

**REGULATION OF THE BOARD OF DIRECTORS OF LABORATORIOS  
FARMACÉUTICOS ROVI, S.A.**

**Version approved by the Board of Directors on 26 February  
2024**

**CHAPTER I**  
**PRELIMINARY**

**Article 1.- Origin and purpose**

1. This Regulation has been approved by the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A. (hereinafter, the "**Company**"), with a notification sent to the General Meeting, in compliance with the legal requirements for listed companies. This Regulation determines the principles guiding action by the Board of Directors, as well as the basic rules of its organisation and operation, its members' standards of conduct and measures to guarantee the Company is run as well as possible.
2. The standard of conduct established in this Regulation for the Company's directors will also be applicable to the Company's senior management, to the extent that they are compatible with the specific nature of senior management and their activities.

**Article 2.- Interpretation**

1. This Regulation completes the system of rules applicable to the Board. It is based on current law and the Corporate Bylaws. It will be interpreted in accordance with the law and Bylaws applicable and with the principles and recommendations on the corporate governance of listed companies approved or issued by Spanish authorities and neighbouring countries current at any time, or by special commissions or working groups established under the mandate of these authorities.
2. The Board of Directors is responsible for resolving doubts about the implementation and interpretation of this Regulation in accordance with the general criteria for interpreting legal regulations.

**Article 3.- Amendment**

1. This Regulation may only be amended on the decision of the Chairperson, a third of the directors, the Audit Committee or the Appointments and Remunerations Committee. The proposed amendment must be accompanied by a report justifying the grounds for the decision.
2. The text of the proposal and the supporting memorandum must be attached to the notice calling the meeting of the Board of Directors that is to deliberate on it. The call will have to be made with the notice specified in article 15 below.
3. To be valid, the amendment of the Regulation will require a resolution adopted to this effect by an absolute majority of the directors present or represented.
4. This Regulation must be updated whenever required to adapt its content to the current legal provisions applicable.

**Article 4.- Dissemination**

1. The directors and senior managers have the duty to know, comply with and ensure compliance with this Regulation. To this end, the Secretary of the Board will provide all of them with a copy of the Regulation when they accept their respective appointments or they are hired, as the case may be. They must deliver to the Secretary a signed statement in which they declare they know and accept

the content of this Regulation and undertake to comply with all the obligations they are bound by under it.

2. The Company's Board of Directors must adopt the appropriate measures to ensure that the shareholders and investors in general become aware of the Regulation. In particular, the current text of the Regulation will be notified to the Comisión Nacional del Mercado de Valores (National Securities Market Commission) (the "**CNMV**") and registered in the Commercial Registry. It will be available on the Company's corporate website in accordance with current law and this Regulation.

## **CHAPTER II**

### **FUNCTIONS OF THE BOARD**

#### **Article 5.- General functions of the Board**

1. The Board of Directors will perform its duties with a unity of purpose and independence of criteria, treating all shareholders equally and always being guided by the interests of the Company, which are understood to mean the achievement of a profitable business that is sustainable in the long term and promotes continuity and maximisation of economic value for the company. In addition, it must ensure that in its relations with stakeholders, the Company respects laws and regulations, complies in good faith with its obligations and contracts, respects the customs and good practice of the sectors and territories in which it operates, and observes any additional sustainability principles which it has accepted voluntarily that affect the environment and society.
2. Except with respect to matters reserved for the General Meeting of Shareholders, the Board of Directors is the highest governing body in the Company, and has the functions attributed to it by law or the Bylaws; and in particular, the following functions reserved for its direct charge which may not be delegated:
  - Draft the annual accounts, the management report and the proposed appropriation of the Company's earnings, as well as the consolidated annual accounts and management report (including the statement of non-financial information) and its presentation for approval by the General Meeting.
  - Call the General Meeting and prepare the agenda and the proposed resolutions; and publish the announcements related to it.
  - Execute the Company's treasury share policy within the framework of authorisation by the General Meeting.
  - Appoint directors by co-option and submission of proposals to the General Meeting related to the appointment, ratification, re-election or removal of directors (a) at the request of the Appointments and Remunerations Committee, in the case of independent directors; or (b) following a report from the Appointments and Remunerations Committee in the case of the other directors.
  - Appoint and renew the members of the Board of Directors and the members of the committees that are part of the Board.
  - Appoint and remove of chief executives of the Company and of senior managers, and establish the basic conditions of their contracts, including their remuneration.

- Authorise or assign obligations derived from the duty of loyalty when it corresponds legally to the Board and in accordance with legal provisions.
  - Take decisions related to directors' remuneration, within the framework of the Bylaws, and where appropriate, of the remuneration policy approved by the General Meeting; and, in particular, determine the individual remuneration of the members of the Board of Directors, at the suggestion of the Appointments and Remunerations Committee; in the case of executives, decide on the additional remuneration for their executive functions and other conditions which must be respected by their contracts.
  - Prepare the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, for its incorporation into the management report and subsequent presentation to the General Meeting, as well as other reports and documents that must be submitted to the General Meeting.
  - Supervise the effective operation of the committees that have been created within the Board, as well as the action of the delegated bodies and the directors in favour of whom it has delegated its powers.
  - Approve the financial information which the Company must periodically disclose as a listed company.
  - Approve the investments or transactions of any kind that, due to their high value or special characteristics, are of a strategic nature or special tax risk, unless their approval corresponds to the General Meeting.
  - Approve the transactions carried out by the Company with other companies in its group subject to a conflict of interest, unless their approval corresponds to the General Meeting.
  - Create or acquire stakes in special-purpose entities or entities whose registered offices are in tax havens; and any other similar transactions whose complex nature could tarnish the transparency of the Company and its group.
  - Approve related transactions in the cases and under the terms provided for by law.
  - Issue statements on any tender offer made on securities issued by the Company.
  - Approve and amend this Regulation.
  - Exercise any powers that the General Meeting may have delegated to the Board, unless it has been expressly authorised by it to sub-delegate them.
  - Draft any kind of report required by law, when the transactions to which the report refers may not be delegated.
  - Deal with any other matters that the Regulation of the Board of Directors reserves for deliberation by the full body.
3. As the core of its mission, Board of Directors approves the Company's strategy and the precise organisation for its implementation; and supervises and monitors Management to ensure it complies with the targets it has set and respects the Company's corporate purpose and interest. For this purpose the full Board of Directors reserves the powers to approve the Company's general policies and

strategies, in particular, (i) the strategic or business plan, as well as the management targets and annual budget; (ii) the investment and financing policy; (iii) the definition of the structure of the group of companies of which the Company is the parent; (iv) the corporate governance policy of the Company and its group; (v) the environmental and social sustainability policy; (vi) the financial and non-financial risk management control policy, including taxation, as well as the monitoring on a regular basis of internal systems of information and control; (vii) the dividend and treasury shares policy, in particular its limits; and (viii) the determination of the Company's tax strategy.

The Board of Directors is also responsible for the implementation and maintenance of an adequate and effective system of internal control of the Company's financial information.

4. The policy of the Board of Directors is to delegate the Company's ordinary management to the management team and concentrate its activity on the general functions of supervision and adoption of the most important resolutions for the management of the Company. The powers granted under law or the Bylaws that are reserved for the direct deliberations of the Board may not be delegated.

Notwithstanding the above, in the case of urgent circumstances that are duly justified, the above decisions may be adopted by the delegated bodies or persons as the case may be, on ratification at the first Board of Directors meeting held after the adoption of the corresponding decision.

5. The Board of Directors must ensure compliance by the Company with its ethical duties and its duty to act in good faith.
6. The Board of Directors must also work to ensure that no shareholder receives privileged treatment with respect to others.
7. Every year the full Board of Directors must assess: (i) the quality and effectiveness of its operations; (ii) the performance of the Board Chairperson and Company's chief executive officer, based on a report submitted by the Appointments and Remunerations Committee; (iii) the operation and composition of its Committees, based on the report submitted by them; and (iv) diversity in the composition and competences of the Board and the performance and contribution of each director, in particular those responsible for the different committees.
8. Based on the result of its evaluation, the Board must adopt an action plan to correct any deficiencies that are detected.

### **CHAPTER III**

#### **COMPOSITION OF THE BOARD OF DIRECTORS**

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

1. In exercising its powers to submit proposals to the General Meeting of Shareholders and of co-option for filling vacancies, the Board of Directors must aim to ensure that as far as possible proprietary and independent directors represent a majority on the Board of Directors and that the number of executive directors is the minimum required. Nevertheless, the reality of the shareholder structure of the Company shall be taken into consideration at all times; in particular the percentage of direct or indirect participation by executive directors

in the Company's share capital. The goal is for the number of independent directors to represent at least a third of all the directors.

2. The definitions of the different classes of directors shall have the meaning attributed to them by law.
3. The Board will try to ensure that the number of proprietary directors as a percentage of the total number of external directors is not greater than the proportion between the Company's share capital represented by these directors and the rest of the capital.
4. If any external director may not be considered proprietary or independent, the Company must explain this fact and their links with either the Company, its executives, or shareholders.
5. The category of each director must be explained by the Board of Directors to the General Shareholders' Meeting, which must make or ratify the appointment. The appointment will then be confirmed or revised, as the case may be, in the Annual Corporate Governance Report, after consultation with the Appointments and Remunerations Committee.

#### **Article 7.- Quantitative composition**

1. The Board of Directors shall be made up of not fewer than five and not more than fifteen members, to be determined by the General Meeting. They must be exclusively natural persons, notwithstanding the Twelfth Additional Provision of the Corporate Enterprises Act.
2. The Board of Directors shall propose to the General Shareholders' Meeting the number of directors that, in accordance with the Company's changing circumstances and within the limits set by the Bylaws, is most appropriate to ensure due representation and effective and participation operation of the body.

### **CHAPTER IV**

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

#### **Article 8: Chairperson of the Board**

1. The Chairperson of the Board of Directors will be elected from among the Board's members, acting on a favourable report from the Appointments and Remunerations Committee, in accordance with the provisions of the Corporate Bylaws.
2. The Chairperson will have the ordinary power to call and chair the meetings of the Board of Directors, prepare the agenda of its meetings and lead discussions and deliberations, ensuring that the directors receive sufficient information to deliberate on the items on the agenda before the meeting is held and participate actively in the sessions, safeguarding the Board's freedom in taking its position.

Equally, the Chairperson, as responsible for the effective operation of the Board, must prepare and submit to the Board of Directors a schedule of dates and issues to be addressed; organise and coordinate with the Chairperson of the Appointments and Remunerations Committee the periodic assessment of the Board, and where necessary that of the Company's chief executive officer; ensure that sufficient time is dedicated to discussion of strategic matters; and agree and

review the knowledge update programmes for each director when required by circumstances.

3. If the Chairperson of the Board of Directors is also the Company's executive director, the Board, with the abstention of the executive directors, must appoint a coordinating director from among the independent directors, who will have the special powers to call meetings

of the Board of Directors to be called, or to include new items on the agenda of a Board meeting already called, coordinate and gather the non-executive directors and if necessary, direct the periodic assessment of the Chairperson of the Board. If one or more deputy chairpersons of the Company have the status of independent directors, the Board will empower either of them to perform the functions to which this section refers.

Similarly, the coordinating director will be empowered to chair the Board of Directors in the absence of the Chairperson or Deputy Chairpersons, where there are such; respond to the concerns raised by the non-executive directors; maintain contacts with investors and shareholders to discover their points of view in order to form an opinion on their concerns, in particular in relation to the company's corporate governance; and coordinate the succession plan for the Chairperson.

4. The Chairperson must call a meeting of the Board when three directors or the coordinating director, as the case may be, request it, and must include on the agenda the items to be addressed when requested by any director.
5. In the event of a tie in the votes, the Chairperson shall have the casting vote.

#### **Article 9: The Deputy Chairperson**

The Board must necessarily appoint a Deputy Chairperson, acting on a positive report from the Appointments and Remunerations Committee. Nevertheless, the Board may appoint a number of Deputy Chairpersons, who will exercise their functions in the order of priority attributed to them in the appointment. The Deputy Chairperson will replace the Chairperson if the latter is unable to act, is absent, or if determined by the Chairperson. If there are several Deputy Chairpersons, they will replace the Chairperson in the order of priority established by the Board of Directors.

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

1. The Board of Directors shall elect a Secretary whose office may be held by one of its members or by a person outside the Board with the necessary skills to carry out the functions inherent to the post. If the Secretary of the Board of Directors is not a director, he shall have a voice but no vote.

In any event, to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal shall be reported by the Appointments and Remunerations Committee and approved by a full session of the Board.

2. The Secretary will assist the Chairperson in his work and must ensure the proper operation of the Board, in particular providing the directors with the advice and information needed and with relevant information for the performance of their functions sufficiently in advance and in the appropriate format, to preserve the corporate documentation, duly reflect the sessions in the minute books and attest to its content and the resolutions adopted. He must also note in the Minutes any

concerns expressed that are not resolved by the Board which have been manifested by the directors on the performance of the Company, as well as the concerns expressed by the Secretary or the directors about any proposal, at the request of the person manifesting them.

3. The Secretary shall strive to ensure the formal and material legality of the actions of the Board of Directors and its delegated bodies, ensuring in particular that the Board's activity (i) complies with the letter and spirit of the law and its regulations, including those approved by the regulatory bodies; (ii) complies with the Company's Bylaws and with the Regulation of the General Meeting, the Board of Directors and the Internal Code of Conduct; and (iii) bears in mind the Company's recommendations on good governance.

#### **Article 11.- The Deputy Secretary of the Board of Directors**

1. The Board of Directors may appoint a Deputy Secretary, who does not have to be a director, to assist the Secretary of the Board of Directors, or replace him in case he is unable to perform the function.

In any event, to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and departure will be reported by the Appointments and Remunerations Committee and approved by a full session of the Board.

2. Unless the Board of Directors decides otherwise, the Deputy Secretary may attend its meetings to help the Secretary in the drafting of the minutes of the meeting.

#### **Article 12: Delegated bodies of the Board of Directors**

1. The Board of Directors may designate an executive committee from within it or one or more chief executive officers, notwithstanding the powers that it may confer on any person; and it may fully or partially delegate in them either temporarily or permanently all the powers that may be delegated under law. The delegation and appointment of the members of the Board who will occupy these posts will require for its validity the favourable vote of two thirds of the members of the Board. It will not be effective until it is entered in the Commercial Registry.
2. The Board may also create other committees with consultative or advisory functions, although exceptionally they may be attributed a decision-making power.
3. In any event, the Board must constitute a permanent Audit Committee and an Appointments and Remunerations Committee, with the power to inform, monitor, advise and propose with respect to matters within its powers as specified in the following articles of this Regulation.

#### **Article 13.- Audit Committee: Composition, powers and operation**

1. An Audit Committee will be set up within the Board of Directors in accordance with the following rules:
  - a) The Audit Committee shall comprise at least three directors and at most five, designated by the Board of Directors itself from among its non-executive directors. In any case, at least the majority of the Committee members must be independent directors. All the members of the Audit Committee, and in particular, its Chairperson, must be appointed taking into account their knowledge and experience in matters of accounting, auditing



and financial and non-financial risk management, as well as their knowledge, skills and experience with respect to the Committee's other duties.

Overall, the members of the Audit Committee must have the technical knowledge appropriate to the sector of activity to which the Company belongs. At least one of the Committee members must have experience in information technology.

- b) The chairperson of the Audit Committee shall necessarily be an independent director and be designated taking into account his knowledge and experience in accounting, auditing or both; he must be replaced every four years and can be re-elected after one year has elapsed from the time of his departure.
  - c) The Committee's Secretary and, where required, Deputy Secretary, shall be appointed from among its members, or their posts will be filled by the Secretary and, where appropriate, the Deputy Secretary of the Board of Directors, respectively.
2. Notwithstanding any other duties that may be assigned to it at any time by the Board of Directors, the Audit Committee will discharge the following basic functions:
- Inform the General Shareholders' Meeting on questions relating to matters that are the competence of the Committee, in particular on the result of the audit, explaining how it has contributed to the integrity of financial information and the function performed by the Committee in this process.
  - Submit to the Board of Directors the proposed selection, appointment, re-election and replacement of the auditors, assuming responsibility for the selection process, as well as the hiring conditions; and gather regular information on the auditing plan and its execution, as well as preserving their independence in the performance of its tasks.
  - Supervise the internal audit systems.
  - Review the Company's accounts and supervise compliance with the legal requirements and the proper implementation of the generally accepted accounting principles, with direct collaboration from the external and internal auditors.
  - Oversee the risk control and management policy regarding the risks which affect the achievement of corporate targets.
  - Supervise compliance with the audit agreement, to ensure that the opinion on the annual accounts and the main content of the audit report are drafted clearly and precisely; and assess the results of each audit.
  - Receive information on any structural and corporate modifications that the Company plans in order to review them and inform the Board of Directors in advance of the financial conditions and their accounting impact, in particular of the proposed exchange ratio, where applicable.
  - Examine and supervise compliance with the Internal Code of Conduct, this Regulation and, in general, the Company's governance rules, making sure

that the corporate culture is in line with the Company's purpose and values, and make any necessary proposals for their improvement.

- Periodically assess and review the system for the Company's corporate governance and environmental and social policy to ensure compliance with their mission to foster the corporate interest reflect as necessary the legitimate interests of other stakeholders.
- Ensure that the Company's environmental and social practices conform to the strategy and policy established by it.
- Supervise and assess the process of stakeholder relations.
- Receive information, and where appropriate, issue a report on any disciplinary measures that are to be imposed on members of the Company's senior management team.

The Audit Committee also has the following functions:

- With respect to internal control and reporting systems:
  - (a) Supervise and assess the drafting and presentation process and the integrity of the financial and non-financial information, as well as the financial risk control and management systems relating to the Company, and where appropriate to the Group, including the operational, technological, legal, corporate, environmental, political and reputational control systems or those related to corruption; reviewing compliance with regulatory requirements, the appropriate specification of the scope of consolidation and the correct application of accounting criteria, and present recommendations or proposals to the Board of Directors to safeguard its integrity.
  - (b) Review and supervise the internal control and risk management systems on a regular basis, to ensure the main risks are properly identified, managed and disclosed.
  - (c) Discuss with the auditors or audit firms any significant weaknesses in the internal control system that it may have detected during the audit, without undermining its independence. For such purposes and, where applicable, it can submit recommendations or proposals to the Board of Directors together with the corresponding deadline for monitoring them.
  - (d) Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, and removal of the head of the internal audit function; approve the budget of the internal audit function to be submitted by the officer; approve the internal audit's guidance and annual work plan, as well as any relevant amendments thereto, which shall be submitted to the Board for their acknowledgement.

The Audit Committee shall ensure that (i) the activity of the internal audit function focuses mainly on relevant risks (including reputational); (ii) it receives periodic information on the activities of this function; and (iii) check that senior management takes into account the conclusions and recommendations made in its reports.

- (e) Evaluate the functioning of the internal audit and the performance of its officer with the aim of approving its fixed and variable annual remuneration, following a proposal by the chief executive officer of the Company or the body to which this area organisationally depends, and upon a prior report of the Appointments and Remunerations Committee.
- (f) Establish and supervise a mechanism that enables employees and other Company stakeholders, such as directors, shareholders, suppliers, contractors or subcontractors, to communicate any irregularities of potential financial and accounting importance, or of any other kind, related to the Company, detected within the Company or its group. This mechanism must guarantee confidentiality, and in any case, include ways in which the communications can be made anonymously, respecting the rights of both the reporter and person reported.
- (g) Ensure in general that the internal control policies and systems established are applied effectively in practice.
- With respect to the external auditor:
  - (a) Issue a report every year before the issue of the auditor's report on the accounts expressing an opinion on whether the independence of the auditors or audit firms has been compromised. This report must always include a reasoned assessment of the provision of each and every one of the additional services provided by the auditors, both individually and as a whole, other than the legal audit, and in relation to the system of independence or to the regulations governing the activity of auditors.
  - (b) Establish appropriate relations with the external auditors to receive information on matters that may represent a threat to their independence, and any others relating to the audit process; and, where applicable, authorise services other than those legally prohibited by applicable law, as well as other communications included in the audit legislation and audit standards. In any event, it must receive an annual confirmation from the external auditors of their independence with regard to the entity or entities related to it directly or indirectly, as well as detailed and individual information of the additional services of any kind provided and the corresponding fees received by the aforementioned external auditors, or by the persons or entities related to them, in accordance with the regulations governing auditing activity.
  - (c) Supervise compliance with the audit agreement, to ensure that the opinion on the annual accounts and the main content of the audit report is drafted clearly and precisely; and assess the results of each audit.
  - (d) If the external auditor resigns, examine the circumstances that may have caused this.
  - (e) Ensure that the external auditor's remuneration for the work done does not compromise its quality or independence.

- (f) Ensure that the Company informs the CNMV of a change of auditor, including a statement about the future existence of disagreements with the outgoing auditor and the content thereof, if any.
- (g) Ensure that the external auditor holds a meeting every year with the plenary session of the Board of Directors to inform it about the work being done and changes in the accounting situation and risks in the company.
- (h) Ensure that the company and the external auditor respect the regulations in place on the provision of services other than auditing, the limits to the auditor's business concentration and, in general, other regulations governing the independence of auditors.
- (i) Encourage the group's auditor to assume responsibility for the audits of the companies that form part of the group.
- With respect to risk policy and management:
  - (a) Identify the various types of financial and non-financial risks (among others, operational, technological, legal, social, environmental, political and reputational, including those related to corruption) faced by the Company. The financial or economic risks include contingent liabilities and other off-balance-sheet risks.
  - (b) Establish a risk control and management model based on different levels.
  - (c) Identify the specific risk threshold that the Company considers acceptable.
  - (d) Identify the measures planned to mitigate the impact of the risks identified, if they materialise.
  - (e) Identify the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.
- With regard to Related Transactions:
  - (a) Inform the General Meeting and the Board of Directors in advance on related transactions that it must approve, and ensure that the information on these transactions is notified to the market, in the terms required by law and these Regulations.
  - (b) Supervise the internal procedure established by the Company for related transactions whose approval has been delegated under the law.
- Inform the Board of Directors on the debentures of listed companies before it adopts the corresponding resolutions, with respect to:
  - (a) The financial information that the Company must periodically disclose as a listed company; and the directors' report, which shall include, where applicable, the mandatory non-financial information. The Audit Committee must ensure that interim financial statements are drawn up under the same accounting principles as the annual ones and, to this end, ask the external auditor to conduct a limited review.

- (b) The creation or acquisition of stakes in special purpose entities or whose registered office is in tax havens, and any other similar transactions whose complex nature could tarnish the transparency of the Company and its group.
3. The Audit Committee shall meet ordinarily every quarter to review the periodic financial information that must be submitted to the stock market authorities, together with the information that the Board of Directors must approve and include as part of its annual public documentation. It shall also meet at the request of any of its members and whenever called to meet by its Chairperson, who must issue a call whenever the Board or its Chairperson requests the issue of a report or the adoption of proposals; and, in any event, provided that it is appropriate for the correct performance of its functions.
  4. The meetings of the Audit Committee shall be held in person at the location specified on the notice calling the meeting. In exceptional circumstances, when decided by the chairperson of the Audit Committee, the meeting may be called to be held in a number of connected locations or by remote means, using remote communication systems that allow those attending to be recognised and identified, with continuous communication between them and organisation and casting of votes, all in real time. In this case, the meeting will be deemed to be held at the registered office. The members of the Committee attending at any of the interconnected venues shall be considered for all purposes to attend the same single meeting of the Audit Committee.
  5. The Audit Committee shall be deemed validly constituted if those attending, either in person or represented by proxy, account for at least the majority of its members; and it shall adopt its resolutions by majority of the members of the Committee, present or represented by proxy at the meeting. In the event of a tie, the Chairperson shall have the casting vote. The resolutions of the Audit Committee shall be included in a minutes book, and each of the minutes shall be signed by the Committee's Chairperson and Secretary.
  6. The Audit Committee must render an account of its activity and answer for its work at the first full session of the Board of Directors held after the Audit Committee's meeting. The Committee must also take the Minutes of its meetings, and send a copy to all the members of the Board of Directors. The Audit Committee shall issue an annual report on its activities, highlighting the main incidents, if any, in relation to its tasks. Moreover, when the Committee deems appropriate, the report shall also include proposals for improving the Company's governance rules. The Audit Committee report will be available to shareholders and investors on the website.

The Board of Directors must discuss the proposals and reports submitted to it by the Committee.

7. The Audit Committee may summon any member of the Company's management team or staff, and even order their appearance without the presence of any other senior managers. The managers or employees are required to attend all the Audit Committee meetings with a collaborative attitude and providing access to any information they may have. The Committee may also request that the auditors attend its meetings.

8. To ensure proper compliance with its functions, the Audit Committee can obtain advice from external experts when it believes that this is necessary for the discharge of its duties.
9. The Company shall have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of the internal reporting and control systems. The internal audit officer must provide his annual work plan, as well as any amendments thereto, to the Audit Committee for its approval and subsequent submission to the Board of Directors for its acknowledgement. The officer must directly report to the Audit Committee on the plan's implementation, including any incidents or limitations to its scope arising during its development, its results and the follow-up its recommendations, and submit a report on its activities at the end of each year to the Committee.

**Article 14.- Appointments and Remunerations Committee: Composition, powers and operation**

1. An Appointments and Remunerations Committee shall also be created within the Board of Directors in accordance with the following rules:
  - a) The Appointments and Remunerations Committee shall comprise at least three and at most five directors, appointed by the Board of Directors itself from among its non-executive directors. In any case, at least the majority of the Committee members must be independent directors. The members of the Appointments and Remunerations Committee shall be appointed taking into account their knowledge, skills and experience in relation to the tasks that they will carry out and, in particular, regarding corporate governance, analysis and strategic assessment of human resources, selection of directors and managers, performance of senior management functions, and design of remuneration policies and plans for directors and managers.

Overall, the members of the Audit Committee must have the technical knowledge appropriate to the sector of activity to which the Company belongs.
  - b) The Chairperson of the Appointments and Remunerations Committee must be an independent director, who must be replaced every four years, and re-elected one year after his term expires.
  - c) The Committee's Secretary and, where required, Deputy Secretary, shall be appointed from among its members, or their posts will be filled by the Secretary and, where appropriate, the Deputy Secretary of the Board of Directors, respectively.
2. Without prejudice to any other duties that may be assigned to its by the Board of Directors, the Appointments and Remunerations Committee shall perform the following basic functions:
  - Assess the skills, knowledge and experience needed for the Board of Directors. For this purpose, it will define the duties and expertise needed by the candidates to fill each vacancy and evaluate the time and dedication required to perform their duties.
  - Submit the proposal for appointments of independent directors to the Board of Directors for their designation by co-option or submission to the General

Shareholders' Meeting, as well as the proposals for re-election or severance of said directors by the General Shareholders' Meeting.

- Inform the Board of Directors about the proposal for appointments of the other directors for their appointment by co-option or submission to the decision of the General Shareholders' Meeting, as well as the proposals for re-election or severance of said directors by the General Shareholders' Meeting.
  - Inform the Board of Directors on the proposed appointment and severance of the senior managers and the basic terms and conditions of their contracts.
  - Inform the Board of Directors on matters of diversity and the qualifications of directors. For this purpose, it will establish a target for the presence of the least represented gender on the Board of Directors and draft guidelines on how to achieve this target.
  - Propose to the Board of Directors: (i) the policy on the remuneration of directors and general managers, or those who carry out senior management functions and answer directly to the Board, the executive committees or chief executives; and (ii) the individual remuneration of the executive directors and the other conditions of their contracts; and ensure these conditions are met.
  - Make sure that the Company's remuneration policy is complied with, including a periodic review of the remuneration policy applied to directors and senior management plus the share-based remuneration systems and their implementation, and guarantee that individual remuneration is proportional to what is paid to other directors and senior managers at the Company.
  - Examine and organise the succession of the Chairperson of the Board of Directors, and of the Company's chief executive; and, if appropriate, make proposals to the Board to ensure the succession is smooth and well-planned.
  - Ensure remuneration is transparent and verify the information on the remuneration for directors and senior managers contained in the different corporate documents, including the annual report on directors' remuneration and the Annual Corporate Governance Report; and provide the Board with all the necessary information for this purpose.
  - Ensure that potential conflicts of interest do not harm the independence of the external advice provided to the Committee.
  - Oversee the implementation of the communication policy for economic, financial, non-financial and corporate information and the policy for communication and relations with shareholders, institutional investors and proxy advisors, and monitor the way in which the Company communicates and connects with small and medium shareholders.
  - Review the sustainability policy in environmental and social matters, ensuring that it is geared to creating value.
3. The Appointments and Remunerations Committee shall meet normally every quarter.

It shall also meet whenever called by its Chairperson, who must do so whenever the Board or its Chairperson requests the issue of a report or the adoption of proposals; and, in any case, provided that it is appropriate for the correct performance of its functions.

4. The Committee meetings shall be held in person at the place stated in the notice. When determined, in exceptional circumstances, by the Chairperson of the Appointments and Remunerations Committee, the meeting may be called to be held in a number of connected venues or by remote means, using remote communication systems that allow the recognition and identification of those attending, continuous communication between them and the contributions and the casting of the vote, all in real time. In this case, the meeting will be deemed to held at the registered office. The Committee members attending any of the interconnected venues will be considered for all purposes as attending the same single meeting of the Appointments and Remunerations Committee.
5. The Appointments and Remunerations Committee shall be deemed validly constituted if those attending, whether present or represented, account for at least the majority of its members; and it will adopt its resolutions by majority of the members of the Committee present or represented by proxy at the meeting. In the event of a tie, the Chairperson shall have the casting vote. The minutes of the meetings of the Appointments and Remunerations Committee shall be included in a minutes book, and each of the minutes shall be signed by the Chairperson and Secretary.
6. The Committee must report its activity and be accountable for the work it has carried out before the first plenary session of the Board of Directors after its meetings.

The Committee must also take the Minutes of its meetings, and send a copy to all the members of the Board of Directors. The Committee shall issue an annual report on its activities, highlighting the main incidents, if any, in relation to its tasks. Moreover, when the Committee deems appropriate, said report must also include proposals for improving the Company's governance rules. The report of the Appointments and Remunerations Committee will be available to shareholders and investors through the website.

The Committee must consult the Company's Chairperson and chief executive, particularly in the case of matters related to executive directors and senior managers.

The Board of Directors must deliberate on the proposals and reports submitted to it by the Committee.

7. To ensure proper compliance with its functions, the Appointments and Remunerations Committee can obtain advice from external experts when they believe that this is necessary for the discharge of its duties.



**CHAPTER V**  
**OPERATION OF BOARD OF DIRECTORS**

**Article 15.- Meetings of the Board of Directors**

1. The Board of Directors shall meet as frequently as necessary to perform its duties, following the schedule of dates and matters it establishes at the start of the year. Each director can individually propose other items that are not initially included on the agenda if requested with not less than five days' notice from the planned date of the session. The Board will also meet at the request of the Chairperson as often as the latter considers it appropriate for the correct operation of the Company, and also when at least three of its members or the coordinating director so requests; in which case it will be called by the Chairperson to meet within the fifteen days following the request.
2. The meetings of the Board of Directors shall in general be held in person at the location specified on the notice calling the meeting. If decided by the chairperson of the Board of Directors, the meeting may be called to be held in a number of connected locations or by remote means, using remote communication systems that allow those attending to be recognised and identified, with continuous communication between them, and contributions and casting of votes, all in real time. In this case, the meeting will be deemed to be held at the registered office. The directors attending in any of the interconnected venues will be considered for all purposes as attending the same single meeting of the Board of Directors.
3. It may be called by the directors who represent at least a third of the members of the Board of Directors, indicating the agenda, so that it can be held in the place where the registered office is located if, a request is made to the Chairperson of the Board and he does not it without reasonable grounds within one month.
4. The call for ordinary sessions of the Board must be made by post, fax, telegram or e-mail and be authorised with the signature of the Chairperson, or that of the Secretary or Vice-Secretary by order or of the Chairperson, where appropriate. The notice calling the meeting shall be issued at least three days in advance and include the meeting's agenda as well as sufficient relevant information that is duly summarised and prepared for such purposes. The agenda must clearly state the items for which the Board must adopt a decision or resolution. The Chairperson, as the person responsible for the proper functioning of the Board, shall ensure that the directors receive the information correctly.
5. The Chairperson of the Board of Directors may call extraordinary sessions of the Board when in his opinion it is justified by circumstances, in which case the minimum notice and other requirements indicated above are not applicable. Notwithstanding the above, any documentation which must be submitted to the directors shall be provided sufficiently in advance. The Board of Directors shall also be deemed to be quorate, without the need for a notice calling it, if all its members present or represented unanimously accept to hold the meeting.
6. The coordinating director will be specifically empowered to request the call of the Board meeting or include new items on the agenda of a Board meeting already called.
7. The Board may also agree on resolutions in writing and without a meeting, in accordance with the law.

8. The Board must draw up an annual schedule of its ordinary sessions.

### **Article 16.- Sittings**

1. The Board meeting shall be quorate when the majority of its members attend the meeting in person or by proxy.

The directors must make their best efforts to attend the sittings of the Board meetings (either in person or remotely). When in exceptional circumstances they cannot do so in person, they must delegate their representation in writing and specifically for each sitting to another member of the Board, including the appropriate instructions and notifying the delegation to the Chairperson of the Board of Directors. Notwithstanding the above, the non-executive directors may only confer their proxy to another non-executive director.

2. The Chairperson must organise and stimulate debate, ensuring and promoting active participation by all the directors during the sessions of the Board, while safeguarding their freedom to take up a position and express their opinion.

When for exceptional reasons the Chairperson wishes to submit decisions or resolutions that are not included on the agenda to the Board of Directors for approval, the prior consent of the majority of directors present will be required, and due note of this will be included in the minutes of the meeting.

3. Except for cases in which the law or Bylaws specifically establish other quorums for voting, the resolutions will be adopted by absolute majority of those attending the meeting, either in person or by proxy. In the event of a tie in the votes, the Chairperson shall have the casting vote.
4. The directors must express their disagreement clearly if they consider that any proposed resolution submitted to the Board may be contrary to the corporate interest. The independent and other directors who are not affected by a potential conflict of interests must also do so, in the case of decisions that could harm the shareholders not represented on the Board.
5. Minutes will be taken of the meetings of the Board of Directors, and signed by at least the Chairperson and Secretary or Deputy Secretary.
6. The minutes must be approved by the Board of Directors itself, at the end of the meeting or at a subsequent meeting. To facilitate the execution of the resolutions and, where necessary, their notarisation, the minutes may be approved in part, including one or more resolutions in each of the approved parts.

## **CHAPTER VI**

### **APPOINTMENT AND REMOVAL OF DIRECTORS**

#### **Article 17.- Appointment de directors**

1. The directors shall be appointed and re-elected (i) at the proposal of the Appointments and Remunerations Committee, in the case of independent directors; and (ii) following a report from the Appointments and Remunerations Committee in the case of the other directors; by the General Meeting or the Board of Directors, in accordance with the provisions included in the law and the policy on the composition of the Board of Directors, which the Board has approved at any time.

2. The proposal referring to point 1 (i) above must in all cases be accompanied by an explanatory report from the Board of Directors, evaluating the competence, experience and merits of the candidate proposed; this will be attached to the minutes of the General Shareholders' Meeting or of the Board of Directors itself.
3. A newly appointed director must follow the guidance programme for new directors established by the Company, in order to acquire speedy and sufficient knowledge of the Company and its corporate governance rules.
4. The Board of Directors must ensure that all director selection procedures promote gender diversity, as well as diverse experience, age and knowledge, with no implicit biases that may impede the selection of female directors.
5. Any director may request that the Appointments and Remunerations Committee take into consideration potential candidates who in its opinion may be suitable to fill the vacancies for director.
6. When a member of the Board of Directors is appointed chief executive officer or is attributed executive functions in virtue of another office, a contract must be drawn up between the director and the Company, which must first be approved by the Board of Directors with the favourable vote of two thirds of its members. The director in question may not attend the deliberations or participate in the vote. If the contract is approved, it must be incorporated as an annex to the minutes of the meeting.
7. Unless there is express authorisation from the Appointment and Remuneration Committee, and in line with the circumstances of each case, natural persons who are directors in over ten companies of which, at most, eight are listed in Spanish or foreign stock markets, cannot be appointed as directors.

For the purpose of the above paragraph, this calculation will not include posts in:

- (i) company boards to which a director belongs as a proprietary director proposed by the Company or by any company in its group;
- (ii) the director's holding companies or companies that are vehicles or complements for the professional business of the director himself, his spouse, or person with a similar relationship, or of his closest family members;
- (iii) companies belonging to the same group, which will be considered as a single company; and
- (iv) companies whose purpose is commercial, but are complementary or ancillary to another activity which for the director is a leisure, assistance or care activity for third parties, or any other that does not represent the director's own and real dedication to a business.

### **Article 18.- Appointment of external directors**

The Board of Directors, and the Appointment and Remuneration Committee, acting within its powers, must ensure that the candidates selected are persons of recognised standing, competence and experience, and must be particularly rigorous with respect to those who are selected to hold the office of independent director.

## **Article 19.- Re-election of directors**

Before proposing the re-election of directors to the General Meeting, the Board of Directors must assess the quality of the work and dedication to the office during the preceding mandate of the directors proposed.

## **Article 20.- Term in office**

1. Directors shall serve in office for four years, at the end of which time they may be re-elected for one or more periods of, at most, four years each.
2. The appointment of directors shall expire once the period has concluded and the next General Meeting has been held; or if the legal deadline for holding the General Meeting that must determine the approval of the previous year's accounts has expired.
3. If a vacancy opens once the General Meeting is called and before it is held, the Board of Directors may appoint a director until the next General Meeting is held.
4. Notwithstanding the above, the directors appointed by co-option must be ratified in their posts at the first General Meeting held after their appointment date.

## **Article 21.- Removal of directors**

1. The term in office of directors will conclude when the period for which they were appointed expires, when the General Shareholders' Meeting decides under its powers conferred by law or the Bylaws, or when they terminate their contract or present their resignation.
2. The directors must tender their resignation to the Board of Directors and complete the corresponding formal process if the Board deems it appropriate, in the following cases:
  - a) When they no longer hold the executive posts to which their appointment as directors were associated.
  - b) When they are involved in one of the legally defined cases of incompatibility or prohibition.
  - c) When they are seriously warned by the Board of Directors for having infringed their obligations as directors.
  - d) When they lose their necessary professional good standing to be director of the Company, or where the reasons for which they appointed no longer hold (for example, when a proprietary director sells his stake in the Company).
  - e) Independent directors may not remain as such for a continuous period of over 12 years, so after this period they must submit their resignation.
  - f) In the case of proprietary directors (i) if the shareholder they represent sells all his shareholding, and (ii) when said shareholder reduces their stakes to a level that requires a reduction in the number of proprietary directors, the number of proprietary directors should be reduced accordingly.
3. In addition, each director must inform the Company, and resign if appropriate, when there are situations affecting them, whether or not related to their activity in the Company, may harm the good credit and reputation of the Company, in particular relating to any criminal proceedings in which they appear as under investigation and to their involvement in litigation.

Having been informed, or having in some way learned of some of the situations mentioned in the above paragraph, the Board of Directors must examine the case as soon as possible, and in the light of the specific circumstances, and having received a report from the Appointment and Remuneration Committee, decide whether or not to adopt any measures, such as the initiation of an internal investigation, request the resignation of the director in question or propose his/her removal. Notwithstanding the information that the Company must make public, if appropriate, at the time of adopting the corresponding measures, the Company must report these decisions in the Annual Corporate Governance Report, unless there are special circumstances justifying not reporting them, which must be noted in the minutes.

4. Any director who leaves his post before his term expires, either by resignation or by resolution of the General Meeting, must explain with sufficient detail the reasons for his resignation, or in the case of non-executive directors, his opinion on the reasons for their removal by the General Meeting, in a letter to be sent to all the members of the Board of Directors. Notwithstanding that all this information will be reported in the Annual Corporate Governance Report, to the extent that it is relevant for investors, the Company must report the departure as soon as possible, including sufficient information on the grounds or circumstances explained by the director.
5. The Board of Directors may only propose the dismissal of an independent director before expiration of his term in office under the Bylaws for just cause, as determined by the Board of Directors after receiving an opinion from the Appointment and Remuneration Committee. In particular, just cause will be deemed to exist if the director takes on a new position or undertakes new duties that prevent him from dedicating the time needed to perform the duties of director, infringes the duties inherent to his post or is involved in any of the circumstances entailing loss of independence under applicable law. A dismissal may also be proposed as a result of takeover bids, mergers or other similar corporate transactions that significantly change the Company's capital structure, if such changes in the Board's structure are a result of the proportionality principle foreseen in article 6 of this Regulation.

## **CHAPTER VII**

### **DIRECTORS AND INFORMATION**

#### **Article 22.- Powers of information and inspection**

1. The director must inform himself diligently about the operation of the Company. To do so, the directors may request information on any aspect within the powers of the Board, and examine its books, registers, documents and other documentation. The right to information extends to the investee companies, when possible.
2. The request of information must be previously channelled through the Secretary of the Board of Directors, who will forward the request to the Chairperson of the Board of Directors and to the appropriate liaison in the Company.
3. The Secretary must warn the Board of the confidential nature of the information requested and received and its duty of confidentiality in accordance with the provisions of this Regulation.

4. The Chairperson may refuse the information if he considers: (i) that it is not necessary for the correct performance of the duties assigned to the director; or (ii) that its cost is not reasonable in view of the importance of the problem and the Company's assets and income.

#### **Article 23.- Assistance from experts**

1. With the aim of being assisted in the performance of their functions, all the directors may obtain from the Company the necessary advice for carrying out their functions. For this purpose, the Company will determine the appropriate sources of advice, which in special circumstances may include external advice paid for by the Company.

The tasks to be carried out must, without exception, be related to specific issues of a certain significance and complexity that arise in the performance of duties.

2. The hiring decision must be notified to the Chairperson of the Company and may be vetoed by the Board of Directors if it determines:
  - a) that it is not required for the proper performance of the duties assigned to the external directors;
  - b) that its cost is not reasonable in view of the importance of the problem and the Company's assets and income;
  - c) that the technical assistance could be adequately provided by experts and specialists within the Company; or
  - d) that it may represent a risk for the confidentiality of information.

### **CHAPTER VIII**

#### **DIRECTORS' REMUNERATION**

#### **Article 24.- Remuneration policy**

1. The remuneration of directors must maintain a reasonable balance between the importance of the Company, its current economic situation and market standards in comparable companies. The system of remuneration established must promote the long-term profitability and sustainability of the Company and include the necessary precautions to prevent excessive assumption of risks and compensation for unfavourable results.
2. The remuneration of external directors should be sufficient to attract and retain directors with the required profiles and to remunerate the dedication, qualification and responsibility required by the position, but not so high that it compromises the independent judgement of non-executive directors.
3. The Board of Directors must approve a remuneration policy for directors that will apply for a maximum period of three fiscal years. It must include the criteria and bases for determining directors' remuneration and will be submitted for approval to the General Meeting before the end of the last fiscal year in which the previous policy is in force, as a separate item on the agenda, in the terms provided for by law. The decision of the General Meeting is binding. However, the General Meeting may decide that the new policy should be applicable from the date of approval itself and for the following three fiscal years.

4. In any event, the policy must include at least the following:
  - a) The maximum amount of the annual remuneration payable to the directors as a whole as such and the criteria for its distribution according to the functions and duties attributed to each director, their place on the Board committees and other objective circumstances that the Board of Directors may consider relevant.
  - b) The directors' remuneration paid for the discharge of their executive duties, which must include the amount of annual fixed remuneration corresponding to the directors for their discharge of their executive duties and other legal provisions.
5. The remuneration policy proposed by the Board of Directors must be justified and accompanied by a specific report from the Appointment and Remuneration Committee. These documents shall be made available to the shareholders.
6. The Board of Directors must determine the individual remuneration for each director, as such, agreed by the General Meeting, under the Bylaws and the remuneration policy, acting on a report of the Appointment and Remuneration Committee.

The Board, acting on a report of the Appointment and Remuneration Committee, is also responsible for determining the individual remuneration of each director for his or her discharge of the executive duties attributed under the remuneration policy, and in accordance with the provisions of his or her contract.
7. The directors may be remunerated by the delivery of the Company's shares, following a prior resolution of the General Meeting which must in any case include the maximum number of shares to be delivered to each director, the strike price or the system of calculating the strike and the of share options, the value of the shares that may be taken as a benchmark, and the duration of the scheme.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.
8. The Company must take out civil liability insurance for its directors.
9. The Board will also inform on the role played by the Appointment and Remuneration Committee in preparing the remuneration policy, and if it had used external advice, the identity of the external advisors who had given it.
10. The annual report must provide information on the individual remuneration received by each director, including the amounts corresponding to each remuneration item. It must also include an individualised amount broken down by items, of the remuneration corresponding to the executive functions assigned to the Company's executive directors.
11. The remuneration policy, and the date and result of the vote, will be accessible on the Company's website at no charge from the date of its approval and at least while it is applicable.

## **Article 25.- Report on directors' remuneration**

1. The Board must submit a report on directors' remuneration to a vote by the General Shareholders Meeting, as a separate item on the agenda and as a consultative measure. The report must include the remuneration that directors as such receive or should receive, and also for the performance of any executive functions. The annual report on directors' remuneration shall be included in the management report.
2. The report must be made available to shareholders and be published with other relevant information by the Company at the same time as the Annual Corporate Governance Report. It will remain accessible without payment on the Company's website and the website of the CNMV for a minimum period of ten years, or for the period required by applicable law, without prejudice to the provisions on the personal data of directors that may be applicable.
3. The report shall include complete, clear and comprehensible information on the remuneration policy of directors applicable in the current year. It will also include an overall summary on the application of the remuneration policy during the previous year, as well as details of the individual remunerations paid for all the items to each of the directors in that year.

## **CHAPTER IX**

### **DUTIES OF THE DIRECTORS**

## **Article 26.- General obligation of directors**

1. In performing their functions, directors must act with the diligence of a reliable businessperson, taking into account the nature of the post and the functions attributed to it, and subordinating at all times their private interest to the interest of the Company. Directors must also perform the duties of the office with loyalty, acting in good faith and the best interests of the Company.
2. In the area of strategic and business decisions, subject to the commercial discretion, the standard of diligence of a responsible businessperson will be deemed complied with when the directors have acted in good faith, without personal interest in the matter being decided, with sufficient information and in accordance with an adequate decision-making principle.
3. Notwithstanding any other obligations arising from the law or the Corporate Bylaws, the directors are obliged, in particular, to:
  - a) be informed and prepare adequately for the meetings of the Board, of the committees of the delegate bodies to which they may belong; and they must inform themselves diligently about the Company's performance and the matters to be dealt with at these meetings.
  - b) attend the meetings of the bodies of which they form part and participate actively in the deliberations such that their criteria may contribute effectively in the decision-making process.

If for any reason they may not attend the sessions to which they have been called, they must instruct a director to represent them.



- c) carry out any specific task that is assigned to them by the Board of Directors or any of its delegated and/or consultative bodies that is reasonably included in its committed dedication.
- d) ask, where appropriate, the persons with the capacity to do so, to call an extraordinary meeting of the Board; or include on the agenda of the next meeting the items they consider appropriate.
- e) dedicate sufficient time and effort to their functions in order to perform them effectively, adopting the measures needed for the proper management and control of the Company.
- f) not exercise their functions for purposes other than those for which they have been granted.
- g) abstain from participating in the deliberation and voting on resolutions or decisions in which they or a related person have a direct or indirect conflict of interest. Excluded from the above obligation to abstain are resolutions or decisions that affect the director as board member, such as his appointment or departure from positions on the governing body or others of similar purpose.
- h) perform their duties based on the principle of personal responsibility with freedom of criteria or judgement and independence with respect to third-party instructions and relations.
- i) Adopt the measures needed to avoid incurring in situations in which their interests, whether on their own account or a third party's, may enter into conflict with the corporate interest and with their duties to the Company.
- j) Express clearly their opposition when they consider that a proposal or decision submitted to the Board may be contrary to the corporate interest; and in particular, in the case of independent directors and others not affected by a potential conflict of interests, in the case of decisions that may be detrimental to shareholders not represented on the Board.

#### **Article 27.- Directors' duty of confidentiality**

1. Directors must keep secret the deliberations of the Board of Directors and of the delegated and/or consultative bodies of which they form part; and, in general, abstain from revealing information to which they have had access in discharging their office.
2. The obligation of confidentiality will continue even when they are no longer in office. They must keep any confidential information secret, together with the information, data, reports or background that they know as a result of their office, and they may not be communicated to third parties or be made public when it may have damaging consequences for the Company's interests. An exception to the duties referred to in this paragraph are cases in which the law allows the communication or disclosure to third parties, or when they are required to do so or must submit themselves to the respective supervisory authorities. In this case, the information must be disclosed in accordance with the law.

#### **Article 28.- Obligations derived from the duty to avoid conflicts of interest**

1. Specifically, the duty to avoid situations that could involve conflicts of interest referred to by point i) of article 26.3 above obliges directors to refrain from:

- a) carrying out any transactions with the Company, except in the case of ordinary transactions in standard conditions for clients and of little relevance; these are understood as transactions for which information is not needed to express a true vision of the Company's assets, financial situation and results. As they are transactions within the ordinary course of company business, which have a normal or recurring nature, only a generic authorisation of the transaction and its conditions for execution are required by the Board of Directors.
  - b) Use the name of the Company or invoke their condition as directors to influence unduly in private transactions.
  - c) Make use of company assets, including the Company's confidential information, for private purposes.
  - d) Take advantage of the Company's business opportunities.
  - e) Obtain advantages or remuneration from third parties, other than the Company, associated with the discharge of their duties in the office, except for the case of courtesy favours.
  - f) Carry out activities, on their own behalf or for a third party, that involve effective competition, whether real or potential, with the Company, or that in any other way represent permanent conflict with the interests of the Company.
2. The directors must communicate the existence of conflicts of interest to the Board of Directors.
  3. The above provisions are also applicable if the beneficiary of acts or prohibited activities is a person linked to a director, as explained in the following article.
  4. Notwithstanding the provisions in the above paragraphs, the Company may waive the prohibitions included in this article in special causes, and authorise a director or a person related to him to carry out a specific transaction with the Company, use certain corporate assets, make use of a specific business opportunity, or obtain an advantage or remuneration from a third party.
  5. The General Shareholders' Meeting, in virtue of an express and separate resolution, will be responsible for granting the authorisation referred to in the previous paragraph when the aim is to waive the prohibition on obtaining an advantage or remuneration from a third party, or when it affects a transaction whose value is more than ten per cent of the corporate assets. In all other cases, the authorisation may also be granted by the Board of Directors, provided that there are sufficient guarantees of the independence of the members who grant it for the director in question. In addition, in the above case, either the innocuous nature of the authorised transaction for the corporate assets must be assured, or its execution under market conditions and transparency.
  6. The obligation of non-competition may only be waived in a case where no damage is expected for the Company, or where any damage that may be expected will be offset by the benefits from obtaining the waiver. The waiver will be granted by express and separate resolution of the General Meeting.

## **Article 29.- Related parties**

For the purpose of this Regulation, parties related to the directors shall be understood to be:

- their spouses or persons with a similar personal relationship;
- ancestors, descendants and siblings of the directors or of their spouses;
- the spouses of ancestors, descendants and siblings of directors;
- the companies or entities in which the directors hold a direct or indirect stake, even through an intermediary, which grants them a significant influence; or holds in them or in the parent company a post on the administrative body or in senior management. For these purposes, significant influence is considered to be any holding of at least 10 per cent of the share capital or of the voting rights, or through which it has been possible to obtain in fact or by right, a place on the company's administrative body; and
- The shareholders represented by the director in question on the board of directors.

## **Article 30.- Non-public information**

The directors must observe the code conduct established in the legislation on stock markets and, in particular, those enshrined in the Company's Internal Code of Conduct on Matters Relating to Securities Markets in relation to the processing of privileged information and of reserved information.

## **Article 31.- Indirect transactions**

A director infringes his duties of loyalty to the Company if, with prior knowledge, he allows or does not reveal the existence of transactions on the Company's securities or instruments carried out by the persons indicated in article 29 of this Regulation, which have not been subject to the conditions and controls included in the above articles, or which have not been carried out in accordance with the Company's Internal Code of Conduct.

## **Article 32.- Directors' reporting duty**

1. The directors must inform the Company of the Company's shares of which they are direct or indirect owners through the persons indicated in article 29 of this Regulation, all in accordance with the provisions of the Internal Code of Conduct on Matters Relating to Securities Markets.
2. The directors must also inform the Company of the posts held on the Board of Directors of other companies, whether listed or not; and, in general of the facts, circumstances or situations that may be relevant for their activity as Company directors under this Regulation.
3. All directors must also inform the Company of any situations referred to in article 21.3 of this Regulation.

## **Article 33.- Related transactions with directors and major shareholders**

1. For the purpose of the provisions of this Regulation, "**Related Transactions**" shall be understood to mean any transactions carried out by the Company or subsidiaries with directors; shareholders holding 10% or more of voting rights or

represented on the Board; or with any other persons who must be considered related parties under the International Accounting Standards adopted under European law.

As an exception to the provisions of the above section, the following will not be considered Related Transactions:

- a. Transactions carried out between the Company and its directly or indirectly wholly owned subsidiaries, without prejudice to the legal provisions on intragroup transactions.
  - b. The approval by the Board and the terms and conditions of the contract to be entered into between the company and any director who is to discharge executive functions, including the chief executive or senior managers, as well as the determination by the director of amounts or specific remunerations payable under these contracts, without prejudice to the legal duty of the director in question to abstain.
  - c. The transactions carried out by the Company with its subsidiaries or investees, provided that no other party related to the Company has interests in these subsidiaries or investees.
2. The power to approve Related Transactions whose amount or value is 10% or more of the total asset items according to the latest balance sheet approved by the Company will correspond to the General Meeting.

When the General Meeting is called to make a decision about a Related Transaction, the shareholder affected will be deprived of the right to vote, except in cases which the proposed resolution has been approved by the Board without the vote against of the majority of the independent directors.

3. The power to approve the rest of the Related Transactions will correspond to the Board, which may not delegate it. The director affected who represents or is connected to the affected shareholder is by law prevented from participating in any related discussion or voting on the corresponding resolution. Nevertheless, the directors who represent or are connected to the parent on the board of directors of the listed subsidiary must not refrain from voting, even though in these cases their vote may have been decisive in adopting the agreement.
4. The approval by the General Meeting or by the Board of Directors of a Related Transaction is dependent on a prior favourable report by the Audit Committee. In its report, the committee must assess whether the transaction is fair and reasonable from the point of view of the company and, where applicable, from the point of view of the shareholders other than the related party; and report the budgets on which the assessment and the methods used is based. Any directors affected or who represent or are connected to the affected shareholders must refrain from participating in any related discussion and vote on the resolution in question.
5. The Board may delegate approval of the following Related Transactions: (i) transactions between companies that form part of the same group as the Company, which are carried out within the scope of the ordinary management and in market conditions; and (ii) transactions that are agreed under contracts whose boiler-plate conditions are applied en masse to a large number of clients,

at prices or fees established in general by the person acting as supplier of the good or services in question, and whose amount may not be more than 0.5% of the net amount of the Company's revenues. Approval of these Related Transactions will not require a prior report from the Audit Committee, but the Board must establish an internal procedure related to them for information and periodic control, in which the audit committee must intervene to verify the fairness and transparency of these transactions, and where necessary, compliance with the legal criteria applicable to these Related Transactions.

6. Before authorising transactions of this nature by the Company, the Audit Committee and the Board of Directors must assess the transaction from the point of view of equal treatment of shareholders and market conditions.
7. The Company must announce the Related Transactions that it or the companies in its group carry out no later than when they are concluded, if they are at least (a) 5% of the total asset items; or (b) 2.5% of the annual amount of the annual revenues.

The announcement must be published in an easily accessible place on the company's website and notified to the CNMV for its general dissemination. This announcement must be accompanied by the report from the Audit Committee. It must include at least the following information (i) information on the nature of the transaction and the relation with the related party; (ii) the identity of the related party; (iii) the date and value or amount of the consideration of the Related Transaction; and (iv) any other information required to value whether the transaction is fair and reasonable from the point of view of the Company and the shareholders who are not related parties.

#### **Article 34.- Directors' liability**

1. The directors, including de facto directors, are liable to the Company, the shareholders and the company's creditors for any damage they may cause through acts contrary to the law or Bylaws, or acts that breach the duties inherent to their office, provide that intention or blame is involved.
2. All the members of the administrative body who carried out the act or adopted the damaging resolution are jointly and severally liable, except for those that prove that they have not intervened in the adoption and implementation, did not know of its existence, or if they knew it, did everything appropriate to avoid the damage, or at least expressly objected to it.
3. In no case will the fact that the harmful act or resolution has been adopted, authorised or ratified by the General Meeting constitute exoneration from liability.

## **CHAPTER X**

### **BOARD INFORMATION POLICY AND RELATIONS**

#### **Article 35.- Annual corporate governance report**

1. The Board of Directors must prepare an Annual Corporate Governance Report, which will be reviewed and approved at the same time as the annual accounts each year, with the content and structure established by applicable law at any time.

2. El Annual Corporate Governance Report will be included in a separate section of the management report and will also be made public in accordance with the stock-market regulations.

### **Article 36.- Website**

1. The Company will maintain a website to provide information to shareholders and investors, which will include the documents and information required by law.
2. The Board of Directors is responsible for establishing the content and information to be included on the Company's website in compliance with the obligations of the regulations governing the stock market; and it is responsible for updating it in accordance with the terms of current law.
3. The Board of Directors is also responsible for agreeing the removal and transfer of the website, in the terms provided for by law.
4. The directors are responsible for verifying that the contents have actually been uploaded to the Company's website and for the date on which this was done.

### **Article 37.- Shareholder relations**

1. The Board of Directors must determine the appropriate channels to receive the proposals that the shareholders may put forward in relation to the Company.
2. By means of any of its directors (and in particular the coordinating director, if there is one) and with the collaboration of the members of senior management it considers appropriate, the Board may organise informational meetings on the progress made by the Company and its group for shareholders in the most important stock exchanges in Spain and abroad.

The directors are regularly informed of changes in the shareholder structure and of the opinions of significant shareholders, investors and ratings agencies on the company and its group.

3. Public requests for delegating votes made by the Board of Directors or any of its members must justify their proxy votes for or against if the shareholder does not give any instructions.
4. The Board of Directors shall encourage the informed participation of the shareholders at the General Meetings and adopt any measures that are appropriate to allow the General Shareholders' Meeting to exercise the functions that are inherent to it under the law and the Corporate Bylaws. In particular, the Board of Directors shall adopt the following measures:
  - a) It must aim to provide the shareholders with as much information as is legally required before the General Meeting, and any other information that may not be required, but is of interest and may be provided within reason.
  - b) It must attend with the greatest diligence to requests for information made by the shareholders before the General Meeting.
  - c) It must attend with equal diligence to requests made by the shareholders when the General Meeting is being held.

### **Article 38.- Relations with the institutional shareholders**

1. The Board of Directors shall also establish the appropriate mechanisms for exchanging information regularly with the institutional investors who form part of the Company's shareholders.
2. In no case may the relations between the Board of Directors and the institutional shareholders result in a transfer to the institutional shareholders of any information that could put them in a situation of privilege or advantage with respect to other shareholders.

### **Article 39.- Relations with markets**

1. Acting through the communications sent to the CNMV and the corporate website, the Board of Directors will inform the public immediately of any information relevant in the terms established in the Ley del Mercado de Valores (Stock Market Act) and its implementing regulations.
2. The Board of Directors shall adopt the necessary measures to ensure that the six-monthly, quarterly and any other financial information that should be made available to the markets for prudential reasons is prepared under the same professional principles, criteria and practices as used for the annual accounts, and is as reliable as them.
3. The Board of Directors must include information in its annual public documentation on the Company's rules of governance and the degree of compliance with them.

### **Article 40.- Relations with the auditors**

1. The Audit Committee is responsible for proposing to the Board of Directors for its subsequent submission to the General Shareholders' Meeting the appointment (indicating the hiring conditions and the scope of their professional mandate), renewal and revocation of the auditor, and for monitoring compliance with the audit contract under article 13 of this Regulation.
2. The Audit Committee shall not propose to the Board of Directors and the Board shall, in turn, not from submit to the General Meeting, the appointment as the Company's auditor of any audit firm that is incompatible in accordance with the audit legislation as well as any firm whose proposed fees payable by the Company are more than five per cent of the total revenues of said firm in the last year.
3. The Audit Committee shall ensure that the annual accounts submitted by the Board of Directors to the General Meeting are prepared in accordance with accounting standards. In exceptional cases in which the auditor has issued a qualified opinion in its audit report, the Chairperson of the Audit Committee must clearly explain at the General Meeting the opinion of the Audit Committee on its content and scope, and make available a summary of the auditor's opinion, together with the rest of the Committee's proposals and reports, to the shareholders when the notice calling the General Meeting is published. Nevertheless, when the Board believes that it should maintain its criteria, it will publicly explain the content and the scope of the discrepancy.

\* \* \*