



**StockMarket National Commission  
Edison, 4  
28006 MADRID**

Madrid, June 26, 2015

Dear Sirs:

For the purposes established in article 82 of Law 24/0988, July 28, regulating the Securities Market, and supplementary provisions, I am informing you of the following **Significant Event**:

The Ordinary General Shareholders' Meeting of SAETA YIELD, S.A. held yesterday (June 25, 2015), on its second call, at Avenida de Pío XII, nº 77, with the attendance in person or by proxy, of a total of 49,764,144 shares, representing 61.003% of the share capital, adopted the following resolutions:

a) To approve the company and the consolidated group Financial Statements and the Directors' Report for the year 2014. (What turned approved with 99.9997% of votes in favor, 0.0003% against and 0.0000% abstentions).

b) To approve the following proposal for application of results that cast a profit of 2,191,254 euros: 1,091 euros to offset negative results from previous financial years; 1,971,038 euros to voluntary reserves; and, 219.125 euros to legal reserve. In accordance with the Company By-laws, the total remuneration of the Company's Board of Directors for 2014 was 0 euros. (What turned approved with 99.9997% of votes in favor, 0.0003% against and 0.0000% abstentions).

c) To approve the Report on Remuneration of the Board of Directors for the 2014 financial year. (What turned approved with 99.9997% of votes in favor, 0.0003% against and 0.0000% abstentions).

d) Acknowledge of the resignation of the following members of the Board of Directors:

-Mr. Alfonso Aguirre Díaz-Guadarmino. (What turned approved with 99.9997% of votes in favor, 0.0003% against and 0.0000% abstentions).

-Mr. Epifanio Lozano Pueyo. (What turned approved with 99.9997% of votes in favor, 0.0003% against and 0.0000% abstentions).

e) To ratify the appointment of a Board member and, appoint them for the statutory period of four years from the date of this shareholder meeting as director of the company to:

-Mr. Raj Rao, with the favorable report of the Appointment and Remuneration Committee and as non-executive director. (What turned approved with 98.6260% of votes in favor, 0.3006% against and 1.0734 % abstentions).

-Mr. Deepak Ahrawal, with the favorable report of the Appointment and Remuneration Committee and as non-executive director. (What turned approved with 98.6260% of votes in favor, 0.3006% against and 1.0734 % abstentions).

f) Report on amendments to the Rules of the Board of Directors of the Company taking into account the new code of good governance of listed companies, approved by Resolution of the Board of the National Securities Market Commission on February 18, 2015.

The new text has been marked in bold and underlined in order to facilitate identification of the modifications, and for the same purpose certain deleted sections of text have been left in place, struck through, as follows:

#### Article 9. Board of Directors Composition

(...)

9.3 The Board shall ensure that, ~~within the External directors,~~ the number of independent directors should represent, at least, one third of total of Directors.

~~the relationship between the number of directors who are independent and proprietary reflects the existing proportion between the Company capital stock represented by the proprietary directors and the remainder of the capital~~

(...)

#### Article 10. Board of Directors Chairman

10.1 The Board of Directors, following a report from the Appointments and Remuneration Committee, shall appoint a Chairman from among its members.

The position of Board of Directors Chairman may be filled by an Executive Advisor, in which case, the appointment of the Chairman shall require the favorable vote of two-thirds of the members of the Board of Directors.

~~If the Chairman is an Executive Director, the Board of Directors shall appoint necessarily a Coordinating Director from among the independent Directors, who will be specially empowered to request the convening of the Board of Directors or the inclusion of new agenda matters of an already convened board, coordinate and bring together the Non executive directors and conduct periodic evaluations of the Board of Directors Chairman.~~

10.2 The Chairman is the highest supervisor over the Board of Directors proper operation. He/she will have the following responsibilities, among others:

- a) Convene and chair the meetings of the Board of Directors, setting the agenda of the meetings and managing discussions and deliberations.
- b) **Unless otherwise provided statutory** preside over the Shareholders General Meeting.
- c) To ensure that Directors receive sufficient prior information to deliberate on the agenda matters.
- d) Stimulate the debate and active participation of the Directors during the sessions, safeguarding free expression of opinion and position taking, **ensuring that strategic issues is dedicated enough time for discussion.**
- e) **To organize and coordinate the regular evaluation of the Board, as well as first executive Director of the Company, if he is not who holds this condition.**
- f) **Ensure that there are refresher programs that allow Directors to update their knowledge when circumstances so dictate.**
- g) **Prepare and submit to the Board of Directors a program of dates and matters to be discussed.**

**10.3 If the Chairman is an executive Director, the Board of Directors shall necessary appoint a coordinator Member between the independent Members, who shall have the following powers and responsibilities:**

- a) **Presiding over the Board in the absence of the Chairman and Vice-chairmans.**
- b) **To request the call of the Board or the inclusion of new issues on the agenda of an already convened Board.**
- c) **Coordinate and gather the non-executive Members and voice their concerns, particularly in relation to corporate governance of the Company.**
- d) **Conduct, where appropriate , periodic evaluation of the Chairman of the Board**
- e) **Coordinate the Chairman succession plan.**

#### Article 18. Director General Responsibilities

18.3 ~~In any case, Directors must dedicate to their position the time and effort required to perform it efficiently and, consequently, directors must inform the Appointment and Remuneration Committee about their other professional duties, in case these could interfere with the required dedication.~~ **Board members may not, unless express authority by the Board of Directors, part of more than [five] boards of other listed companies [eight] companies in total, excluding the Boards of Directors of relatives or holding companies of the Members or their families, companies comprising the group and foundations, associations or similar entities.**

#### Article 23. Board of Directors Notice of meeting

23.1 The Board will meet as frequently as deemed appropriate, **try to meet**, ~~but~~ at least **eight** ~~six~~ times a year.

(...)

#### Article 31. Audit Committee

31.1 In accordance with the Bylaws, the company shall have an Audit Committee, composed of a minimum of three and a maximum of five **non-executive** Directors, appointed by the Board of Directors. **It is taking care most of its members should be independent members.** ~~All of the members of the Audit Committee shall be Non-executive Directors, and at least two of its members will be Independent Directors. At least one of them~~ **Members of the Audit Committee and particularly its President** shall be appointed taking into account their knowledge and experience in accounting, auditing, ~~or~~ **or risk management** ~~both~~.

31.10 The following will also be the responsibility of the Audit Committee:

31.10.1 In relation to internal control and information systems:

(a) **Supervise the preparation process and completeness of financial information on relation with the Company and, where applicable, the group, reviewing compliance with regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of the criteria accounting.** ~~Ensure that the principal risks identified as a result of the monitoring of the effectiveness of Company internal control and the internal audit, where appropriate, are managed and published adequately.~~

(b) **Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; adopting the guidance and approve the work plans, ensuring that their activity is mainly focused on significant risks facing the Company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.** ~~Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and dismissal of the head of the internal~~

audit service; propose the budget for that service; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

(c) Establish and supervise a procedure that allows employees to communicate, confidentially ~~and, if considered appropriate, anonymously~~, irregularities of potential significance, especially financial and accounting, which they observe within the company.

31.10.2 In relation to the external auditor:

**(a) If the external auditor resigns, examine the circumstances that have caused it.**

**(b) Ensure that the remuneration of the external auditor for his work does not compromise quality or independence.**

**(c) Supervise that the Company communicates as a relevant fact to the CNMV the change of auditor accompanied by a declaration about the possible existence of disagreements with the exiting auditor and, if any, it's content.**

**(d) Ensure that the external auditor annually hold a meeting with the full Board of Directors to inform on the work done and the evolution of accounting and risk situation of the Company.**

**(e) Ensure that Company and the external auditor respect the regulations in effect about the rendering of different services than auditing ones, the limits to the concentration of the business of the auditor and, in general, about the independence of the Auditors;**

Regularly receive from the external auditor information about the audit plan and the results of its execution, and verify that senior management takes into account its recommendations.

31.10.3 Ensure the independence of the external auditor and, for this purpose:

(a) That the Company communicates as a relevant fact to the CNMV the change of auditor accompanied by a declaration about the possible existence of disagreements with the exiting auditor and, if any, its content.

(b)To ensure that Company and the auditor respect the regulations in effect about the rendering of different services than auditing ones, the limits to the concentration of the business of the auditor and, in general, the other standards established to ensure the independence of the Auditors;

(c)To examine the circumstances that led to the resignation of the external auditor.

**31.10.3 Audit Committee may call any employee or officer of the Company, even ordering their appearance without the presence of any other manager. Furthermore, the Audit Committee shall be informed of operations and corporate structural changes that the Company plans to carry out for analysis and prior to the Board on their economic conditions and their accounting impact report and, in particular, where appropriate, on the proposed exchange ratio.**

31.10.4 About risk policy and management:

Article 32. Appointments and Remuneration Committee

32.1 The Company will have an Appointment and Remuneration Committee, consisting of a minimum of three and a maximum of five members **non-executives**, appointed by the Board of Directors **in view of the knowledge, attitudes and experiences appropriate to the functions they are to perform. It is taking care that most of its members are independent directors and at least two of them must necessarily be.** ~~All the members of the Appointment and Remuneration Committee are Non-executive Directors and at least two are Independent Directors.~~

**32.6.7** Propose to the Board of Directors the directors and general managers' remuneration policies or those who develop the positions of senior management under the Board, Executive Committees or CEO, as well as the individual remuneration and other contractual terms and conditions of the Executive Directors, ensuring their compliance.

**32.6.8** **Check the remuneration policy established by the Company.**

**32.6.9** **Periodically review the remuneration policy applied to Members and senior executives, including remuneration systems and its application actions and ensure that their individual remuneration is proportionate to that other Members and senior executives are paid the Company.**

**32.6.10** **Ensure that the remuneration of the external auditor for his work does not compromise quality or independence.**

**32.6.11** **Verify information about remuneration of Members and senior management contained in the various corporate documents, including the annual report on remuneration of directors.**

**32.7** **In addition to the functions listed in the previous paragraph, the Appointments and Remuneration Committee will monitor compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy, with the following functions:**

**32.7.1** **Supervision of compliance with internal codes of conduct and corporate governance rules of the Company.**

**32.7.2** **Supervision the communication strategy and relations with shareholders and investors, including small and medium shareholders.**

**32.7.3** **The periodic assessment of the adequacy of the system of corporate governance of the Company , in order to fulfill its mission of promoting social interest and consider, as appropriate, the legitimate interests of other stakeholders.**

**32.7.4** **A review of the corporate responsibility policy of the Company, ensuring that is aimed at value creation.**

**32.7.5** **Supervision of strategy and corporate social responsibility practices and evaluation of their compliance.**

**32.7.6** **Supervision and evaluation processes associated with different interest groups.**

**32.7.7** **The evaluation of all matters relating to non-financial risks of the Company, including operational, technological, legal, social, environmental, political and reputational.**

**32.7.8** **Coordination of the report non-financial information and diversity, in accordance with the applicable regulations and international reference standards.**

**32.732.8**The Committee should consult with the Chairman and the Chief Executive Officer of the Company, especially in the case of matters relating to the Executive Directors and senior management.

**32.832.9** Any Director may request the Committee to take into consideration, if it considers them appropriate, possible candidates to fill Director vacancies.

**32.932.10**For the better performance of its functions, the Appointments and Remuneration Committee may seek the advice of external experts when it is considered necessary for the proper performance of its responsibilities.



Considering the changes approved, the Rules the Board of Directors will be as follows:

## **SAETA YIELD, S.A.**

### **BOARD OF DIRECTORS REGULATION**

#### **TITLE I**

#### **GENERAL PROVISIONS**

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

**1.1** The purpose of this Regulation is regulating the organization and operation of the Board of Directors, as well as Commissions or Committees established within it, subject to provisions in the current law and the Company by-laws.

**1.2** The rules of conduct established in this Regulation for the Company Board Members shall also apply to senior executives of the Company. For the purposes of this Regulation, "senior managers" will be considered as those managers who depend directly from the Board of Directors or the Chief Executive Officer, if any, and, in any case, the person in charge of the Company internal audit.

##### **2 Article 2. Prevalence and interpretation**

**2.1** This Regulation develops and complements the applicable legal standards and law, which shall prevail in the event of contradiction with its provisions. This Regulation shall be interpreted in accordance with applicable statutory and legal regulations, as well as the principles and recommendations on corporate governance of listed companies.

**2.2** The Board of Directors will resolve the doubts or differences that arise in the application or interpretation of this Regulation.

##### **3 Article 3. Distribution**

**3.1** The Board members and senior management have an obligation to know, comply and enforce this Regulation. For this purpose, the Board Secretary will facilitate a copy thereof to all of them when they accept their respective appointments or their contracting takes place, having to deliver to the Secretary a signed statement declaring to know and accept the content of this Regulation and their commitment to uphold it.

**3.2** The Company Board of Directors shall respond appropriately so that this Regulation is distributed among the shareholders and the investing public in general. In particular, and without prejudice to other possible measures, the Regulation will be subject to communication

to the CNMV and recording in the Commercial Registry, in accordance with the applicable regulations, and will be available on the Company web page.

#### **4 Article 4. Amendment**

- 4.1** The Board of Directors may amend this Regulation on the initiative of its Chairman, of one-third of its members or of the Auditing Committee. The proposed amendment must be accompanied by a supporting report.
- 4.2** Proposed amendments shall be informed by the Auditing Committee. The text of the proposal, supporting memory and the report of the Auditing Committee shall be accompanied by the corresponding meeting of the Board. The notice of meeting will have to be performed with the advancement and other formalities stipulated in this Regulation and the Company By-laws.
- 4.3** The amendment to the Regulation will require for its validity the agreement of at least the absolute majority of the Board members.
- 4.4** The Board of Directors will inform about any modification to this Regulation on the first Shareholders Meeting that takes place. Furthermore, amendments to this Regulation shall be subject to the distribution regime stipulated in the above article 3.

## **TITLE II**

### **BOARD OF DIRECTORS RESPONSIBILITIES**

#### **5 Article 5. Board of Directors Responsibilities**

- 5.1** The Company representation corresponds to the Board of Directors as well as the administration of its businesses and execution of all transactions that are a part of its purpose or related to it, without prejudice of granted delegations.
- 5.2** In any case, the Board will approve the Company strategy and the necessary organization for its implementation, and will oversee and control that management meets the objectives and respects the Company purpose.

#### **6 Article 6. Board of Directors Non-Delegable Responsibilities**

- 6.1** In any case, the following are responsibilities of the Board of Directors and cannot be delegated:

- (a) The monitoring of the effective operation of Committees that it has incorporated and the actions of delegated entities and those of appointed managers.
- (b) The establishment of Company general policies and strategies.
- (c) The authorization or waiver of obligations from the allegiance responsibility according to the law.
- (d) Its own organization and operation.
- (e) The preparation of the annual accounts and their presentation to the Shareholders Meeting.
- (f) The preparation of any type of report required by law to the administration body as long as the operation related to the report may not be delegated.
- (g) The appointment and removal of Company Chief Executive Officers Directors, as well as the establishment of their contract details.
- (h) The appointment and dismissal of managers who directly depend from the Board or any of its members, as well as the establishment of their contract details, including their remuneration.
- (i) Decisions related to Board members remuneration, within the statutory framework and, where applicable, the remuneration policy approved by the Shareholders Meeting.
- (j) The Shareholders Meeting notice of meeting and the preparation of the agenda and agreement proposal.
- (k) The policy concerning own shares.
- (l) The powers that the Shareholders Meeting has delegated on the Board of Directors, unless a specific authorization for sub delegation is made.
- (m) The approval of the strategic or business plan, annual budget and management objectives, investment and financing policy, corporate social responsibility policy and dividend policy.
- (n) The establishment of the control and risk management policy, including prosecutors, and the supervision of the internal information and control systems.
- (o) The establishment of the Company and group corporate governance policy of which is a parent company; its organization and operation and, in particular, the approval and modification of its own regulations.
- (p) The approval of financial information that, by its listed status, should be made public by the Company periodically.
- (q) The definition of the group of companies' structure of which the company is the parent company.
- (r) The approval of investments or transactions of all types that due to their high amount or special characteristics, are considered strategic or of special tax risk, unless their approval corresponds to the Shareholders Meeting.
- (s) Approval for the creation or acquisition of shares in entities of special purpose or domiciled in countries or territories which have the consideration of tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the Company and its group.
- (t) The approval, following a report of the Auditing Committee, of the operations that the company or its group of companies made with advisors, under the terms of articles 229 and 230 of Corporate Law, or with shareholders, individually or jointly, of a significant participation, including shareholders represented on the Company Board

of Directors or other companies that are part of the same group or with people related to the above. Only operations that simultaneously meet the following three criteria will not be included in this approval:

- That are carried out under contracts which conditions are standard and are mass applied to a high number of customers,
- made at established prices or rates in general by who is acting as administrator of the good and service in question and
- that their amount does not exceed one percent of the Company annual revenue.

(u) The company tax strategy establishment.

**6.2** When there are emergency circumstances, duly justified, decisions related to matters between letters (m) to (u) (both inclusive) on the above section can be made by the delegated entities or people, which must be reported in the first Board that is held after adopting the decision.

## **7 Article 7. Social interest**

The Board of Directors will develop its responsibilities with unity of purpose and independence of judgment, dispensing equal treatment to all shareholders who are in identical conditions and guided by the Company interest, understood as steadily maximize the Company economic value, in particular, its capacity to regularly distribute dividends to shareholders. Furthermore it shall ensure that in its relations with the groups of interest the Company respects the existing regulation, complying in good faith with obligations and contracts, respecting the sectors and territories where it exercises its activities uses and good practices and complies with those additional principles of social responsibility that it voluntarily accepted.

### **TITLE III**

### **COMPOSITION**

## **8 Article 8. Types of directors**

**8.1** The Company Directors shall be assigned since their appointment to each of the following categories: Executive Directors, Independent external directors, External proprietary directors or other external ones. The definition of these categories will be made according to Corporate Law provisions.

**8.2** Executive Directors are those who perform functions of Company or its group management, regardless of the legal relation that is held. However, those Directors who are senior executives or Directors of companies belonging to the group of the parent Company will be considered as proprietary.

When a Director performs management responsibilities and, at the same time, is or represents a significant shareholders or one represented in the Board of Directors, he/she will be considered as Executive.

**8.3** Non-executive Directors are the remaining Company directors who can be proprietary, independent or external.

- 8.3.1** Proprietary Directors will be those who own an equal or superior share participation to the one considered as legally significant that had been assigned due to his/her condition as shareholder, even if their share participation does not reach said amount, as well as those representing the above-mentioned shareholders.
- 8.3.2** Independent Directors will be those who, appointed due to their personal or professional conditions, can develop their responsibilities without finding themselves conditioned by relations with the Company or its group, its significant shareholders or their Directors.

No one who finds themselves in the following situation can be considered as an independent Director:

- (a) Those who have been employees or Executive Directors of group companies, except when a period of three or five years has elapsed, respectively, since the end of the relationship.
- (b) Those who perceive from the Company, or from the same group, any amount or benefit by a concept different that Director remuneration, except if it is not significant for the Director.

For the purposes of what is established in this letter neither the dividends nor the complements of pensions that are received by the Director will be taken into account due to his/her previous professional or work relationship, as long as said complements are unconditional and, as a consequence, the Company that pays them cannot discretionally suspend, modify or cancel its accrual without default of his/her obligations.

- (c) Those that are or have been during the past three years partners of the external auditor or supervisors of the audit report, either in relation to the audit for that listed Company period or any other Company of its group.
- (d) Those who are Executive Directors or senior managers of a Company different form in which any Executive Director or senior manager of the Company is an External director.
- (e) Those who maintain or have maintained during the past year, a significant business relationship with the Company or any group Company, either in their own name or as a significant shareholder, Director or senior manager of an entity that maintains or has maintained said relationship.

Business relations are considered to be that of supplier of goods or services, including financial, and that of advisor or consultant.

- (f) Those who are significant shareholders, Executive Directors or senior management of an entity that receives or has received during the last 3 years, donations from the Company or its group.

Those who are merely trustees of a foundation that receives donations will not be included in this letter.

- (g) Those who are spouses, people related by similar kinship relationship or relatives up to second degree of a Company Executive Director or high management.
- (h) Those that have not been proposed, whether for their appointment or renewal by the Appointments Committee.
- (i) Those who have been Directors during a continuous period exceeding more than 12 years.
- (j) Those that are in relation to any significant or represented shareholder of the Board in any of the cases stipulated in letters a), e), f) or g) above. In the case of kinship relationship mentioned in letter g), the limitation applies not only in

regards to the shareholder, but also with regard to their Proprietary Directors in the participated Company.

The Proprietary Directors who lose such status as a result of the sale of their participation by the shareholder they represented may only be reelected as Independent Directors when the shareholder they represented up to that time sells all his/her shares in the Company.

A Director who owns shares in the Company can have the condition of independent, provided that it meets all the conditions established in this article and, when his/her participation is not significant.

Other External Directors shall be those External Directors who may be considered neither proprietary nor independent.

## **9 Article 9. Board of Directors Composition**

- 9.1** The Board of Directors will be composed of a minimum of five and a maximum of fifteen members, who shall be appointed or ratified by the Shareholders General Meeting according to Law. The establishment of the exact number of members of the Board of Directors shall be the responsibility of the Shareholders General Meeting within the abovementioned minimum and maximum
- 9.2** The Board of Directors, within the exercise of its powers of proposal to the Shareholders General Meeting and co-optation to cover vacancies, shall ensure that the composition of the body, the External or non-executive directors represent a wide majority over the Executive Directors and that the number of independent directors represent at least one-third of the total number of the Board of Directors members.
- 9.3** The Board shall ensure that, the number of independent directors should represent, at least, one third of total of Directors.
- 9.4** The Board of Directors must ensure that procedures for the selection of its members favor the diversity of gender, experiences and knowledge; and not suffer implicit biases that may involve any discrimination and, in particular, that facilitate the selection of female Directors.
- 9.5** The character of each Director must explain by the Board of Directors to the Shareholders General Meeting that is to carry out or ratify his/her appointment. In the event that there is any external Director who might not be considered proprietary or independent, the Company will explain such circumstances and his/her relations, either with the Company or its managers, either with its shareholders.

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

- 10.1** The Board of Directors, following a report from the Appointments and Remuneration Committee, shall appoint a Chairman from among its members.

The position of Board of Directors Chairman may be filled by an Executive Advisor, in which case, the appointment of the Chairman shall require the favorable vote of two-thirds of the members of the Board of Directors.

- 10.2** The Chairman is the highest supervisor over the Board of Directors proper operation. He/she will have the following responsibilities, among others:

- (a) Convene and chair the meetings of the Board of Directors, setting the agenda of the meetings and managing discussions and deliberations.
- (b) Unless otherwise provided statutory preside over the Shareholders General Meeting.
- (c) To ensure that Directors receive sufficient prior information to deliberate on the agenda matters.
- (d) Stimulate the debate and active participation of the Directors during the sessions, safeguarding free expression of opinion and position taking, ensuring that strategic issues is dedicated enough time for discussion.
- (e) To organize and coordinate the regular evaluation of the Board, as well as first executive Director of the Company, if he is not who holds this condition.
- (f) Ensure that there are refresher programs that allow Directors to update their knowledge when circumstances so dictate.
- (g) Prepare and submit to the Board of Directors a program of dates and matters to be discussed.

**10.3** If the Chairman is an executive Director, the Board of Directors shall necessary appoint a coordinator Member between the independent Members, who shall have the following powers and responsibilities:

- (a) Presiding over the Board in the absence of the Chairman and Vice-chairmans.
- (b) To request the call of the Board or the inclusion of new issues on the agenda of an already convened Board.
- (c) Coordinate and gather the non-executive Members and voice their concerns, particularly in relation to corporate governance of the Company.
- (d) Conduct , where appropriate , periodic evaluation of the Chairman of the Board
- (e) Coordinate the Chairman succession plan.

## **11 Article 11. Board of Directors Vice-chairman**

**11.1** The Board of Directors shall appoint, following a report from the Appointments and Remuneration Committee, as the case may be, one or several Vice-Chairman. In case of plurality of Vice-Chairman, each of the Vice –Chairman shall be numbered. Number priority determines the order in which Vice-Chairman will replace the Chairman, where appropriate.

**11.2** In case of the Chairman Vice-Chairman absence or inability, the position will fall over the Director with the longest time on the position and in case there are two or more Directors that comply with this requirements on the one of grater age.

## **12 Article 12. Secretary of the Board of Directors**

**12.1** The Board of Directors, following a report from the Appointments and Remuneration Committee shall appoint a Secretary and, where appropriate, one or several Vice-Secretaries. The same procedure shall be followed to agree on the separation of the Secretary and, as the case may be, each Vice-Secretary. The Secretary and the Vice-Secretaries may or may not be Directors.

**12.2** In the case of a plurality of Vice-Secretaries, each of the Vice-Secretaries will be numbered. Number priority determines the order in which the Vice-Secretaries will replace, where appropriate, to Secretary. In case of absence of the Secretary and the Vice-Secretaries, the position will fall on the Director which the Board of Directors itself appoints in the meeting in question.

**12.3** The Secretary responsibilities shall be, among others:

- (a) Retain the documentation for the Board of Directors, to record in the minutes book the development of the sessions and certify its contents and the resolutions adopted.
- (b) To ensure that the actions of the Board of Directors conform to applicable regulations and are in accordance with the bylaws and other internal regulations.
- (c) To ensure that within its actions the Board takes into consideration the principles and standards contained in the recommendations of good government benefiting from greater support at all times.
- (d) To assist the chairman so that Directors receive relevant information for the exercise of their position in good time and in the right format.

### **13 Article 13. Appointments**

**13.1** The Company Board of Directors members shall be appointed by the Shareholders General Meeting or, in case of an early vacancy, by the Board itself by cooptation. The Director appoint by the Board through cooptation does not need to necessarily be a Company shareholder.

**13.2** If a vacancy takes place once the Shareholders Meeting is convened and before it takes place, the Board of Directors may appoint a Director until the celebration of the next Shareholders Meeting.

**13.3** The appointment of alternates will not be necessary.

**13.4** The proposal for the appointment or reelection of Board of Directors members corresponds to the Appointments and Remuneration Committee if dealing with Independent Directors and the Board itself in the remaining cases.

**13.5** The proposal shall be accompanied in any case by a supporting statement from the Board which evaluates the competence, experience and merits of the proposed candidate, to be appended to the minutes of the Shareholders Meeting or the Board itself.

**13.6** The proposed appointment or reelection of any Non-independent Director must be additionally preceded by a report from the Appointments and Remuneration Committee.

**13.7** What is stipulated here will be also applicable to natural persons who are appointed representatives of a Director artificial person. The proposal of representative natural person must submit to the report of the Appointments and Remuneration Committee.

**13.8** The appointed new Directors will follow a program of orientation that allows them to get a quick and sufficient understanding of the Company, as well as its corporate regulations.

### **14 Article 14. Term of office**

**14.1** The Directors shall serve in office for a period of four years and may be reelected one or more times for periods of equal duration. However, they can be dismissed from their position at any time by the Shareholders Meeting, even when the dismissal is not reflected in the Agenda. If the appointment were to fall on an artificial person, this shall appoint a natural person as a representative for the exercise of the position responsibilities.

**14.2** The Directors appointment will expire when, having expired the term, the next Shareholders General Meeting which is to decide upon the approval of the prior business year annual accounts has been held.

**14.3** Independent directors will not remain as such during a continuous period of more than 12 years.

## **15 Article 15. Directors Dismissal and Resignation**

**15.1** The Directors shall cease in office when after the period for which they were appointed, and when the Shareholders General Meeting decides in use of the attributions that were legally or statutorily granted.

**15.2** The Directors must place their position at the disposal of the Board of Directors and formalize, if deemed convenient, their resignation in the following cases:

- (a) When they have incurred in any of the incompatibility or prohibition cases stipulated by the law or the by-laws.
- (b) When their continuation in the Board can jeopardize or harm the interests, the credit or the reputation of the Company or when the reasons due to which they were appointed disappear.
- (c) In the case of Proprietary Shareholders (i) when the represented shareholder sells his/her entire shares participation or significantly reduces it, and (ii) in the corresponding number, when said shareholder reduces their share participation to a level that demands the reduction of the Proprietary Directors.
- (d) When termination in the executive positions to which the appointment as Director is associated.

**15.3** In the case that due to resignation by any reason, a Director resigns from their position before the end of the assigned period, must explain the reason in a letter that will be sent to all Board members. Without prejudice that said resignation is communicated as a relevant fact, the reason for the resignation will be provided in the annual report of the corporate administration.

**15.4** The Board of Directors may only propose the dismissal of an Independent Director before the course of the statutory term due to reasonable cause, evaluated by the Board of Directors itself, and upon proposal of the Appointments and remuneration Committee. In particular, it will be understood that there is a reasonable cause when the Director has breached the duties inherent to his/her position or incurred in any of the preventive circumstances described in the definition of Independent Director that are established in the applicable law or, by default, in the recommendations of good corporate administration applicable to the Company at each time.

## **TITLE IV**

### **DIRECTOR INFORMATION**

#### **16 Article 16. Information and inspection powers**

**16.1** The Director may request information on any matter within the competence of the Board of Directors and in this regard, examine its books, records, documents and other documentation. The right to information extends to the subsidiary and participated companies whenever possible.

**16.2** The request for information should be addressed to the Secretary of the Board of Directors, who will transfer it to the Board of Directors Chairman and the proper Company channels.

**16.3** The Secretary will advise the Board about the confidential nature of the information it requests and receives and its confidentiality responsibility according to this Regulation.

**17 Article 17. Assistance of experts**

**17.1** In order to be aided in the performance of their duties, all Directors may obtain from the Company the necessary assistance for the fulfillment of their obligations.

**17.2** The directors may, also, when appropriate, ask for external advice paid by the Company.

**17.3** The request to contract external consultants with charge to the Company shall be communicated to the Board of Directors Chairman and may be rejected by the Board of Directors if (i) if external consulting is not necessary for the performance of the tasks entrusted to the applicant; (ii) the cost is not reasonable in relation to the importance of the problem and the Company assets and income; or (iii) the requested technical assistance may be adequately provided by Company experts and technicians.

**TITLE V**

**DIRECTOR RESPONSIBILITIES**

**18 Article 18. Director General Responsibilities**

**18.1** The Directors must fulfill their obligations according to the Law, Bylaws and this Regulation with loyalty to the company interest.

**18.2** In the performance of his/her responsibilities, the Director will act with the diligence of an orderly businessman and a loyal representative. In particular:

- (a) He/she will not exercise his/her powers for purposes other than those for which these have been granted.
- (b) He/she will inform the Board of Directors about any conflict situation, direct or indirect, which the Company may be interested in, and shall refrain from participating in the deliberation and voting on agreements or decisions in which he/she or a person related to him/her have a conflict of interest, direct or indirect. Agreements or decisions affecting him/her as a Director, such as its appointment or revocation of Board of directors' positions or other of analogous meaning will be excluded from this obligation of abstention.
- (c) He/she will perform the assigned responsibilities under the principle of personal responsibility with freedom of criteria or judgment and independence with respect to instructions and relations to third parties.
- (d) He/she will adopt the necessary measures to avoid incurring in situations in which his/her interests, either own or third parties may come into conflict with the social interest and his/her obligations towards the Company.
- (e) Will be informed and adequately prepared for the Board meeting and delegated bodies to which he/she belongs to; for this purpose he/she shall collect the necessary information about his/her legal obligations.

Personally attending the meetings of the entities of which he/she is a part of and actively participating in the deliberations so that his/her criteria contributes in the decision making process. In essential cases in which, due to justified reasons, he/she cannot attend to the meetings to which he/she has been convened and his/her representation is imperative, he/she must instruct the Director to which, as the case

may be, he/she has granted his/her representation. Absences will be quantified in the Corporate Governance Annual Report.

- (f) He/she will attend Shareholders Meetings.
- (g) He/she will perform any specific task entrusted by the Board of Directors which is reasonably understood in his/her commitment to dedication.
- (h) He/she will encourage people with the necessary authority, so that they convene an extraordinary Board meeting when deemed necessary for social interest or to include in the agenda of the first meeting to be held, the matters that he/she considers convenient.
- (i) He/she will clearly declare his/her opposition when considering that any decision proposal submitted to the Board can be contrary to the social interest, and in particular the independent and other Directors who are not affected by the potential conflict of interest, when dealing with decisions which would be prejudicial to the shareholders not represented on the Board.

**18.3** In any case, Directors must dedicate to their position the time and effort required to perform it efficiently and, consequently, directors must inform the Appointment and Remuneration Committee about their other professional duties, in case these could interfere with the required dedication.

## **19 Article 19. Director confidentiality duty**

**19.1** The Director will keep secret the deliberations of the Board of Directors and of the entities in which he/she participates and, in general, refrain from revealing the information, data, reports, or background to which he/she had access in the exercise of his/her office, as well as using them for his/her own benefit or that of third parties.

**19.2** The confidentiality obligation shall continue even if the Director has ceased in the role, and must keep secret the information of a confidential nature and the information, data, reports, or background of which he/she has knowledge as a result of the appointed position, without these being able to be communicated to third parties or be subject to disclosure when they could have consequences for the social interest.

**19.3** Except for the cases in which the law requires its communication or disclosure to supervising authorities or to third parties, in which case, the disclosure of information shall conform to the provisions in the Laws.

**19.4** When the Director is an artificial person, the duty of secrecy will also fall on the representative, without prejudice to the obligation of informing the party he/she represents.

## **20 Article 20. Non-competition obligation**

The Director may not take positions or provide services to Company or its affiliates competitors or having the same, similar or complementary genre of activity that constitutes the corporate purpose, except by express authorization of the Company, by agreement of the Shareholders Meeting.

## **21 Article 21. Conflicts of Interest**

**21.1** It shall be deemed that there is a conflict of interest in those situations in which, directly or indirectly, the interests of the Company or group companies and that of the Director collide. There will be an interest by the Director when the issue affects him/her or a related party, as defined in Corporate Law article 231.

**21.2** In particular, the responsibility to avoid conflict of interest situations obliges the Director, unless waiver in accordance with provisions of corporate Law article 230, to refrain from:

- (i) performing transactions with the company, except when dealing with ordinary operations, made under standard conditions for clients and of little importance,

understanding as such those which information is not needed to provide the true and fair view of equity, the financial situation and results of the entity.

- (ii) Use the name of the Company or invoke his/her status as Director to unduly influence private operations.
- (iii) Use social assets, including the confidential information of the company, for private purposes.
- (iv) Take advantage of Company business opportunities.
- (v) Obtain benefits or remuneration from third parties other than the Company and its group associated with the performance of his/her position, except in the case of mere courtesy actions.
- (vi) Develop activities on his/her own account or that of third parties that represent a real competence, either current or possible, with the Company or which in any other way, put him/her in permanent conflict with the Company interests.
- (vii) The above provisions shall apply also where the beneficiary of the actions or prohibited activities is a person related to the Director.

**21.3** Conflict of interest situations are governed by the following rules:

- (i) Communication: the Director shall communicate to the governing body, through the Chairman or the Secretary, any situation of conflict of interest which he/she is a part of.
- (ii) Abstention: the Director shall not participate in the deliberation and voting on agreements or decisions in which he/she or a related person has a conflict of interest, direct or indirect. Agreements or decisions affecting him/her as Director, such as the appointment or revocation for Board of Directors Positions or others of similar meaning will be excluded from this abstention obligation. In the case of Proprietary Directors, these shall abstain from participating in the voting of matters that may involve a conflict of interest between the shareholders who have proposed their appointment and the Company.
- (iii) Transparency: in Company report will inform about any situation of conflict of interest in Directors are in providing a communication of the affected party or by any other means.

**21.4** The provisions of this article may be subject to development through relevant standards that may be dictated by the Company Board of Directors, included in the Internal Rules of Conduct.

**22 Article 22. Director communication responsibilities**

**22.1** The Director shall communicate to the Company the participation he/she or the people related to him/her have in the capital of any Company with the, similar or complementary genre of activity which constitutes the corporate purpose, and the positions or responsibilities exercised within it, as well as the performance, by him/herself or through a third party, of any type of complementary activity which constitutes the Company corporate purpose. This information will be included in the annual accounts report and the Corporate Governance Annual Report, in accordance with the legal requirements.

**22.2** The Director shall also inform the Company:

- (i) Of all positions that are developed and the activity performed in other companies or entities, as well as the remaining professional obligations. In particular, before accepting any position of Director or manager in another company or entity, the Director must consult with the Appointments and Remuneration Committee.

- (ii) Of any significant change in their professional situation, which affects the nature or condition whereby the Director had been appointed.
- (iii) Of the judicial, administrative or any other procedures that are initiated against the Director and that, by their importance or characteristics, could harm the credit or reputation of the Company. In particular, every Director must inform the Company, through its chairman, in the event that he/she is processed or a lawsuit is filed against him/her for any of the offences specified in Corporate Law article 213. In this case, the Board of directors will examine the case as soon as possible and will take the decisions it deems more appropriate depending on the interests of the Company.
- (iv) Of direct or indirect participation that the Director or people related to the director hold in the Company capital stock and any other modification of said participation. Any transaction that is directly or indirectly performed by the director or people related to the director about or in relation with the Company capital stock. For these purposes, within the concept of related person shall be understood as any other person who, in accordance with article 9 of Royal Decree Royal Decree 1333 / 2005, of 11 November, whereby Law 24/1988, of July 28, of the Stock Market is developed in relation to market abuse, is believed to have close ties with the Directors.
- (v) In general, any fact or situation that may be relevant for the performance of Company Director responsibilities.

## TITLE VI

### OPERATION

#### **23 Article 23. Board of Directors Notice of meeting**

**23.1** The Board will meet as frequently as deemed appropriate, try to meet, at least eight times year.

- 23.1** The Board of Directors shall be convened by the Chairman or whoever performs the Chairman responsibilities. It may also be convened by the Directors who represent at least one third of the Board members if, upon request by the Chairman, the Chairman had not made the notice of meeting within the period of one month.
- 23.2** The Board of Directors notice of meeting will be made by written notification, by electronic mail, registered mail or any other means that allow reception confirmation, addressed personally to each of the Directors at the address or email provided in their appointment or, as the case may be, the one notified to the Company, at least five days before the date of the meeting.
- 23.3** When emergency or special interest reasons so warrant, it will suffice to make the notice one business day in advance.
- 23.4** The Board of Directors shall be validly constituted, without the need for a notice of meeting, when all of its members are present or represented and all they unanimously accept the meeting
- 23.5** The Chairman of the Board of Directors will decide on the agenda of the session. Any Director may request to the Chairman the inclusion of matters in the Board of Directors agenda and this will be bound to such inclusion when the request had been formulated with a notice not less than two days before the day of the meeting.
- 23.6** Board of Directors votes may be held in writing and without session provided that no counselor opposes this procedure. In this case, the Directors may submit to the Secretary of the Board of Directors, which shall act on behalf of the Chairman, their vows and considerations wishing to be placed on record. Agreements adopted by this procedure shall be recorded in the minutes drafted in accordance with the provisions of the Law.

## **24 Article 24. Venue**

- 24.1** The Board of Directors will hold its sessions at the Company registered office, unless another venue is indicated in the notice of meeting.
- 24.2** The meeting of the Board of Directors may be held at several locations connected by systems that allow the recognition and identification of the participants, the permanent communication between them regardless of where they are, as well as intervention and voting, all in real time, including assistance by telephone or videoconference. Attendees anywhere, for all purposes, will be considered as attending the same meeting and the session will be understood as held at the registered office if at least one of the Directors attends from there or, by default, in the place from which the Chairman attends.

## **25 Article 25. Meeting Attendance.**

- 25.1** The Directors must personally attend the sessions that take place
- 25.2** Directors will make every effort to attend the sessions of the Board of Directors and, when they cannot do it personally, they will assign their representation in writing and special for each session to another Member of the Board, including the necessary instructions and communicating this to the Board of Directors Chairman. The absences are quantified in the Corporate Governance Annual Report.
- 25.3** Regardless of the foregoing, the Non-executive Directors may only delegate their representation on another non-executive.

## **26 Article 26. Celebration Quorum**



The Board of Directors shall be validly constituted when attend to the meeting, present or duly represented, the majority of Directors.

## **27 Article 27. Information**

**27.1** Unless the Board of Directors would have been incorporated or called due to emergency reasons, Directors must have, previously and in sufficient advance, the necessary information for the deliberation and adoption of agreements over the matters to be discussed.

**27.2** The Board of Directors Chairman, assisted by the Secretary, shall ensure the compliance of this provision

## **28 Article 28. Agreement Adoption**

**28.1** The Chairman will present the agenda for deliberation. Each Board of Directors member, present or represented, has one vote.

**28.2** Without prejudice to those cases in which greater legal majorities are applicable, agreements shall be adopted by absolute majority of Directors attending the meeting, present or represented.

## **29 Article 29. Performance Evaluation**

**29.1** Annually, the Board of Directors will evaluate (i) its operation and the quality of their work, (ii) the performance of their duties by the Board of Directors Chairman and, if any, by the Managing Director, on the basis of the report presented by the Appointments and Compensation Committee, and (iii) the operation of its Committees, on the basis of the report provided by them. To this end, the Board of Directors Chairman will organize and coordinate with the Chairmen of the committees the above-mentioned procedure.

**29.2** In the event that the Board of Directors Chairman exercises executive functions, their evaluation will be directed by the Coordinating Director.

**29.3** On the basis of the results obtained in this evaluation procedure, an action plan that corrects the detected deficiencies will be developed.

**29.4** The result of the evaluation is recorded in the minutes of the session or will be appended to it as an annex.

## **30 Article 30. Delegation of powers**

**30.1** The Board of Directors may delegate its powers (provided they can be delegated according to the law and bylaws), fully or partially, to one or more CEO or an Executive Committee, without prejudice to the general or special powers that it could grant to third parties.

**30.2** The permanent delegation of any power to the Board of Directors, the Executive Committee or the CEO and the appointment of the Directors who shall hold such positions will require, for their validity, the vote of two-thirds of the members of the Board and they will not have effect until they are registered in the Commercial Registry.

**30.3** In no event may those powers stipulated as non-delegable be delegated.

## Part VII

### COMMITTEES

#### **31 Article 31. Audit Committee**

- 31.1** In accordance with the Bylaws, the company shall have an Audit Committee, composed of a minimum of three and a maximum of five non-executive Directors, appointed by the Board of Directors. It is taking care most of its members should be independent members. Members of the Audit Committee and particularly its president shall be appointed taking into account their knowledge and experience in accounting, auditing, or risk management.
- 31.2** The members of the Audit Committee shall serve in office for a maximum period of four years and may be re-elected, one or more times for periods of equal duration.
- 31.3** The Audit Committee shall appoint from among its independent members, a Chairman, for a period not exceeding four years, and may be reelected once a year since its dismissal. The Board of Directors Secretary will attend its meetings, with voice but without vote, drafting the meeting minutes, copies of which, once approved, will be sent to all Board members.
- 31.4** The Audit Committee shall regulate its own operation in accordance with the bylaws and this regulation. However, insofar as it is necessary and with the necessary amendments, the provisions of this Regulation regarding the operation of the Board of Directors will be applied to the Audit Committee.
- 31.5** The Audit Committee will only be considered as incorporated when attending the majority of its members and will adopt agreements by the majority of the attendants, in case of a tie vote, the vote of the Chairman will decide.
- 31.6** It will meet upon call by its Chairman and at least, with a quarterly periodicity, with the purpose of reviewing the financial information that, in accordance with article 35 of the Securities Market Act, the Board of Directors has to refer to authorities supervising the markets as well as the information that the Board of Directors shall approve and include within its annual public documentation.
- 31.7** For the better performance of its functions, the Audit Committee may request the advice of external experts when it considers it necessary for the proper performance of its functions. Specifically the Company auditor can attend the meetings when specially convened for the purpose of presenting the most significant aspects of the performed audits. In addition, the Audit Committee can summon any Company employee or Director, including appearances without the presence of any other Director.
- 31.8** The company will have an internal audit department which under the supervision of the Audit Committee ensures the proper operation of the internal control and information systems. The head of the internal audit department shall submit his/her annual work plan to the Audit Committee. In addition, he/she shall inform the Committee of any incidents that occur during the development of the internal audit operations and shall submit to the Committee, at the end of each business year, an activities report.
- 31.9** The powers of the Audit Committee, shall be those stipulated in the Law and at least he following:
- 31.9.1** Inform the Shareholders General Meeting about issues raised in relation to those matters that are the competence of the Committee.

- 31.9.2** Monitor the effectiveness of the Company internal control, the internal audit and risk management, including the tax systems, as well as to discuss with the accounts auditor the significant weakness of the system of internal control detected in the development of the audit.
  - 31.9.3** Supervise the mandatory preparation and presentation of financial information procedure.
  - 31.9.4** Take to the Board of Directors proposals for selection, appointment, re-election and replacement of the external auditor, as well as the conditions of his/her contract and regularly gather information on the audit plan and its implementation, in addition to preserving its independence in the exercise of his/her responsibilities.
  - 31.9.5** Establish appropriate relations with external auditors to receive information on those matters which may compromise their independence, for their consideration by the Committee, and any others related to the audit process of development, as well as any other communications provided for in the accounts auditor law and the auditing standards. In any case, they must receive annually from external auditors their independence declaration in relation to the entity or entities related to it, directly or indirectly, as well as the information of additional services of any kind provided and corresponding fees perceived from these entities by the external auditor or by persons or entities related to it in accordance with the provisions of the law on accounts audits.
  - 31.9.6** Annual issuing, prior to the issuance of the accounts audit report, a report that will express an opinion on the independence of the accounts auditor. This report must contain, as the case may be, the valuation of the provision of additional services referred to in the above section, individually and jointly considered, different from the legal audit and in relation to the regime of independence or regulatory audit standards.
  - 31.9.7** Report, prior to the Board of Directors on all matters stipulated by law, the bylaws and the Board Regulation and particularly:

    - (i) the financial information that the Company should make public periodically;
    - (ii) the creation or acquisition of shares in entities with special purpose or registered offices in countries or territories which are considered as tax havens; and
    - (iii) transactions with related parties.
- 31.10** The following will also be the responsibility of the Audit Committee:
- 31.10.1** In relation to internal control and information systems:

    - (a) Supervise the preparation process and completeness of financial information on relation with the Company and, where applicable, the group, reviewing compliance with regulatory requirements , the proper delimitation of the consolidation perimeter and the correct application of the criteria accounting ..
    - (b) Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; adopting

the guidance and approve the work plans, ensuring that their activity is mainly focused on significant risks facing the Company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

- (c) Establish and supervise a procedure that allows employees to communicate, confidentially, irregularities of potential significance, especially financial and accounting, which they observe within the company.

**31.10.2** In relation to the external auditor:

- (a) If the external auditor resigns, examine the circumstances that have caused it.
- (b) Ensure that the remuneration of the external auditor for his work does not compromise quality or independence.
- (c) Supervise that the Company communicates as a relevant fact to the CNMV the change of auditor accompanied by a declaration about the possible existence of disagreements with the exiting auditor and, if any, its content.
- (d) Ensure that the external auditor annually hold a meeting with the full Board of Directors to inform on the work done and the evolution of accounting and risk situation of the Company.
- (e) Ensure that Company and the external auditor respect the regulations in effect about the rendering of different services than auditing ones, the limits to the concentration of the business of the auditor and, in general, about the independence of the Auditors;

**31.10.3** Audit Committee may call any employee or officer of the Company, even ordering their appearance without the presence of any other manager. Furthermore, the Audit Committee shall be informed of operations and corporate structural changes that the Company plans to carry out for analysis and prior to the Board on their economic conditions and their accounting impact report and, in particular, where appropriate, on the proposed exchange ratio.

- (a) To identify the different types of risks (operational, technological, financial, legal, reputational) which the Company faces, including the financial or economic, contingent liabilities and other off-balance sheet risks.
- (b) Identify the establishment of the risk levels the Company deems acceptable.
- (c) To identify measures to mitigate the impact of the identified risks, should they occur.
- (d) Identify the systems of internal control and information that will be used to control and manage these risks, including contingent liabilities or off-balance sheet risks.

## **32 Article 32. Appointments and Remuneration Committee**

- 32.1** The Company will have an Appointment and Remuneration Committee, consisting of a minimum of three and a maximum of five members non-executives, appointed by the Board of Directors in view of the knowledge, attitudes and experiences appropriate to the functions they are to perform. It is taking care that most of its members are independent directors and at least two of them must necessarily be.
- 32.2** The Directors composing the Appointments and Remuneration Committee will exercise their position as long as they are Company Directors, unless otherwise agreed by the Board of Directors. The renewal, re-election and dismissal of Directors that comprise the Committee are governed by what has been agreed by the Board of Directors.
- 32.3** The Appointments and Remuneration Committee shall regulate its own operation in accordance with the by-laws and this Regulation. However, insofar as it is necessary and with the necessary amendments, the provisions of this Regulation regarding the operation of the Board of Directors will be applied to the Appointments and Remuneration Committee.
- 32.4** The Appointments and Remuneration Committee shall appoint from among its independent members, a Chairman. The Chairman will attend its meetings, with voice but without vote, acting as Secretary drafting the meeting minutes, copies of which, once approved, will be sent to all Board members.
- 32.5** The Committee will only be considered as incorporated when attending the majority of its members and will adopt agreements by the majority of the attendants, in case of a tie vote, the vote of the Chairman will decide. It will meet by prior notice of its Chairman and at least twice a year.
- 32.6** The powers of the Appointments and Remuneration Committee, shall be those stipulated in the Law and at least he following:
- 32.6.1** Evaluate the competencies, knowledge and experience needed in the Board of Directors. For this purpose, it will define the functions and skills necessary for the candidates who need to fill each vacancy and evaluate the time and dedication so that they can effectively play their role.
  - 32.6.2** Set a goal of representation for the under-represented gender in the Board of Directors and develop directives on how to achieve this objective.
  - 32.6.3** Present to the Board of Directors those proposals for the appointment of Independent Directors for their appointment designation by co-optation or for its presentation to the decision of the Shareholders General Meeting, as well as proposals for re-election or separation of these Directors by the Shareholders General Meeting.
  - 32.6.4** Inform about the proposals for appointment of the remaining Directors for appointment by co-optation or for presentation to the decision of the Shareholders General Meeting, as well as proposals for re-election or separation by the Shareholders General Meeting.
  - 32.6.5** Inform about the proposals for appointment and separation of senior managers and the basic terms of their contracts.
  - 32.6.6** Examine and organize the succession of the Board of Directors Chairman and the Chief Executive of the company and, where appropriate, make proposals to the Board of Directors so that said succession takes place in an orderly and planned manner.

- 32.6.7** Propose to the Board of Directors the directors and general managers' remuneration policies or those who develop the positions of senior management under the Board, Executive Committees or CEO, as well as the individual remuneration and other contractual terms and conditions of the Executive Directors, ensuring their compliance.
- 32.6.8** Check the remuneration policy established by the Company.
- 32.6.9** Periodically review the remuneration policy applied to Members and senior executives, including remuneration systems and its application actions and ensure that their individual remuneration is proportionate to that other Members and senior executives are paid the Company.
- 32.6.10** Ensure that the remuneration of the external auditor for his work does not compromise quality or independence.
- 32.6.11** Verify information about remuneration of Members and senior management contained in the various corporate documents, including the annual report on remuneration of directors.
- 32.7** In addition to the functions listed in the previous paragraph, the Appointments and Remuneration Committee will monitor compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy, with the following functions:

  - 32.7.1** Supervision of compliance with internal codes of conduct and corporate governance rules of the Company.
  - 32.7.2** Supervision the communication strategy and relations with shareholders and investors, including small and medium shareholders.
  - 32.7.3** The periodic assessment of the adequacy of the system of corporate governance of the Company , in order to fulfill its mission of promoting social interest and consider, as appropriate, the legitimate interests of other stakeholders.
  - 32.7.4** A review of the corporate responsibility policy of the Company, ensuring that is aimed at value creation.
  - 32.7.5** Supervision of strategy and corporate social responsibility practices and evaluation of their compliance.
  - 32.7.6** Supervision and evaluation processes associated with different interest groups.
  - 32.7.7** The evaluation of all matters relating to non-financial risks of the Company, including operational, technological, legal, social, environmental, political and reputational.
  - 32.7.8** Coordination of the report non-financial information and diversity, in accordance with the applicable regulations and international reference standards.
- 32.8** The Committee should consult with the Chairman and the Chief Executive Officer of the Company, especially in the case of matters relating to the Executive Directors and senior management.
- 32.9** Any Director may request the Committee to take into consideration, if it considers them appropriate, possible candidates to fill Director vacancies.

**32.10** For the better performance of its functions, the Appointments and Remuneration Committee may seek the advice of external experts when it is considered necessary for the proper performance of its responsibilities.

### **33 Article 33. Other commissions**

**33.1** Additionally to the Audit Committee and to the Appointments and Remuneration Committee stipulated in the above paragraphs, the Board of Directors may establish as many commissions or committees as it deems appropriate for the proper performance of their responsibilities. The composition and obligations of such commissions or committees shall be determined by the Board of Directors and shall be subject to development in the Board Regulation.

## **TITLE VIII**

### **OTHER MATTERS.**

#### **34 Article 34. Directors Remuneration**

**34.1** The remuneration of the Directors shall be governed by law and by-laws stipulations.

#### **35 Article 35. Relations with shareholders**

**35.1** The Board of Directors will enhance the communication of the Company with its shareholders.

**35.2** For these purposes, and if the activity and ownership structure of the Company so requires it, it will promote, with assistance of some Directors and members of senior management that are deemed appropriate, the holding of briefings on the progress of the Company and its group, particularly for shareholders who reside in the most relevant cities with financial markets of Spain and abroad, as well as with institutional investors. In no case will these meetings lead to the provision of information that could cause a situation of privilege or advantage over the other shareholders.

#### **36 Article 36. Information to shareholders due to Shareholders Meetings**

**36.1** The Board of Directors shall make available to the shareholders, prior to each Shareholders Meeting, all information that is legally demandable and will address written requests for information, clarification, or questions that, in relation to the Agenda, or regarding information accessible to the public which was provided to the CNMV since the holding of the previous meeting, are carried out by shareholders prior to the Shareholders Meeting or during the meeting, in accordance with the applicable regulations and with the applicable provisions of the Bylaws and Shareholders Meeting Regulation.

**36.2** The Board of Directors shall adopt whatever measures are appropriate to facilitate the shareholders effectively exercising their responsibilities in accordance with the Law and Bylaws.

#### **37 Article 37. Relations with markets**

**37.1** The Board of Directors shall adopt arrangements to inform the public without delay, through the CNMV and the Company web page, in relation to:

- (a) relevant facts capable of considerably influencing the price of the stock market price of the securities issued by the Company;



- (b) substantial changes in the Company governing regulations (bylaws, Shareholders Meeting Regulation, Board of directors Regulation and Internal Rules of Conduct);
- (c) the operations of treasury stock in accordance with the law, and
- (d) any other information required by applicable law.

**37.2** The Board of Directors shall take the necessary measures to ensure that periodic financial reporting and any other that is placed at the disposal of the markets is developed in accordance with the same principles, criteria and professional practices that are used in the annual accounts and enjoy the same reliability.

**38 Article 38. Relations with External Accounts Auditors**

**38.1** The Board relations with the Company external auditors will be channeled through the Audit Committee.

**38.2** The Board of Directors shall endeavor to formulate the final accounts so that they do not lead to exceptions or reservations in the audit report and that, in the exceptional circumstances where this is not possible, both the Chairman of the Audit Committee and the Auditors clearly explain to the shareholders the content and scope of such reservations or exceptions.

**39 Article 39. Relations with Company management**

Relations between the Board of Directors and the Company managers will be channeled through the Chairman of the Board of Directors or, as the case maybe, when so agreed by the Board, through the Chief Executive Officer.