which, as a listed company, the Company must make public periodically. The Audit Committee shall ensure that the interim accounts are prepared using the same accounting principles as the annual financial statements and, to this end, it shall consider the appropriateness of a limited review by the auditor.

- (b) The creation or acquisition of shares in special purpose entities or entities domiciled in countries or territories considered to be tax havens, and any other transactions or operations of a similar nature whose complexity might impair the Company's transparency.
  - (c) Operations with related parties.
  - (d) Planned changes to the Company's corporate and structural status, analysing the financial terms and conditions thereof, including the exchange rate, where appropriate, as well as its accounting impact.
8. It corresponds to the Audit Committee to monitor compliance with the Company's corporate governance ~~policies and~~ rules, as well as with its internal codes of conduct. In this sense, the Audit Committee:
- a. shall supervise compliance with the Company's corporate governance rules and internal codes of conduct, ensuring that the corporate culture is aligned with its purpose and values ~~-, and~~
  - b. shall supervise application of the general policy regarding the disclosure of economic and financial, non-financial and corporative information, as well as the general policy relating to communications with shareholders and investors, voting advisers and other shareholders and shall monitor the way in which the Company communicates and relates to its small and medium-sized shareholders ~~-, and~~
  - ~~c. shall regularly assess and review the Company's corporate governance system, in order to fulfil its mission of promoting social interest and taking into consideration, when appropriate, the legitimate interests of other interest groups.~~
9. The Board of Directors shall endeavour to submit the accounts to the General Shareholders' Meeting without reservations or exceptions in the auditor's report. If such exceptions do exist, the Chairman of the Audit Committee shall seek to clearly explain to shareholders the Audit Commission's opinion about the content and scope of such reservations or exceptions, in compliance with the provisions of Article 15.3 of these Regulations.
- ~~10. It is the Audit Committee's responsibility to propose, supervise, review and defend compliance with the Company's sustainability policies in environmental and social matters, which should be aimed at creating value for the Company and complying with its social and ethical duties. Regarding the sustainable policies in social and environmental matters, the~~

~~Audit Committee shall:~~

- ~~(a) Assess and review regularly the environmental policy.~~
- ~~(b) Supervise to ensure the Company's performance in environmental and social matters fulfils the strategy and policy as established.~~
- ~~(c) Supervise and assess processes concerning relations with different stakeholders.~~
- ~~(d) Propose the principles, commitments, targets and strategy relating to shareholders, employees, customers, suppliers, social matters, the Environment, diversity, fiscal responsibility, respect for Human Rights and the prevention of corruption and other illegal behaviour.~~
- ~~(e) Establish systems or methods to monitor compliance with the policies concerning associated risks and their management.~~
- ~~(f) Implement monitoring mechanisms of non financial risk, including risks relating to ethical and business conduct.~~
- ~~(g) Implement communication, participation and dialogue channels with stakeholders; and~~
- ~~(h) Implement responsible communication practices that prevent manipulation of information and protect integrity and honour.~~

## Article 41. Appointments and Remuneration Committee

1. The Appointments and Remuneration Committee, in addition to the functions provided for in these Regulations, the Law and the Byelaws, shall have jurisdiction over, among others, the following functions relating to the appointment of members of the Board of Directors:
  - (a) Evaluating the Board's skills, knowledge and experience, describing the roles and capabilities required by candidates in order to fill in each vacancy and evaluating the time and dedication necessary for them to perform their duties.
  - (b) Verifying annually compliance with the director selection policy, which should be reported in the Yearly Corporate Governance Report.
  - (c) Examining and organising, in the manner deemed most appropriate, the succession of the Chairman of the Board of Directors and, where applicable, of the chief

executive officer and making proposals to the Board so that such succession occurs in an orderly and well-planned fashion.

- (d) Reporting proposals for appointments and cessation of Senior Officers that the Chairman proposes to the Board and the basic conditions of their contracts.
  - (e) Submitting to the Board of Directors the proposals for appointment of independent members of the Board to be appointed by co-option or to be submitted to the decision of the General Shareholders' Meeting, as well as proposals for re-election or removal of such members by the Annual General Meeting.
  - (f) Reporting on proposals for the appointment of other board members to be appointed by co-option or to be submitted for approval of the General Shareholders' Meeting, as well as proposals for re-election or removal by the General Shareholders' Meeting.
  - (g) Reporting to the Board on gender diversity issues, setting a goal of representation for the less represented gender on the Board of Directors and developing guidance on how to achieve that objective.
  - (h) Organising and coordinating the periodic assessment of the Chairman of the Board and, with this, the periodic evaluation of the Board of Directors, its committees, their Chairpersons and Secretary, and the chief executive officer of the Company.
2. The Appointments and Remuneration Committee shall consult the Chairman or, if applicable, the Company's chief executive officer, especially in the case of proposals relating to executive directors and Senior Managers. Any director may request the Appointments and Remuneration Committee to take them into consideration as potential candidates to fill director vacancies, if found suitable.
3. In addition to the functions indicated in the preceding paragraphs, the Appointments and Remuneration Committee shall have jurisdiction over the following functions relating to remuneration:
- (a) To propose to the Board of Directors
    - (i) The remuneration policy for board members and those who hold senior management posts under the Board's direct control, members of executive committees or the Executive Officers, and defend fulfilment thereof.

- (ii) The individual remuneration of directors and the approval of contracts entered into by and between the company and members of the Board that perform executive functions and defend fulfilment thereof.
  - (iii) Types of Senior Management contracts.
- (b) Ensuring compliance with the remuneration policy for directors as approved by the General Shareholders' Meeting.

## Article 42. Sustainability Committee

The Sustainability Committee shall be entrusted with proposing, supervising, reviewing and ensuring compliance with the Company's environmental, social and corporate governance sustainability policies, which must be geared towards the creation of value at the Company, and compliance with its social and ethical duties. In this regard, the Sustainability Committee shall:

- (a) Propose the environmental, social and corporate governance strategy, submitting any plans deemed necessary for this purpose to the Board of Directors.
- (b) Periodically assess and review the corporate governance system and environmental and social policies in place at the Company in order to ensure that they fulfil the mission of promoting social interest and take into account the legitimate interests of the remaining stakeholders, as appropriate.
- (c) Monitor the Company's environmental, social and corporate governance practices to ensure that they are aligned with the strategy and policy established.
- (d) Monitor and assess the diverse stakeholder relationship processes in environmental, social and corporate governance matters, ensuring that responsible communication practices are followed.

## Article 43. Applicable Law

The Company shall be governed by these Regulations and, in regard to matters not covered herein, by its By-Laws and the provisions of Royal Legislative Decree 1/2010 of 2nd July, approving the revised text of the Corporate Enterprises Act and other provisions that may be applicable. All references to the "Law" in these Regulations shall be construed as references to applicable law and in particular to the aforementioned Corporate Enterprises Act.