



## **REGULATION OF THE BOARD OF DIRECTORS OF CORPORACIÓN FINANCIERA ALBA, S.A.<sup>1</sup>**

### **Chapter I. PREAMBLE**

#### **Article 1. Purpose**

The object of this Regulation is to determine the operational principles of the Board of Directors of Corporación Financiera Alba S.A., the basic rules of its organisation and functioning in accordance with the terms set out in legislation, the corporate bylaws and the behavioural standards governing its members, except those matters connected with the Securities Market, which will be governed by the Internal Regulation of Conduct, approved by the Board of Directors.

#### **Article 2. Interpretation**

The Board of Directors will be responsible for resolving any doubts as to interpretation that might arise in the application of this Regulation.

#### **Article 3. Modification**

1. This Regulation may only be modified on the initiative of the Chairman, of a third of those holding a directorial position, or of the Audit Committee, and they must enclose an explanatory report with their proposal.
2. Any proposed modifications must be reported on by the Audit Committee, unless they are of its own initiative.
3. The text of the proposal, the explanatory report by the proponents, and the report by the Audit Committee must be attached to the announcement of the meeting of the Board that is to debate the modification.
4. A modification to the Regulation may only be validly passed by means of a Resolution supported by the absolute majority of the members of the Board.
5. The General Shareholders' Meeting of the Company will be informed of the approval or modification of this Regulation.

---

<sup>1</sup> Consolidated Text of the Regulation of the Board of Directors of Corporación Financiera Alba, S.A. This Regulation was approved by the Board of Directors at its meeting held on 24 April 2007, to take effect on 31 May 2007, and was modified by the Resolutions of the Board of Directors of 30 September 2010, 5 May 2015, 3 May 2016, 26 October 2020 and 13 May 2021 (the last one registered at the Companies Registry on 29 July 2021).

## **Article 4. Dissemination**

1. The Directors are obliged to be familiar, to comply and to ensure compliance with this Regulation. To this end, the Secretary of the Board will provide all of them with a copy hereof.
2. The Board of Directors will adopt the relevant measures to ensure that the Regulation is disseminated among the shareholders and the investor public in general, and it will in all cases be posted on the Company website.

## **Chapter II. MISSION OF THE BOARD**

### **Article 5. Functions**

1. Except in those matters reserved for the competency of the General Shareholders' Meeting, the Board of Directors is the highest decision-making body of the Company.

The Board will perform its functions with uniform purpose and independence of judgment, dispensing the same treatment to all shareholders and being guided by the interests of the Company. It will likewise ensure that in its relationship with stakeholders, the Company respects the laws and regulations; fulfils its obligations and contracts in good faith; respects customs and good practice in those sectors and regions where it operates; and complies with any additional principles of social responsibility that it might voluntarily have espoused.

2. The policy of the Board is to delegate regular management of the Company to the CEO and the executive team, focusing its activities on the approval of the Company's strategy and the organisation required for the practical implementation thereof, in addition to supervision and oversight to ensure that Senior Management fulfil the objectives set and respect the corporate purpose and interest.

2.1. To this end, the plenary sessions of the Board enjoy the following exclusive powers:

- a) Supervision of the effective functioning of any committees that might be established and of the actions of delegated bodies and any appointed executives.
- b) Determination of the general strategies and policies of the Company.
- c) Authorisation or dispensation of obligations derived from the duty of loyalty.
- d) Its own organisation and functioning.
- e) The drawn up of annual accounts and the presentation thereof to the General Shareholders' Meeting.
- f) The formulation of any class of report legally demanded from the governing body, provided that the operation to which the report refers cannot be delegated.

g) The appointment and dismissal of the Managing Directors of the Company, and the establishment of the conditions of their contract.

h) The appointment and dismissal of any executives directly dependent on the Board or any of the members thereof, and the establishment of the basic conditions of their contracts, including their remuneration.

i) Decisions regarding the remuneration of Directors, within the context of the Bylaws and, where applicable, the remunerations policy approved by the General Shareholders' Meeting.

j) The announcement of the General Shareholders' Meeting and the preparation of the agenda and proposed resolutions.

k) Policy with regard to treasury stock.

l) Any powers that the General Meeting might have delegated to the Board of Directors, unless it was expressly authorised thereby to sub-delegate these.

2.2. The Board of Directors likewise enjoys the following exclusive powers, as the Company is a listed company:

a) Approval of the strategic or business plan, the management objectives and annual budgets, the investment and financing policy, corporate social responsibility policy and dividend policy.

b) Determination of the risk management and control policy, including tax risks, and supervision of internal information and control systems.

c) Determination of the corporate governance policy of the Company and of the group of which it is the parent entity; its organisation and functioning, and in particular the approval and publication of its own Regulation.

d) Supervision of the process of generating and presenting the financial information and management report, which shall, where so required, include the necessary non-financial information.

e) Approval of any financial information published by the Company periodically.

f) Formulation of the non-financial reporting statement, where applicable.

g) Definition of the structure of the group of companies, of which the Company is the dominant entity.

h) Approval of all manner of investments or operations that, because of the considerable cost for specific characteristics thereof, are of a strategic nature or entail a particular tax risk, unless approval thereof lies with the General Shareholders' Meeting.

i) The approval of the creation or acquisition of holdings in special purpose entities or any domiciled in countries or territories classified as tax havens, or any other transactions or operations of an equivalent nature that, given their complexity, could undermine the transparency of the in society and its group.

j) Approval, following a report by the Audit Committee, of related-party operations on the terms established by Law, unless approval thereof is the responsibility of the General Meeting. The Directors in question, or those that represent or are related to the shareholders in question, must refrain from participation in the debate and the vote as to said matter. The Board of Directors may delegate approval of the following related-party operations: a) intra-group operations within the context of ordinary management and under market conditions; b) operations performed by virtue of contracts with standardised conditions and that are applied en masse to a large number of clients, at prices or rates established in general by the party acting as supplier of the good or service in question, and of an amount no greater than zero point five (0.5) per cent of the annual income of the company.

k) Determination of the Company's tax strategy.

In the event of urgent circumstances, with due justification, decisions corresponding to the above matters may be passed by delegated persons or bodies, and must be ratified by the first meeting of the Board of Directors held after the decision is taken.

3. Provided that the Bylaws do not establish otherwise, and without prejudice to any powers of attorney that might be vested in any person, the Board of Directors may appoint from among its members one or more Chief Executive Officers or Executive Committees or Special Committees, establishing their functions, and the content, limits and forms of delegation. The permanent delegation of any power of the Board of Directors on an Executive Committee or CEO and the appointment of the Directors who are to occupy said positions will require in order to be deemed valid a vote in favour of two thirds of the members of the Board, and will not take effect until such time as it has been registered in the Companies Register.

Notwithstanding the above, the Board of Directors will establish at least an Audit Committee and an Appointments and Remunerations Committee.

## **Article 6. Creation of shareholder value**

1. The principle that must preside at all times over the actions of the Board of Directors is the maximisation of corporate value.

2. In accordance with the above principle, the Board will determine and review the Company's business and financial strategies, and will to this end adopt the necessary measures in order to ensure:

a) That Company's management pursues the creation of shareholder value, and has the right incentives to do so;

- b) That the Company's management is under the effective supervision of the Board;
- c) That no individual or small group of individuals holds decision-making power not subject to checks and balances; and
- d) That no shareholder receives privileged treatment with regard to others.

#### **Article 7. Other interests**

The maximisation of corporate value in the interest of the shareholders must necessarily be performed by the Board of Directors, while respecting the demands imposed by law, fulfilling, explicit and implicit contracts agreed with workers, suppliers, lenders and clients in good faith, and in general observing all ethical duties reasonably imposed by responsible management of the Company.

### **Chapter III. COMPOSITION OF THE BOARD**

#### **Article 8. Qualitative composition**

1. The Board of Directors, in exercising rights of co-option and proposal of appointments to the General Shareholders' Meeting, will ensure that the composition of the body is such that external or non-executive Directors represent a majority over the Executive Directors.

To this end, and without prejudice to any other regulatory provisions that might also apply, Executive Directors will be understood to include the CEO and all other Directors performing executive management functions at the Company or its group, whatever the legal relationship they might have with it.

Among the external or non-executive Directors, a distinction may be made between proprietary, independent and other external Directors.

A. Proprietary Directors are understood as:

Those that have a shareholding equal to or greater than that legally considered to be significant, or that have been appointed because of their status as shareholders, even if their shareholding does not amount to said figure, and those that represent the aforementioned shareholders.

B. Independent Directors will be understood as those who, having been appointed in accordance with their personal and professional circumstances, may perform their functions without being affected by a relationship with the Company or its group, its significant shareholders or executives. Independent Director status will not apply to those who are subject to any of the situations that are incompatible with said status, according to the regulations.

Any Proprietary Directors who lose this status as a result of their stake being sold by the represented shareholder may only be re-elected as independent directors

when the shareholder they used to represent until then has sold all its shares in the company.

A Director with a shareholding at the company may have independent status, provided that he or she fulfils all the conditions here set out in item B, and the shareholding is furthermore not significant.

C. In the event of any external Director who cannot be classified as either proprietary or independent, the Company will explain said circumstance and the Director's ties either to the Company or to its executives or shareholders.

2. For the purposes of application of the proportion between external and executive Directors referred to in the above item, the Board will take into account the ownership structure of the Company, the importance in absolute and comparative terms of the significant shareholdings, and the degree of permanence and strategic ties to the Company on the part of those owning significant shareholdings.

Among the external Directors, the ratio between the number of proprietary Directors and independents will tend to reflect the existing proportion between the capital at the Company represented by the proprietary Directors and the remaining capital.

3. The terms of this article are understood to apply without prejudice to the right of proportional representation that the shareholders enjoy by law.

4. The status of each Director will be explained before the General Shareholders' Meeting that is to perform or ratify the appointment thereof, and will be confirmed or, where applicable, revised annually in the Annual Corporate Governance Report, following verification by the Appointments and Remunerations Committee.

## **Article 9. Quantitative composition**

1. The Board of Directors will be made up of the number of Directors determined by the General Shareholders' Meeting, within the limits established in the Company Bylaws.

2. The Board will propose to the General Shareholders' Meeting the most appropriate number, in accordance with the changing circumstances of the Company, in order to ensure due representation and effective functioning of the body, although they may never number fewer than seven nor more than fifteen.

## **Chapter IV. STRUCTURE OF THE BOARD OF DIRECTORS**

### **Article 10. Chairman of the Board**

1. Without prejudice to the powers established in the Bylaws, the Chairman of the Board will act as the Chairman of the General Shareholders' Meeting and of the Board of Directors, without the Chairman, who will be appointed by the Board,

being delegated powers of the Board.

2. The appointment of the Chairman may designate two Directors who will act as Co-Chairmans, alternating in said position each calendar year, without prejudice to the possibility of one substituting for the other.

#### **Article 10 bis. Designation and functions of the Chairman of the Board**

1. The Board of Directors, following a report by the Appointments and Remunerations Committee, will appoint the Chairman from among its members.

2. The Chairman is the most senior figure responsible for the effective functioning of the Board of Directors, and in addition to the powers vested in said position by Law, the Corporate Bylaws and this Regulation, will have the following powers:

- a) Call and chair meetings of the Board Directors, establishing the agenda of the meetings and directing the discussions and debates.
- b) Chair the General Shareholders' Meeting.
- c) Ensure that the Directors receive sufficient information in advance in order to debate the items on the agenda.
- d) Stimulate debate and active participation by the Directors at the meetings, while safeguarding their ability freely to adopt a position.

#### **Article 11. The CEO**

1. When the Board appoints a CEO, the latter will be the most senior figure responsible for management of the Company, having the task of effectively governing the business of the Company, at all times in accordance with the decisions and criteria established by the General Shareholders' Meeting, and the Board of Directors, along with the power to implement resolutions passed by the Board itself, and, where applicable, the Executive Committee.

2. When said individual is appointed, the powers attributed to the CEO will be established, in addition to how they are to be exercised, although they may under no circumstances be exercised on an individual basis in the case of acts involving an economic amount greater than the figure established by the Board of Directors

3. The permanent delegation of any power of the Board of Directors on an Executive Committee and the appointment of the Directors who are to occupy the said positions will require in order to be deemed valid a vote in favour of two thirds of the members of the Board, and will not take effect until such time as it has been registered in the Company Register.

4. Where a member of the board of directors is appointed as CEO or has executive functions attributed by virtue of some other title, a contract must be signed with the Company, requiring prior approval by the Board of Directors with a vote in favour by two thirds of the members thereof. The Director affected must refrain from taking part in the debate and participating in the vote. The approved contract will need to be attached as an Annex to the minutes of the meeting.

The contract will detail all items for which the director may receive remuneration for performing executive functions, including, where applicable, any possible compensation for premature dismissal from said functions, the amounts payable by the company by way of insurance premiums, or contributions to savings plans. The Director may not receive any remuneration for the performance of executive functions unless the quantities and items are set out in that contract. The contract must comply with any remunerations policy that might have been approved by the General Shareholders' Meeting.

## **Article 12. Vice-Chairman or Vice-Chairmen**

1. The Board may appoint one or more Vice-Chairmen, to act as substitutes for the Chairman and, where applicable, the Director, designated in accordance with Article 10.2, in the event of impossibility or absence, with regard to the calling and functioning of the Board of Directors. If several Vice-Chairmen are appointed, they will be ordered numerically.

2. In the case of several Vice-Chairmen, the Vice-Chairman present with the lowest order number will chair the meeting. In the absence of all the Vice-Chairmen, the Director, who has held his or her position for the longest will act as chair, and in the event of equal durations, the oldest of them.

## **Article 13. Secretary of the Board**

1. The Secretary of the Board of Directors, who must be a lawyer, need not be a Director.

2. The Secretary will perform not only the functions assigned by Law and the Corporate Bylaws, or this Regulation of the Board of Directors, but also the following:

a) Preserve the documentation of the Board of Directors, place on record in the registers of minutes the course of the meetings, and bear witness to the contents thereof and the resolutions passed.

b) Ensure that the actions of the Board of Directors comply with the applicable regulations and are consistent with the Corporate Bylaws and all other internal regulations.

c) Assist the Chairman, to ensure that the Directors receive the relevant information and necessary consultancy in order to perform their function, sufficiently in advance, and in an appropriate format.

In performing his or her functions, the Secretary of the Board will not depend on the Executive Management of the Company.

3. The appointment and discharge of the Secretary of the Board will be reported on by the Appointments and Remunerations Committee, and approved by the plenary of the Board.

4. In the event of absence, the role of Secretary will be performed by the Director designated for this purpose by the Board, for each meeting, aiming to ensure that



said individual is a lawyer.

## **Chapter V. FUNCTIONING OF THE BOARD**

### **Article 14. Meetings of the Board of Directors**

1. The Board of Directors will meet at least once per quarter, and as often as deemed appropriate by the Chairman for the proper functioning of the Company. Prior to the commencement of each financial year, or upon the commencement thereof, the Board will approve a schedule of dates for its meetings.

The Board of Directors will be called by its Chairman or the person acting in his stead. Directors representing at least one third of the members of the Board may call a meeting, indicating the order of business, to be held in the town where the Company has its registered office if, a request having been lodged with the Chairman, he or she should fail, without due cause, to call the meeting within a period of one month.

2. The announcement of the meetings will always include the agenda and be issued by letter, fax, telegram or email, being authorised by the signature of the Chairman or that of the Secretary, on the instruction of the Chairman. The announcement will be sent at least five (5) days in advance, to the address designated by each Director.

The Directors may propose the inclusion of items on the agenda.

If a meeting of the Board is called on the initiative of Directors, it must be called within fifteen (15) days of their request.

3. It will be the responsibility of the Chairman, the CEO and the Secretary of the Board to prepare and provide to the Directors all information necessary to pass the resolutions proposed on the agenda of each meeting of the Board of Directors, at least three working days in advance of the date of the meeting in question. The information provided must be complete, and will include, wherever the nature of the matter to be debated would so require, business plans, proposals and summaries of agreements, and any other document that might be necessary or desirable in each case. When the annual accounts are submitted for debate, they must be certified in advance as regards their precision and integrity, by the CEO and the Finance Director.

This notwithstanding, in urgent cases the Directors may be provided with the available information with less advance notice than that established in the above paragraph.

4. The Chairman will at all times be entitled to refer to the Board of Directors any matters he or she might deem appropriate for the proper progress of the Company, irrespective of whether or not they are included on the agenda of the meeting.

5. A meeting of the Board may be held without the need for a prior announcement

if all Directors are present, and they all agree to stage the meeting.

6. Resolutions of the Board may be passed in writing without a meeting being held only if no Director object to this procedure. Meetings may likewise be held by conference call for videoconferencing, provided that the Directors have appropriate technical resources in place, and no Director objects to this.

#### **Article 15. Development of meetings**

1. The Board will be deemed quorate if attended by at least one half plus one of its constituent Directors, in person or by proxy, with those who will not be attending the meeting being entitled to invest powers of representation in another Director who is in attendance. This delegation must be performed in writing, by means of a letter addressed to the Chairman, on a specific basis for each Board meeting. Non-executive Directors may only delegate powers of representation to another non-executive Director.

2. Except in those cases where the Law would require a reinforced majority, resolutions will be passed by an absolute majority of the Directors present in person or by proxy, with any ties being decided by the casting vote of the Chairman or the person acting in his or her stead.

3. The Chairman will organise the debate, facilitating and promoting participation by all the Directors in the body's deliberations, and putting matters to a vote once he or she deems they have been sufficiently debated.

4. Each Director present in person or by proxy may cast one vote.

5. The Directors must clearly state their objection, if they believe that any proposed decision brought before the Board could be contrary to the corporate interest. They must likewise do so, in particular in the case of independent Directors and others not affected by a potential conflict of interest, in the case of decisions that could be to the detriment of shareholders not represented on the Board.

6. If the Directors or the Secretary register concern as to any proposal or, in the case of the Directors, the progress of the Company, and said concerns are not resolved at the Board meeting, the person registering the concerns may request that they be placed on record in the minutes.

### **Chapter VI . APPOINTMENT AND DISCHARGE OF DIRECTORS**

#### **Article 16. Appointment of Directors**

1. The Directors will be appointed by the General Shareholders' Meeting or, on a provisional basis, by the Board of Directors in accordance with the provisions set out in the Capital Companies Act, in the Corporate Bylaws, and in this Regulation.

2. Proposals as to the appointment of Directors submitted by the Board of

Directors for consideration by the General Shareholders' Meeting, and any appointment resolutions passed by said body in accordance with the powers of co-option legally invested in it, must respect the provisions of this Regulation in terms of the distribution of executive and external Directors, and among the latter, between proprietary and independent Directors.

3. The proposal as to the appointment or re-election of members of the Board of Directors is the responsibility of the Appointments and Remunerations Committee, in the case of independent Directors, and the Board itself in all other cases.

The proposal must be accompanied by an explanatory report by the Board evaluating the competence, experience and merits of the proposed candidate, to be attached to the minutes of the General Shareholders' Meeting, or of the Board itself.

The proposal as to the appointment of the election of any non-independent Director must be preceded by a report from the Appointments and Remunerations Committee.

Alternate Directors will not be appointed.

The Board of Directors will ensure that the procedures for the selection of its members foster diversity of gender, experience and knowledge, and are not subject to any implicit bias that could entail any form of discrimination.

The terms of this subsection will likewise apply to natural persons appointed as representatives of a legal entity Director. The proposal of the natural person representative will be subject to a mandatory report by the Appointments and Remunerations Committee.

4. The Company will establish a guidance programme to provide new Directors with a swift and adequate understanding of the Company, and its rules of corporate governance. Directors will likewise be given the opportunity to follow specific programmes or initiatives to refresh their knowledge, where the circumstances would make this advisable.

5. The Company will publish and update via its website, the following information about its Directors:

- a) Professional and biographical profile.
- b) Indication of other Boards of Directors to which the individual belongs at listed companies.
- c) Indication of the category of Director, to which the individual belongs, indicating in the case of proprietary Directors the shareholder that they represent or are connected with.
- d) Date of initial appointment as Director at the Company, and any subsequent appointments; and
- e) Company shares and share options held.

## **Article 17. Re-election of Directors**

Proposals as to the re-election of Directors that the Board of Directors decides to refer to the General Shareholders' Meeting must be subject to a formal process of preparation, entailing a report by the Appointments and Remunerations Committee, and a debate by the Board, which, among other circumstances, will address the quality of the work and dedication to the position of the proposed Directors during the previous term, said debate to be conducted in the absence of the Director affected by the re-election.

## **Article 18. Term of the post**

1. Directors will hold their position for a period of four (4) years, and may be re-elected.

2. Directors appointed by co-option will hold their position until the date of the next General Shareholders' Meeting, without prejudice to their ratification thereby.

If a vacancy arises after the General Shareholders' Meeting has been called and before it is held, the Board of Directors may appoint the Director until the next General Shareholders' Meeting is held.

## **Article 19. Discharge of Directors**

1. Directors will resign from their position once the period for which they were appointed has passed, or if so decided by the General Shareholders' Meeting, exercising the powers vested in it by law or the Bylaws.

2. Directors will put their post at the disposal of the Board of Directors and will formalise the necessary resignation if the Board deems this appropriate, in the following cases:

- a) When the Director turns 70 years of age.
- b) If they are subject to any of the grounds established in law for incompatibility or prohibition.
- c) If they are affected by circumstances that could jeopardise the credit and reputation of the Company, and, in particular, if they are prosecuted for allegedly criminal acts or are subject to disciplinary proceedings because of a serious or very serious offence investigated by the Securities Market supervisory authorities.
- d) If they are given a serious warning by the Audit Committee for having infringed their obligations as Directors.
- e) If the reasons why they were appointed, no longer apply, and in particular if an Independent Director or a Proprietary Director no longer enjoys said status.

3. Once external, proprietary and independent Directors have been elected by the General Shareholders' Meeting, the Board of Directors may not propose that they be discharged before the statutory period has passed for which they were appointed, except on justified grounds noted by the Board of Directors itself,

following a report by the Appointments and Remunerations Committee. Justified grounds will be deemed to exist if the Director has been in breach of any of the duties inherent in the position, or incurred any of the situations referred to in Article 8.1(B) of this Regulation.

The discharge of independent Directors may likewise be imposed as a result of public bids for acquisition, merger, or other similar corporate operations that would entail a change in the capital structure of the Company if said changes in the structure of the Board are prompted by the principle of proportionality indicated in Article 8.2 of this Regulation.

4. The Directors must inform the Board in the event of any situations affecting them, whether or not connected with their actions at the company itself, and in particular of any criminal case in which they are the investigated parties, in addition to the course of the proceedings.

Once the Board has been informed of or has learned of any of the situations referred to in the above paragraph, it will examine the case as soon as possible, and in the light of the specific circumstances, will decide, following a report by the Appointments and Remunerations Committee, whether or not it is required to adopt any measures, such as the instigation of an internal investigation, a call for the Director to resign, or a proposal to dismiss the Director. A reasoned account of all the above will be given in the Annual Corporate Governance Report, unless special circumstances justifying otherwise should exist, which must be recorded in the minutes.

5. If a Director leaves his or her position before the end of the term, whether through resignation or for some other reason, he or she will satisfactorily explain the reasons for his resignation or, in the case of non-executive Directors, his opinion as to the reasons for the discharge from the board, in a letter to be sent to all members of the Board. Without prejudice to the inclusion thereof in the Annual Corporate Governance Report, to the extent that would be relevant for investors.

## **Article 20. Objectivity and secrecy of the votes**

1. Those Directors subject to proposals for re-election or discharge or a conflict of interest will abstain from involvement in the corresponding debates and votes.

2. All votes of the Board of Directors concerning the appointment, re-election or discharge of Directors will be secret, if so requested by any of the members, without prejudice to the right of every Director to place on record in the minutes how he or she voted.

## **Chapter VII . AUDIT AND COMPLIANCE COMMITTEE**

### **SECTION 1. NATURE, OBJECT AND DEPENDENCY**

#### **Article 21. Legal nature and purpose**

The Audit and Compliance Committee (hereinafter referred to either as the "Audit and Compliance Committee" or the "Audit Committee") of the Company is a body of the Board of Directors, with powers of information, consultancy and proposal in those matters determined by the Corporate Bylaws and the following articles. As a body of the Board of Directors, it is accountable to the Board for its activities.

## SECTION 2. SCOPE AND FUNCTIONS

### **Article 22. Sphere of operation**

The Audit and Compliance Committee is responsible for the functions detailed below (as developed in the following articles of this Regulation), in addition to any others that might be assigned to it by the Board of Directors:

- a) Report to the General Shareholders' Meeting as to any issues raised in connection with those matters that lie within the competency of the Committee, and in particular the results of the audit, explaining how this has contributed to the integrity of financial information, and the function that the Committee 14 performed in this process.
- b) Supervise the efficacy of internal control of the Company, internal auditing and financial and non-financial risk control and management systems, and discuss with the accounts auditor any significant weaknesses in the internal control system that might be detected in the development of the audit, all the above without undermining its independence. To this end, and as applicable, they may submit recommendations or proposals to the governing body, and the corresponding period for the follow-up thereof.
- c) Supervise and evaluate the process of preparation and presentation of the required financial and non-financial information, and present recommendations for proposals to the governing body in order to safeguard its integrity.
- d) Refer to the Board of Directors proposals as to the selection, appointment, re-election and replacement of the accounts auditor, taking responsibility for the selection process in accordance with the provisions of Articles 16, subsections 2, 3 and 5, and 17.5 of Regulation (EU) No 537/2014, of 16 April 2014, in addition to the contractual conditions, and regularly receive information from it as to the audit plan and execution thereof, while also maintaining its independence in the performance of its functions.
- e) Establish the relevant relationship with the external auditor so as to receive information as to those matters that could constitute a threat to its independence, for examination thereof by the Committee, and any other matters connected with the process of performing the accounts audit and, where applicable, the authorisation of services other than those prohibited, on the terms set out in Article 5, subsections 4 and 6.2(b), of Regulation (EU) No 537/2014, of 16 April 2014, and the provisions of Section 3 of Chapter IV of Title I of Accounts Auditing Act 22/2015, of 20 July 2015, on the independence regime, and any other notifications established in the accounts auditing legislation and accounting

standards. It must in all cases each year receive from the external auditors the declaration of their independence with regard to the organisation or organisations directly or indirectly related to it, in addition to detailed and individual information on additional services of any class that are provided, and the corresponding fees received from said organisations by the external auditor or the persons or entities related to it, in accordance with the provisions of the regulations governing accounts auditing operations.

f) Issue each year, prior to the issuance of the accounts auditing report, a report stating an opinion as to whether the independence of the accounts auditor or auditing firms has been compromised. This report must in all cases contain the evaluation of the performance of each and every one of the additional services referred to in the above section, taken individually and as a whole, other than the legal audit, and with regard to the regime of independence or the regulations governing accounts auditing operations.

g) Report to the Board of Directors in advance as to all matters set out in the Act, these Articles of Association and the Board Regulation, and in particular with regard to:

1. the management report and financial information and, where applicable, non-financial information, that the Company is required periodically to publish,
2. the creation or acquisition of stakes in special-purpose vehicles or any domiciled in countries or territories classified as tax havens
3. operations with related parties requiring approval by the General Meeting or the Board of Directors.

h) Supervise compliance with the rules of corporate governance, the internal 15 codes of conduct and the sustainability policy.

i) Supervise the application of the financial and non-financial reporting policy, and the processes for the relationship and communication with shareholders, investors, proxy advisers and other stakeholders.

j) Supervise the internal procedure for those related-party operations the approval of which is delegated by the Board in accordance with the Law.

The actions of the Company's Audit Committee focus on four main areas:

- System of risk identification and internal control
- Review and approval of financial and non-financial information
- External auditing the annual accounts
- Compliance with the legal provisions and internal regulations.

## **Article 23. Functions regarding the risk identification and internal control system**

1. The Audit Committee will evaluate whether the Company has the appropriate organisation, personnel, policies and processes to identify and control its main risks, and in particular operational, financial, legal and taxation risks. In order to

achieve this objective, the Committee must ascertain that the Company has in place the following elements, which must also function effectively:

- a) The identification and description of the main operational processes of the Company, duly documented in operational standards or functional manuals.
  - b) An integrated information system, based on modern technology, to facilitate the timely and reliable generation of the Company's financial information, and the operational data required for effective management of the business.
  - c) A budgetary system serving to establish the quantitative objectives of the Company in advance, within its strategic framework, and to analyse the reasons for the main deviations between the actual and budgeted data.
  - d) Periodically review the internal control and risk management systems, to ensure that the main risks are properly identified, managed and disclosed.
  - e) Establish and supervise the mechanism put in place to allow employees confidentially to report irregularities of potential significance, in particular financial and accounting matters, that they might discover within the company.
2. The Committee will be entitled periodically to review the internal control and risk management systems of the Company, and may investigate any aspects connected therewith.

#### **Article 24. Functions regarding financial and non-financial reporting and internal auditing**

The Audit Committee will have the following main functions:

- a) The review of the process of preparing the Company's financial information, in order to confirm its integrity, technological quality and internal control, compliance with regulatory requirements, proper definition of the consolidation scope, proper application of generally accepted accounting standards and principles (duly documented in an Accounting Plan), and compliance with all other legal requirements regarding said information.
- b) Review the periodic financial statements that the Company is required to submit to the markets and their supervisory bodies, prior to approval by the plenary session of the Board.
- c) Ensure that the periodic financial information produced during the financial year (monthly, quarterly, etc.) is based on the same quality standards as the annual financial information.
- d) Evaluate and approve the proposals suggested by Senior Management as to changes in the accounting standards and principles.
- e) Supervise the decisions of Senior Management regarding the adjustments proposed by the external auditor and consider and, where applicable, mediate in



any disagreements between them.

f) Review the process for the preparation of non-financial information disclosed by the Company, in order to ascertain fulfilment of the regulatory requirements in this regard.

g) Oversee the independence of the unit that fulfils the internal audit function; propose the selection, appointment, re-election and dismissal of the head of the internal audit service; propose the budget for this service; approve the guidance and working plans, ensuring that its activities are essentially focused on significant risks for the Company; receive periodic information on its activities; and verify that senior management take into account the conclusions and recommendations of its reports.

## **Article 25. Functions regarding the external auditing of the annual accounts**

The Audit Committee will be responsible for the following:

a) Propose the appointment of the accounts auditors or auditing firms of the Company, their contractual conditions, the scope of the professional engagement and, where applicable, the revocation or renewal thereof.

b) Serve as the channel of communication between the Board of Directors and the Auditors, evaluate the results of each audit, and the response by Senior Management to the recommendations. In particular, it will receive regular information from the external auditor as to the audit plan and the results of execution thereof.

c) Supervise fulfilment of the audit contract, ensuring that the annual accounts presented before the General Shareholders' Meeting are drawn up in accordance with the accounting regulations. In the event that the auditor included any reservation in the audit report, the Chairman of the Audit Committee will clearly explain at the General Meeting said Committee's opinion as to the content and scope of said reservations or provisos.

d) Relationships with the external auditors in order to receive information about any issues which could jeopardise their independence and any other issues connected with the process of performing the accounts audit, in addition to any other communications provided for in accounts audit legislation and the technical audit standards.

e) Ensure the independence of the external auditor and, to this end:

- i) Ensure that the Company serves notice via the National Securities Market Commission of a change of auditor, enclosing a declaration as to the possible existence of disagreements with the outgoing auditor and, where these exist, the contents thereof.
- ii) Ensure that the remuneration of the external auditor for its work does

- not compromise its quality or its independence.
  - iii) Ensure that the Company and the auditor respect the rules in force regarding the provision of non-auditing services, the limits on the concentration of business of the auditor and, in general, all other standards established to ensure the independence of the auditors.
  - iv) Examine any circumstances that might have given rise to the resignation of the external auditor.
  - v) Receive each year from the accounts auditors or auditing firms written confirmation of their independence with regard to the entity or entities related to it directly or indirectly, and information on any form of additional services provided for these entities by the aforementioned auditors or firms, or by persons or entities related to them.
  - vi) Issue each year, prior to the issuance of the accounts auditing report, a report stating an opinion as to whether the independence of the accounts auditors or auditing companies has been compromised. This report must be issued as to the provision of additional services.
- f) Ensure that the external auditor holds an annual meeting with the plenary of the Board of Directors to inform it of the work performed and the evolution of the accounting and risk situation of the Company.
- g) Conduct a final annual assessment of the actions of the auditor.
- h) In those cases in which the external auditor included any reservation in the audit report, issue its opinion as to the content and scope of such audits or reservations, to be explained by the Chairman of the Audit Committee at the General Shareholders' Meeting.

## **Article 26. Functions regarding compliance with the legal provisions and internal regulations**

The Audit Committee will have the following mission:

- a) Ensure the existence of an effective internal process to oversee compliance by the Company with the laws and provisions governing its operations.
- b) Confirm that the necessary procedures have been established to ensure that the executive team and employees comply with the internal standards and the Internal Regulation of Conduct approved by the Board of Directors.
- c) Evaluate at one of its annual sessions the efficiency and compliance of the rules and procedures of governance of the Company, issuing a report in this regard to the Board of Directors.
- d) Examine and report, prior to adoption by the Board of Directors of the corresponding decisions, any structural and corporate modification operations that the Company might plan to perform, regarding their economic conditions and accounting impact, and in particular, where applicable, the proposed exchange equation, and likewise report on the creation or acquisition of stakes in special purpose entities or those domiciled in countries or territories classified as tax

havens, and any other transactions or operations of an equivalent nature that, given their complexity, could undermine the transparency of the group.

e) Report to the Board on the related-party operations of members of the Board, prior to the adoption thereby of the corresponding decisions.

f) Supervise compliance with the internal codes of conduct and the rules of corporate governance.

### SECTION 3. COMPOSITION, APPOINTMENT AND DISMISSAL OF MEMBERS

#### **Article 27. Composition**

The Audit and Compliance Committee will comprise a minimum of three and a maximum of five members, one of whom will act as Chairman. All members must have the status of external or non-executive Directors, and the majority must be independent Directors. As a whole, the members of the Committee will have the relevant technical knowledge as regards the operational sector to which the Company belongs.

The Chairman of the Committee must be an independent Director. The Secretary of the Board will act as Secretary. He or she may but need not be a member of the Audit Committee.

Meetings may be attended by executive Directors or other senior executives of the Company, if so expressly agreed by the members of the Committee and invited in advance by the Chairman.

The Audit Committee may call any employee or executive of the Company to attend, and even order that they appear, without the presence of any other executive, with a prior invitation by the Chairman.

#### **Article 28. Appointment and Discharge**

1. The members of the Committee will be appointed by the Board of Directors of the Company from among its constituent Directors. It will likewise appoint from among them the person who is to hold the position of Chairman. The Board may likewise appoint substitute members, from among the Directors of those categories indicated in the above article, for cases of vacancy, absence, or conflict of interest. The members of the Audit Committee, and in particular its Chairman, will be appointed in accordance with their knowledge and experience in the sphere of accounting, auditing, or both, in addition to their experience and knowledge of financial, internal control and risk management aspects, both financial and non-financial.

2. The duration of the appointment will be for the remaining period up until expiry of the directorial term, with the possibility of re-election to said position. This notwithstanding, any person who has held the position of Chairman of the Audit Committee for four consecutive years must resign, and may be re-elected to said position once a period of one year has passed since his or her resignation.

## SECTION 4. MEETINGS

### **Article 29. Sessions**

1. The Audit Committee will establish calendar of its regular meetings with a suitable frequency in order to be able properly to address the matters for which it is inherently responsible, meeting at least on a quarterly basis to review the periodically published financial information, and annual public information. This Committee must also meet whenever called by its Chairman or any of its members, or on the instruction of the Board of Directors with a specific agenda.

2. The Committee may meet without a prior announcement if all members are present and unanimously agree to hold a meeting. In cases of urgency, the Committee may be called without the established minimum prior notice, in which case the urgency must be unanimously acknowledged by all those in attendance at the start of the meeting.

### **Article 30. Announcement and venue**

1. The announcement of meetings of the Audit Committee will be issued at least five days in advance by the Secretary of the Committee, to each of its members, by letter, fax or email, including the agenda of the meeting approved in advance by the Chairman of the Committee. The minutes of the previous meeting will be attached to this announcement, whether or not they have been approved.

2. Meetings of the Audit Committee will normally take place at the registered office, but may also be held at any other venue established by the Chairman and indicated in the announcement. Meetings may likewise be held by conference call for videoconferencing, provided that the Directors have appropriate technical resources in place, and no Director objects to this.

### **Article 31. Quorum, representation and adoption of resolutions**

1. In order to be deemed quorate, the Committee's meetings must be attended, in person or by proxy, by the majority of its members. Each member of the Committee may vest powers of representation in another Member. Said powers of representation must be conferred in writing, with fax and email likewise being valid, addressed to the Chairman of the Committee.

2. Resolutions will be passed by the majority of the members present in person or by proxy. In the event of a tie, the President will hold the casting vote.

3. The Secretary of the Committee will draw up the Minutes of each of the meetings held, to be approved at the meeting itself or that immediately following. A copy of the minutes of the meetings will be sent to all members of the Board.

## SECTION 5. RELATIONS WITH THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

## **Article 32. Relations with the Board of Directors**

1. The Committee will periodically, through its Chairman, report to the Board of Directors as to its activities, and advise and propose any measures it might deem suitable implementation within the scope of its functions.
2. The Audit Committee will draw up an annual report on its activities, to be submitted to the Board of Directors and included in the Directors' Report.

## **Article 33. Relationship with the Company's Senior Management**

Any member of the executive team or personnel whose presence might reasonably be required will be obliged to attend meetings of the Committee and to offer cooperation and access to any information he or she might hold.

## **SECTION 6. POWERS AND CONSULTANCY**

### **Article 34. Powers and Consultancy**

1. The Committee may in order to fulfil its functions request any type of information that it might require regarding any aspect of the Company.
2. In order properly to fulfil its functions, the Audit Committee may seek consultancy from outside professionals, having first notified and received the approval of the Chairman of the Company, who will not reject this without reasoned grounds.

## **Chapter VIII. APPOINTMENTS AND REMUNERATIONS COMMITTEE**

### **Article 35. Composition and organisation**

1. The Appointments and Remunerations Committee will comprise a minimum of three and a maximum of five Directors, all of them external or non-executive, appointed by the Board of Directors from among its members, at least two of them necessarily being independent Directors. The Board of Directors will appoint the individual who is to hold the position of Chairman, who must be an independent Director. The Secretary of the Board will act as Secretary. The Board may likewise appoint substitute members, from among the Directors of those categories indicated in the above article, for cases of vacancy, absence, or conflict of interest.
2. The duration of the appointment will be for the remaining period up until expiry of the directorial term, with the possibility of re-election to said position.
3. The Appointments and Remunerations Committee will meet whenever called by resolution of the Committee itself or its Chairman, and at least once per year. Any person from the Company or from outside may be invited and may attend meetings, wherever this is deemed appropriate.

4. In order to be deemed quorate, the Committee's meetings must be attended, in person or by proxy, by the majority of its members. Each member of the Committee may vest powers of representation in another Member. Said powers of representation must be conferred in writing, with fax and email likewise being valid, addressed to the Chairman of the Committee. Meetings may likewise be held by conference call for videoconferencing, provided that the Directors have appropriate technical resources in place, and no Director objects to this.
5. Resolutions will be passed by the majority of the members present in person or by proxy. In the event of a tie, the President will hold the casting vote.
6. The Secretary of the Committee will draw up the Minutes of each of the meetings held, to be approved at the meeting itself or that immediately following. A copy of the minutes of the meetings will be sent to all members of the Board.

## **Article 36. Functions**

The Appointments and Remunerations Committee will have the following functions:

- a) Evaluate the skills, knowledge and experience required on the Board of Directors. To this end, it will define the functions and skills required of the candidates who are to fill each vacancy, and evaluate the time and dedication required in order to allow them effectively to perform their commitment.
- b) Establish a target as to representation of the less represented gender on the Board of Directors, and develop guidance as to how to achieve said target.
- c) Submit to the Board of Directors proposals as to the appointment of independent Directors to be designated by co-option or by referral of the decision to the General Shareholders' Meeting, in addition to proposals for the re-election or dismissal of said Directors by the General Shareholders' Meeting.
- d) Report on any proposals for the appointment of the other Directors, for their nomination by co-option or for its submission to the General Shareholders' Meeting decision, in addition to proposals for the re-election or dismissal thereof by the General Shareholders' Meeting.
- e) Inform proposals for the appointment and dismissal of senior management, and the basic conditions of their contracts.
- f) Examine and organise the succession of the Chairman of the Board of Directors and of the Company's CEO and, where applicable, submit proposals to the Board of Directors in order for said succession to be processed in an order and well-executed manner.
- g) Propose to the Board Directors, the Directors and General Managers remunerations policy, or those performing senior executive functions under the direct authority of the Board, Executive Committees or CEOs, and the individual remuneration and other contractual conditions of executive Directors, ensuring observance thereof.
- h) Periodically review the remunerations policy applied to the Directors and senior executives, including remuneration systems involving shares and the application thereof, and ensure that individual remuneration is proportionate to that paid to

the other Directors and senior executives of the Company.

i) Report on the proposal as to the appointment and discharge of the Secretary of the Board.

j) Examine the information provided by the Directors as to their other professional obligations, in case it could interfere with the dedication required.

k) Perform an annual review of the classification of the Directors.

l) Verify information regarding the remuneration of Directors and senior executives contained in the relevant corporate documents, including the annual report on the remuneration of the Directors, and ensure the transparency of remuneration and inclusion of information regarding the remuneration of the Directors in the Annual Explanatory Notes.

m) Ensure that any possible conflicts of interest do not prejudice the independence of external consultancy provided to the Committee.

## **CHAPTER IX. INFORMATION FOR DIRECTORS**

### **Article 37. Powers of information and inspection**

Directors have the duty to demand and the right to receive from the Company appropriate and necessary information allowing them to fulfil their obligations. The Director may to this end, with the fullest powers, receive any information or consultancy required as regards any aspect of the Committee, wherever so demanded for the performance of his or her functions. The right of information extends to subsidiary companies, whether domestic or foreign, and will be channelled via the Chairman, who will address the requests made by the Director, by directly providing the information or by providing appropriate interlocutors, or arranging any measures that might be necessary for the requested examination.

### **Article 38. Expert Assistance**

1. In order to be assisted in the exercise of their tasks, the External Directors may request that legal, accounting, financial consultants, or other experts, be hired at the Company's expense.

Any such hiring must necessarily cover specific issues of a certain significance and complexity, which arise in the exercise of their post.

2. The decision to hire such services must be reported to the Chairman of the Company and will be structured via the CEO, and may be vetoed by the Board if the services to be hired are not deemed necessary for the proper performance of the functions entrusted to the external Directors, or if the cost thereof would not be reasonable in the light of the significance of the issue, or where such consultancy could appropriately be offered by the Company's own experts and technicians. A majority of two thirds of the Directors attending the meeting in question will be required in order to impose the veto.

## **CHAPTER X. REMUNERATION OF DIRECTORS**

### **Article 39. Directorial Remuneration**

1. Directors will be entitled to receive the remuneration established by the Board of Directors in accordance with the legal provisions, the Bylaws, and those set out in this Regulation.

2. The Board will propose for approval by the General Shareholders' Meeting its own remunerations policy, and will ensure that the remuneration of each Director is appropriate, in accordance with market circumstances. The remuneration of board members must in all cases be reasonably proportional to the importance of the company, its economic situation at all times, and the market standards of comparable companies. The established remuneration system must focus on promoting the profitability and long-term sustainability of the company, and incorporate the necessary safeguards to avoid excessive risk-taking and rewards for negative results.

3. The maximum amount of annual remuneration of the board members as a group in their capacity as such must be approved by the General Meeting, and will remain in force until any modification thereto is approved. Unless the General Meeting should determine otherwise, the distribution of remuneration among the different Directors will be established by resolution of the Board of Directors, which must take into account the functions and responsibilities attributed to each Director.

4. The remuneration of the Directors will be transparent.

The Explanatory Notes will, as an integral part Annual Accounts, contain both the information required by law and any deemed to be appropriate as to the remuneration received by the members of the Board of Directors.

Likewise, the Board will draw up an annual report on the remuneration of the Directors, to be made available to the shareholders and published in accordance with the legal provisions.

#### **Article 40. Remuneration of the Directors performing executive functions**

1. The remuneration of the Directors for performing executive functions must be established in their respective contracts, approved in accordance with the provisions of the Capital Companies Act. The Board of Directors is responsible for establishing the remuneration of the Directors for performing executive functions, the terms and conditions of their contracts with the Company, in accordance with the legal provisions and the directorial remunerations policy, approved by the General Shareholders' Meeting.

2. The remuneration of senior executives will be set by the Board of Directors, following a report by the Appointments and Remunerations Committee.

### **CHAPTER XI. DIRECTORIAL DUTIES**

#### **Article 41. General obligations of Directors**



1. In accordance with the terms of Articles 5 and 6, the function of Directors is to guide and oversee management of the Company, so as to maximise value for the benefit of shareholders.

2. In performing their functions, Directors must fulfil the duties imposed by Law, with the following specific obligations:

A. Duty of diligence.

Directors must perform the position and fulfil the duties imposed by law and the Bylaws with the diligence of a responsible business operator, taking into account the nature of the position and the functions attributed to each.

Within the sphere of strategic and business decisions, subject to corporate powers of discretion, the standard of diligence of a responsible business operator will be deemed to have been fulfilled if the Director has acted in good faith, without any personal interest in the matter decided, with sufficient information and in accordance with an appropriate decision-making procedure.

The following obligations are deemed to derive from this:

a) Directors will show appropriate dedication and will adopt the necessary measures for the proper management and oversight of the Company. In order to achieve appropriate dedication on the part of the Directors, the maximum number of Boards of other companies to which the Directors may belong will be six, although all positions held within the same group of companies or at entities where one of said companies holds a significant stake will be considered to be one single position.

b) In performing their functions, Directors have a duty to demand and the right to receive from the Company appropriate and necessary information allowing them to fulfil their obligations.

c) Actively participate in the governing body, and in its Committees or assigned tasks, receiving information, expressing their opinion and encouraging the other Directors to agree to the decision deemed most favourable in the interests of the Company. If they cannot on justified grounds attend meetings to which they have been called, they will aim to inform any Director who is to represent them of their opinion.

d) Challenge any resolutions that are contrary to the Law, Bylaws or the corporate interest, and to request that this position be recorded in the minutes whenever they deem it appropriate to safeguard the corporate interest.

e) Call for meetings of the Board to be held whenever deemed so relevant, or call for the inclusion on the agenda of any circumstances deemed appropriate, in accordance with the Act and the Corporate Bylaws.

B. Duties of loyalty.

Directors must perform their position with the loyalty of a faithful representatives, acting in good faith and in the best interests of the Company.

B.1. In particular, the duty of loyalty requires that the Director:

- a) Not exercise powers for purposes other than those for which they were granted.
- b) Maintain the secrecy of information, data, reports or background details accessed in performing the role, even after their position has ended, except in those cases permitted or required in law.
- c) Refrain from participation in the debating and voting of resolutions or decisions in which the Director or a related person has a direct or indirect conflict of interest. The above obligation to refrain does not apply to resolutions or decisions affecting a Director in his or her position as such, for example appointment or revocation for positions on the governing body or others with an equivalent value.
- d) Perform directorial functions on the basis of personal responsibility with free opinion or judgment, independent of third-party instructions and ties.
- e) Adopt the necessary measures to avoid being subject to situations in which his or her interests, either directly or on behalf of a third party, could enter into conflict with the corporate interest and his or her duties as regards the Company.
- f) Notify the Company of any significant changes in his or her professional situation, any affecting the status or position on the basis of which the Director was appointed, or any that could entail a conflict of interest.
- g) Inform the Company of shares held in the Company, share options or derivatives tied to the share price and owned by the Director, directly or through companies in which he or she holds a significant stake, and any modifications to said shareholdings or related rights, irrespective of compliance with securities market regulations.
- h) Inform the Company of all court, administrative or other claims that, given their significance, could have a serious impact on the reputation of the Company.

B.2. Duty to avoid situations of conflict of interest

In particular, the duty to avoid situations of conflict of interest referred to in subsection B.1(e) above, requires that Directors refrain from the following:

- a) Perform transactions with the Company, except for ordinary operations conducted on standard conditions for clients and of little significance, these being understood as any the reporting of which would not be necessary in order to express a true and fair image of the net worth, financial position and results of the entity.

- b) Use the name of the Company or cite their status as Director in order improperly to influence any private operations performed.
- c) Make use of corporate assets, including the Company's confidential information, for private purposes.
- d) Exploit the business opportunities of the Company.
- e) Obtain benefits or remuneration from third parties other than the Company and its group of associate entities in performing their position, except in the case of trivial courtesies.
- f) Engage in activities on their own account or that of a third party that would constitute effective current or potential competition with the Company, or any that might in any other way place a Director in a permanent conflict of interest with the Company.

The above provisions will likewise apply in the event that the beneficiary of the acts or prohibited activities is a person related to the Director.

Directors must furthermore inform the other members of the Board Directors or the Board itself of any direct or indirect situation of conflict that they or persons related to them could have with the interests of the Company.

### B.3. Dispensation regime

Notwithstanding the mandatory nature of the regime governing the duty of loyalty, the Company may offer a dispensation from the provisions set out in subsection B.2 in individual cases by authorising a Director or person related to him or her to perform a particular transaction with the company, to use certain corporate assets, to exploit a particular business opportunity, obtain a benefit or remuneration from a third party.

Such authorisation must necessarily be agreed by the General Shareholders' Meeting if the object of the dispensation from the prohibition is to obtain a benefit or remuneration third parties, or would affect a transaction the value of which is greater than 10% of the corporate assets.

In all other cases, the authorisation may likewise be granted by the Board Directors, provided that there is a guarantee that the members granting the dispensation are independent of the Director benefiting from it. It must likewise be ensured that the operation authorised causes no harm to the corporate assets or, where applicable, that it is performed on market terms, and in a transparent process.

The obligation not to compete with the Company may only be subject to dispensation in the event that no harm is to be expected for the Company, or any that might be expected is offset by the benefits expected to be obtained from the dispensation. The dispensation will be granted by means of a specific, separate resolution of the General Shareholders' Meeting.

In any event, the General Shareholders' Meeting will rule, on the initiative of any shareholder, as to the discharge of a Director engaged in competing activities if the risk of harm to the Company has become significant.

#### B.4. Public requests for the delegation of voting

Public requests for the delegation of voting issued by the Board of Directors or by any of its members must expressly indicate how the representative is to cast the vote if the shareholder does not issue instructions. The Director granted the powers of representation may not cast the votes corresponding to the shares represented on those items on the agenda where there is a conflict of interest.

C. Duty of loyalty. Directors must comply with the duties imposed by Law, the Bylaws and this Regulation, acting loyally with regard to corporate interest, to be understood as the interests of the Company.

#### D. Duty of secrecy.

The Directors, even after they have left their position, must maintain the secrecy of any confidential information, and are obliged to maintain the privacy of information, data, reports or background details they might learn as a consequence of holding their position, which must not be disclosed to third parties or revealed in the event of a risk of harmful consequences for the corporate interest.

The duty of loyalty referred to in the above paragraph does not apply to circumstances where communication or disclosure to a third party is legally permitted, or where, if applicable, this is required, or information must be provided to the respective supervisory authorities, in which case the transfer of information must comply with the legally established terms.

If the Director is a legal entity, the duty of secrecy will apply to its representative, without prejudice to fulfilment of the obligation to inform the former.

3. Limitations on the performance of certain operations as a consequence of the inherent obligations of the duty of loyalty referred to in the above subsection may be subject to an exceptional dispensation on a case-by-case basis, by means of a reasoned resolution by the Board of Directors.

4. The Directors must inform the Company of any direct or indirect shareholdings they may have in the Company itself, and also any modifications thereto, in the manner and by the deadlines established in the Internal Regulation of Conduct.

### **Article 42. Suppositions and the subjective extent of the liability of Directors**

1. The Directors will be liable before the Company, before shareholders and before corporate creditors for any harm they may cause through actions or omissions in contravention of the law or the articles of association, or those

performed in breach of the duties inherent in performance of their position, provided that this is of a culpable or tortious nature. Culpability will be presumed, unless proven otherwise, if the act is unlawful or in contravention of the articles of association.

2. Liability will in no case be exempted because of the circumstance that the harmful act or agreement might have been passed, authorised or ratified by the general shareholders' meeting.

3. The natural person designated in order permanently to perform the inherent functions of the position of legal entity director must fulfil the established legal requirements for Directors, being subject to the same duties, and being jointly and severally liable together with the legal entity director.

4. All members of the Board of Directors who passed the resolution or performed the act causing harm will be jointly and severally liable, unless they can demonstrate that they were not involved in the passing or performance thereof, were unaware of its existence or, being aware thereof, took all appropriate actions to avoid the harm, or at least expressly opposed it.

#### **Article 43. Transactions with significant shareholders**

1. The Board of Directors formally reserves the right to examine any transaction between the Company and a significant shareholder.

2. Under no circumstances will the transaction be authorised unless a report has been issued by the Audit Committee, evaluating the operation from the perspective of market terms.

3. In the case of ordinary transactions, a general authorisation of the line of this class of operations and of the terms of execution will suffice.

#### **Article 44. Principle of transparency**

In addition to the information that must be submitted to the National Securities Market Commission on a half-yearly basis with regard to the Company's operations with related parties, the Board of Directors will set out in its annual public information a summary of transactions performed by the Company with its Directors and significant shareholders. The information will cover the overall volume of the operations and the nature of those of greatest significance.

### **Chapter XII. RELATIONS OF THE BOARD**

#### **Article 45. Relations with shareholders**

1. The Board of Directors will arrange the necessary channels that enable it to be informed of any proposals that may be made by the shareholders in relation to the Company's management.

2. In no event may relations between the Board of Directors and institutional shareholders be interpreted as the delivery to the latter of any information that could place them in a privileged or advantageous situation with respect to the other shareholders.

3. The Board of Directors will encourage the informed participation of shareholders at the General Meetings and adopt as many measures are appropriate to enable the General Shareholders' Meeting to effectively exercise the functions vested in it by Law and the Bylaws.

#### **Article 46. Relations with the markets**

1. The Board of Directors will ensure timely compliance with the instructions in force as regards the notification of price-sensitive information.

2. The Board of Directors will adopt the necessary measures to ensure that the quarterly, half-yearly, annual, and any other financial information that might prudently need to be made available to the markets is drawn up in accordance with the same principles, criteria and professional practices as used for the annual accounts, and offers the same reliability as said accounts.

#### **Article 47. Relations with auditors**

1. The Board of Directors will refrain from hiring those auditing firms of which the fees expected to be paid, for all items, exceed five per cent of their total income for the last year.

2. The Board of Directors will publicly announce the overall fees that the Company has paid to the auditing firm for services other than auditing.

#### **Article 48. Evaluation of the Board**

The Board of Directors must perform an annual evaluation of its functioning and that of its Committees, and propose on the basis of the outcome thereof an action plan to correct any deficiencies detected.

The evaluation will be based on the reports submitted by each Committee to the Board as to their annual performance.

The outcome of the evaluation will be recorded in the minutes of the meeting or attached thereto as an annex.

#### **Article 49. Annual corporate governance report**

1. The Board of Directors will, prior to the report by the Audit Committee, draw up an annual report as to the structure of the Company's system of governance and its functioning in practice, referring at least the following aspects:

- a) Company ownership structure.
- b) Restrictions on the transfer of securities and voting rights.

- c) Administrative structure of the Company.
- d) Operations by the Company with its related shareholders and Directors, and intra-group executive positions and operations.
- e) Risk control systems, including tax risks.
- f) Functioning of the General Meeting, with information on the development of any meetings held.
- g) Degree of follow-up of corporate governance recommendations, or where applicable, an explanation as to the lack of follow-up of such recommendations.
- h) A description of the main characteristics of the internal control and risk management systems with regard to the process of issuing financial information.

2. The corporate governance report will be approved by the Board of Directors and made available to the shareholders when the General Shareholders' Meeting is called.

#### **Article 50. Annual report on the remuneration of Directors**

1. The Board of Directors will, following a report by the Appointments and Remunerations Committee, draw up and publish each year a report on the remuneration of the Directors, including the amounts that they receive or should receive in their position as such, and, where applicable, for performing executive functions.

2. The annual report on the remuneration of Directors will include information as to the directorial remuneration policy applicable to the financial year in progress, an overall summary of the application of the remuneration policies during the financial year closed, and the detail of the individual remuneration accruing in all regards on behalf of each of the Directors in said financial year.

3. The annual report on the remuneration of Directors will be released by the Company simultaneously with the annual corporate governance report.

4. The annual report on the remuneration of the Directors will be put to the vote, on a consultative basis, and as a separate item on the agenda, at the Annual General Shareholders' Meeting.