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**REGULATIONS  
OF THE BOARD OF DIRECTORS OF  
NEINOR HOMES, S.A.**

April 13, 2022

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## **REGULATIONS OF THE BOARD OF DIRECTORS OF NEINOR HOMES, S.A.**

### **TITLE I. PREAMBLE**

#### **Article 1. Origin, purpose and validity**

1. These regulations (the “**Regulations**”) have been approved by the Board of Directors of Neinor Homes, S.A. (the “**Company**”), which has reported on them to the General Meeting and on the proposal of the Chairman of the Board, in compliance with article 528 of the recast Capital Companies Act, enacted by Legislative Royal Decree 1/2010 of 2 July (the “**Capital Companies Act**”). The purpose of these Regulations is to determine the principles that are to guide the work of the Board of Directors, as well as Board’s basic rules of organisation and operation and the standards of conduct applicable to its members.
2. The standards of conduct established in these Regulations for the Company’s directors shall also apply to the Company’s managerial employees insofar as they are compatible with the managers’ specific roles and the activities they carry out. For the purposes of these Regulations, “managerial employees” are managers who report directly to the Board of Directors or the Chief Executive Officer (CEO), if there is one, as well as, in any case, the Company’s head of internal audit.
3. These Regulations entered into force on the date of admission to trading of the shares of the Company on the Spanish Stock Exchanges and their subsequent amendments shall come into force on the date of approval by the Board of Directors, without prejudice to the formal applicable obligations of communication and registration.

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

1. These Regulations supplement the regulations established in current laws and in the Company’s Articles of Association that are applicable to the Board of Directors. They are to be interpreted in accordance with applicable laws and the Articles of Association and with the principles and recommendations on the corporate governance of listed companies approved or issued by the authorities of Spain and other countries in its sphere in force from time to time or by special committees or task forces set up upon the order of the abovementioned authorities.

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2. The Board of Directors shall resolve any doubts that may arise in the application and interpretation of these Regulations in accordance with general criteria for the interpretation of rules of law and in accordance with the Articles of Association and the Good Governance Code prepared by the National Securities Commission, in all cases with a view to ensuring the best management of the Company, consolidating an ethical, transparent and effective corporate governance model, and promoting the long-term success and sustainability of the Company.

### **Article 3. Amendment**

1. These Regulations may only be amended at the request of the Chairman of the Board of Directors, one-third of the directors or one-third of the Audit and Control Committee, who shall always accompany their amendment proposal with a memorandum setting out the grounds for the proposal and a report prepared by the Audit and Control Committee, except where the proposal originates from said committee.
2. The text of the proposal and the explanatory memorandum shall be attached to the notice of the Board meeting at which the proposal is to be discussed. The meeting shall be called with at least 48 hours' notice.
3. Any resolution to amend these Regulations shall require an absolute majority of the directors present at the meeting in person or by proxy.
4. These Regulations shall be updated whenever necessary to adapt their content to applicable laws and regulations.

### **Article 4. Dissemination**

1. The directors and managerial employees have the obligation to know, comply with and enforce these Regulations and amendments thereto. To that end, the Secretary of the Board shall provide all directors and managerial employees with a copy of the Regulations at the time they accept their appointment or are effectively hired, as the case may be. Directors and managerial employees shall deliver to the Secretary a signed statement indicating that they know and accept the content of these Regulations and undertake to fulfil their obligations hereunder.

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2. Without prejudice to compliance with the obligations established by the laws and regulations in force from time to time, the Company's Board of Directors shall take the necessary measures to disseminate the Regulations among the shareholders and the investing public in general and, in particular, to communicate it to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores* or *CNMV*). Once this communication has been carried out, the Regulations will be registered with the Commercial Registry in accordance with general rules and, once registered, been made public by the CNMV. Likewise, the current version of these Regulations will be made available on the corporate website.

## **TITLE II. ROLE OF THE BOARD**

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

1. The Board of Directors has authority in all matters that are not assigned by law or under the Articles of Association to the General Meeting of shareholders.
2. The Board of Directors, which has the broadest powers and authority to operate, manage, govern and represent the Company, will as a general rule delegate the ordinary management of the Company to the delegate governing bodies and the management team, establishing the content, limits and modes of the delegation, and shall concentrate its activity on the general oversight function and the consideration of matters that are of particular importance to the Company.
3. Powers that are reserved by law or under the Articles of Association to the Board of Directors and any other powers that are necessary in order for the Board to exercise its general oversight function in a responsible manner shall not be delegated.
4. Without prejudice to the legal authority to delegate and grant powers of attorney for the execution of any specific resolutions that may have been adopted, the Board of Directors shall exercise the following responsibilities and authorities directly, either at its own initiative or at the proposal of the appropriate internal body:
  - (i) Draft the Company's financial statements, the management report and proposed allocation of the financial results, and the consolidated accounts and

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consolidated management report for presentation to the General Meeting of shareholders.

- (ii) Call the General Meeting of shareholders and publish announcements relating to the General Meeting, the drafting of the agenda.
- (iii) Authorise or waive obligations arising from the duty of loyalty, in accordance with the provisions of applicable law.
- (iv) Execute the Company's policy on treasury shares within the framework of the authority granted by the General Meeting.
- (v) Formulate dividend policy, submit proposals to the General Meeting regarding the allocation of profit and decide on the resolution on the payment of interim dividends.
- (vi) Appoint directors by co-option and submit proposals to the General Meeting for the appointment, ratification and re-election of directors that do not classify as independent, after consideration of a report by the Appointments and Remuneration Committee, and proposals for the removal of directors, as well as acknowledging the resignations of any director.
- (vii) Approve a director selection policy that is specific and verifiable, ensures that appointment and re-election proposals are based on a prior analysis of the Board of Directors' needs and contributes to diversity of knowledge, experience and gender.
- (viii) Approve the remuneration of each director, based on a proposal from the Appointments and Remuneration Committee, in accordance with the remuneration policy approved by the General Meeting of shareholders.
- (ix) Appoint, remove and approve agreements to terminate the CEOs and approve any contracts to be entered into between the Company and directors who are given executive functions, which will specify the remuneration directors may earn for performing those functions with the vote majority set out for these purposes in article 17.4 of these Regulations.



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- (x) Appoint and reappoint the officers of the Board of Directors and the members and officers of Board committees.
- (xi) At the proposal of the Company's CEO, after consideration of a report by the Appointments and Remuneration Committee, appoint, remove and approve agreements to terminate the managerial employees and approve their indemnity clauses.
- (xii) Approve the remuneration policy for the Company's managerial employees and the basic terms of their contracts and agreements to terminate, at the proposal of the CEO, if there is one, after consideration of a report by the Appointments and Remuneration Committee.
- (xiii) Approve the financial and non-financial information which the Company, as a publicly listed company, must publish at certain intervals, and the supervision of its elaboration and presentation process.
- (xiv) The determination of the Company's tax strategy.
- (xv) Approve any investments, divestments or transactions of any kind which, because of their amount or special characteristics, have strategic importance or entail special tax risks, unless they require the approval of the General Meeting of shareholders.
- (xvi) Create or acquire interests in special purpose entities or entities resident in countries or territories considered to be tax havens and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- (xvii) The approval and delegation for the approval of related transactions, subject to a mandatory report from the Audit and Control Committee, except when their approval corresponds to the General Shareholders' Meeting, according to the legislation in force from time to time.
- (xviii) Ensure that related party transactions are disclosed in accordance with the law.

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- (xix) The approval and delegation for the approval of intra-group transactions, as provided by law, unless their approval corresponds to the General Shareholders' Meeting.
  - (xx) Issue an opinion on any tender offer made for securities issued by the Company.
  - (xxi) Prepare the Company's annual corporate governance report, the sustainability report and the annual directors' remuneration report.
  - (xxii) Once a year, assess the quality and efficiency of the work done by the Board of Directors and the quality and efficiency of the Board committees, based on the reports they issue.
  - (xxiii) Approve and amend these Regulations, after consideration of a report by the Audit and Control Committee.
  - (xxiv) All the powers delegated by the General Shareholders Meeting. These powers will not be, in turn, able of further delegations by the Board, unless expressly stated in the resolution of the General Shareholders Meeting.
  - (xxv) Ultimate responsible for the existence and maintenance of an adequate and effective internal control systems of financial information (*sistemas de control interno de la información financiera -SCIIF-*).
  - (xxvi) Any other matter that the Board of Directors Regulations or the Capital Companies Act reserve for the consideration of the full Board.
5. Under no circumstances the Board of Directors may delegate those powers that, according to the legislation in force from time to time, are considered non-delegable.
6. The core of the Board of Directors' mission is to approve the Company's strategy and the organisation that is needed in order to put that mission into effect and to oversee managerial employees so as to ensure that it meets the stated objectives and serves the purpose and best interests of the Company.

To this end, the full Board of Directors reserves the authority to approve the general policies and strategies of the Company, in particular, (i) the strategic or business plan

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and the annual management objectives and budget; (ii) the investment and financing policy; (iii) the definition of the structure of the corporate group; (iv) the corporate governance policy; (v) the corporate social responsibility policy; (vi) the policy on the control and management of risks, including tax risks, and the periodic monitoring of internal information and control systems; (vii) the dividend policy and the treasury shares policy, particularly their limits; (viii) the director selection policy; (ix) the general policy for the communication of economic-financial, non-financial and corporate information and contacts with shareholders, institutional investors and proxy advisors and (x) the Succession Plan for the Chairman and Chief Executive Officer of the Company.

7. The Board of Directors will be responsible for agreeing on the emission and admission to trading of the bonds, as to agree to grant guarantees of the emissions of the bonds, in accordance with the provisions of the Articles of Association.
8. Regarding the subsidiaries that may be part of the Company's group and within the limits set by the applicable law; the Board of Directors will have the power to set the bases for an efficient and appropriate coordination between the Company and its subsidiaries. However, the Board of Directors will not affect the autonomy of the management bodies of its subsidiaries, taking into consideration the corporate interests of the Company and of the companies of the group.
9. Without prejudice of the above, the Board of Directors shall obtain the favorable report of the Land Investment Committee for the approval of any acquisition of land for property development in those cases in which the Internal Charter of the Commission requires such report.
10. When there are urgent circumstances, duly justified, the decisions corresponding to the above matters may be adopted by the Chief Executive Officer, which must be ratified at the first Board of Directors meeting to be held after the adoption of the decision.

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**Article 6. Corporate interest**

The Board of Directors shall perform its functions with unity of purpose and independence of judgment, dispensing the same treatment to all equally entitled shareholders and being guided by the Company's best interest, this latter being understood as the achievement of a business that is profitable and sustainable in the long run and that promotes the Company's long-term survival and maximises its economic value.

The Board of Directors, without prejudice to the protection awarded by the business discretion, shall also seek to reconcile the corporate interest with the legitimate interests of any stakeholders who may be affected, while respecting applicable laws and regulations, fulfilling its obligations and contracts in good faith, respecting the customs and good practices of the industries and countries in which it operates and observing any other additional principles of social responsibility that it has freely accepted.

**TITLE III. COMPOSITION OF THE BOARD**

**Article 7. Number of directors**

1. The Board of Directors shall be made up of no fewer than five and no more than 15 members, the exact number to be determined by the General Meeting of shareholders.
2. The Board shall propose to the General Meeting of shareholders the number it considers most appropriate in the Company's changing circumstances, within the limits set by the Articles of Association, for the proper representative and the effectively work of the body, favoring diversity and the appropriate balance of experience and knowledge to enrich decision-making and contribute plural points of view to the debate of the matters dealt with.

**Article 8. Types of directors**

1. In exercising its powers to propose directors to the General Meeting of shareholders and to co-opt directors to fill vacancies, the Board of Directors shall ensure that, as far as possible, on the composition of the body, proprietary and independent directors represent a majority of the Board of Directors, attempting that the number of independent directors represent at least one third of the members of the Board of

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Directors. In addition, it shall be attempted that the number of executive directors is the minimum necessary, taking into account the complexity of the corporate group and the ownership interests of the executive directors in the capital of the Company.

2. The definitions of the different categories of directors shall be those established in applicable laws and regulations or, failing that, in the good corporate governance recommendations applicable to the Company at any given time.
3. The Board shall endeavour to ensure that the ratio of proprietary directors to independent directors reflects the ratio of the shares represented by proprietary directors to the rest of the Company's shares.
4. The Board shall avoid any discrimination between shareholders as regards their access to the Board of Directors through proprietary directors, ensuring that the selection procedures of its members favours as far as possible the diversity of knowledge, experience, age and gender.
5. The Board shall explain to the General Meeting of shareholders the classification of each director that is to be appointed or whose appointment is to be ratified at the meeting. These classifications shall be confirmed or amended, as the case may be, in the annual corporate governance report, once they have been verified by the Appointments and Remuneration Committee. If there is an external director that cannot be considered to be either proprietary or independent, the Company shall explain this circumstance and the person's relationship, whether with the Company or its executives or with the Company's shareholders.

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

##### **Article 9. The Chairman**

1. The Chairman of the Board of Directors shall be elected from among the Board's members, after consideration of a report by the Appointments and Remuneration Committee, in accordance with the Company's Articles of Association.
2. The Chairman shall call and chair meetings of the Board of Directors, draw up the agenda for its meetings, chair the General Meeting of shareholders, ensure that directors

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receive sufficient advance information to be able to deliberate on the items on the agenda, lead the discussion and stimulate debate and active participation.

However, the Chairman shall call a meeting of the Board of Directors in the case provided in article 11.5 of these Regulations and when so requested by at least onethird of the directors, stating the business to be considered at the meeting, in which case a meeting of the Board of Directors shall be called by the Chairman to be held within 15 calendar days of the date of the request. If 15 calendar days after receipt of the request the Chairman has not called a meeting of the Board, the meeting shall be called by the Vice-Chairman, when has been appointed. Notwithstanding this, directors may directly call a meeting in accordance with the law.

3. As the person responsible for the effective functioning of the Board of Directors, besides exercising the functions vested in him by law and under the Articles of Association, the Chairman shall (i) prepare and submit to the Board of Directors a schedule of dates and items of business to be transacted; (ii) organise and coordinate the periodic assessment of the Board; (iii) be responsible for guiding the Board and ensuring that it works effectively; (iv) ensure that sufficient time is devoted to discussion of strategic matters; and (v) agree on and review the professional development programme for each director, when circumstances so advise.

#### **Article 10. The Vice-Chairman**

After consideration of a report by the Appointments and Remuneration Committee, the Board may appoint one or more Vice-Chairmen. Where more than one Vice-Chairman is appointed, each shall be assigned a number. The Vice-Chairman shall take the Chairman's place if the post falls vacant or the Chairman is absent or ill, and when the Chairman so decides. If there is more than one Vice-Chairman, the Vice-Chairmen shall replace the Chairman in the order in which they are numbered.

#### **Article 11. Secretary and Legal Counsel to the Board of Directors**

1. At the proposal of its Chairman and after consideration of a report by the Appointments and Remuneration Committee, the Board of Directors shall elect a Secretary, who shall

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be a Board member or a non-Board member who has the necessary aptitude to perform the functions of the Secretary's position. Where the Secretary of the Board is not a director, he or she shall have the right to speak but not to vote.

To safeguard the Secretary's independence, impartiality and professionalism, the appointment and removal of the Secretary shall be approved by the full Board of Directors, after consideration of a report by the Appointments and Remuneration Committee.

2. The Secretary shall assist the Chairman in his tasks and shall provide for the proper functioning of the Board. In particular, the Secretary shall provide the directors with the necessary advice and information, helping the Chairman ensure that the directors receive the information that is relevant to the exercise of their function sufficiently in advance and in an appropriate format, have custody of corporate documents, faithfully record the proceedings of Board meetings in the minutes book and attest to the resolutions of the Board. The Secretary shall also include in the minutes of Board meetings a record of any concerns raised by directors in relation to the running of the Company that are not resolved by the Board of Directors meeting and any concerns raised by the Secretary or directors in relation to any proposal, when so requested by the person who raised the concern.
3. The Secretary shall take special care to ensure that the actions and decisions of the Board of Directors (i) adhere to the law and applicable regulations; (ii) are consistent with the Articles of Association and the Regulations of the General Meeting of shareholders and the Board of Directors and the Internal Code of Conduct in Securities Markets; and (iii) give due consideration to any recommendations on good governance that may be applicable to the Company.
4. The Board of Directors shall have a Legal Counsel to the Board of Directors, who shall have the functions assigned to him by applicable law. The Secretary or the Deputy Secretary, as the case may be, may act as Legal Counsel to the Board of Directors if he or she is a lawyer and meets the other requirements stated in applicable law.

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5. Where the Chairman of the Board of Directors exercises executive functions, the Board of Directors, with the abstention of the executive directors, shall necessarily appoint a coordinating director from among the independent directors, who shall have special authority to:
  - (i) Request that the Chairman of the Board of Directors call a meeting of the Board when the independent coordinating director considers it appropriate.
  - (ii) Request that items be added to the agenda of meetings of the Board of Directors.
  - (iii) Coordinate, meet with and voice the opinions of the external directors.
  - (iv) Lead the periodic assessment of the Chairman of the Board of Directors and coordinate the succession plan for the Chairman.
  - (v) Chair the Board of Directors in the absence of the Chairman and ViceChairmen, if any.
  - (vi) Be in contact with investors and shareholders to know their views and form an opinion as to their concerns, in particular as regards the Company's corporate governance.
  - (vii) Coordinate the Chairman's plan of replacement.

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

1. The Board of Directors may appoint a Deputy Secretary, who need not be a director, to assist the Secretary of the Board or to perform the Secretary's functions in the Secretary's absence or any other functions or offices held by the Secretary within the Board, including any committees or internal working groups created within the Board of Directors.

To safeguard the Deputy Secretary's independence, impartiality and professionalism, the appointment and removal of the Deputy Secretary shall be approved by the full Board of Directors, after consideration of a report by the Appointments and Remuneration Committee.



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2. Unless decided otherwise by the Board of Directors, the Deputy Secretary may attend meetings of the Board in order to assist the Secretary in drafting the minutes of the session and in the other advising faculties of these Regulations.

**Article 13. Delegate and consultative bodies**

1. Without prejudice to any powers of attorney that may be granted to any person, the Board of Directors may form an Executive Committee, made up of no fewer than five and no more than eight members and at the proposal of the Chairman of the Board may also appoint a CEO, to whom it may wholly or partly delegate all the powers that the law allows it to delegate, either temporarily or permanently. Any such delegation and any appointment of directors to hold such posts shall require a two-thirds majority of the Board of Directors and shall have no effect until it is duly recorded by the Commercial Registry (*Registro Mercantil*).
2. The Board of Directors shall endeavour to ensure that, as far as possible, the composition of the Executive Committee includes at least two non-executive directors, one of whom shall be independent. The Chairman and Secretary of the Executive Committee will be the Chairman and Secretary of the Board of Directors, respectively.
3. The Chairman of the Executive Committee shall report to the Board of Directors on the matters discussed and the resolutions adopted in its sessions, at which minutes shall be taken, a copy of which shall be sent to all the directors.
4. In addition, an Audit and Control Committee, an Appointments and Remuneration Committee and a Land Investment Committee shall be created and given authority to report, supervise, advise and make proposals in matters under their responsibility, as specified in these Regulations and in the corresponding internal regulations of each committee approved, where appropriate, by the Board of Directors.
5. The Board may also create other committees with consultative or advisory functions, although these committees may also, exceptionally, be given decision-making authority. The Chairman, the Secretary and the remaining members of such committees shall be appointed by a simple majority of the Board of Directors.

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6. The committees created by the Board of Directors will be governed by this Regulations and by their respective internal regulations.
7. Without prejudice of the foregoing, and in accordance with the provisions included in article 41 of the Articles of Association, any resolution modifying the internal regulations or the rules regarding the composition or the powers of the Land Investment Committee, as well as the resolutions regarding the appointment or termination of its members, will required the favorable vote of, at least, two thirds of the members of the Board.

**Article 14. Audit and Control Committee. Composition, responsibilities and functioning**

1. The Board of Directors shall create a standing Audit and Control Committee, as an internal reporting and consultative body with no executive functions but with authority to report, advise and make proposals within the scope of its activities, as indicated in this article. The Audit and Control Committee shall be made up of no fewer than three and no more than five directors, appointed by the Board of Directors itself, all of whom shall be non-executive directors. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial. Likewise, as a whole, the members of the committee shall have the relevant technical knowledge in relation to the sector of activity to which the audited entity belongs, in this case, the real estate sector.
2. The Board of Directors will also appoint its Chairman as well as the Chairman of the Audit and Control Committee from among the independent directors that are members of that Committee. In addition, the Board of Directors also may appoint a ViceChairman if deemed appropriate, .being applicable to the appointment of the ViceChairman the provisions for the appointment of the Chairman.
3. The position of Secretary of the Audit and Control Committee will be performed by the person appointed by the Board of Directors. The Secretary of the Audit and Control Committee may not be a member of such Committee, in which case it may not be a

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member of the Board of Directors. The Secretary of the Audit and Control Committee may be the Secretary of the Board of Directors or different to the Secretary of the Board of Directors.

4. The directors who sit on the Audit and Control Committee shall continue to hold their post for so long as they remain directors of the Company, unless the Board of Directors resolves otherwise. The renewal, re-election and removal of directors who serve on the Audit and Control Committee shall be governed by the resolutions of the Board of Directors.

The position of Chairman shall be held for a maximum of three years, at the end of which the Chairman may not be re-elected as Chairman until one year has passed after leaving office, although he or she may continue or be re-elected as a member of the committee.

5. In addition to any other tasks that may be assigned to it from time to time by the Board of Directors, the Audit and Control Committee shall exercise the following basic functions:
  - (i) Report to the General Meeting of shareholders on matters raised by shareholders in the General Meeting that fall under its responsibility and, in particular, in relation to the result of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Committee has performed in this process.
  - (ii) Identify, supervise and evaluate the effectiveness of the internal control of the Company and its group, the internal audit and their systems for managing risks, both financial and non-financial relating to the Company and, where appropriate, the group - including tax, operational, technological, legal, social, environmental, political and reputational risks, and risks relating to corruption - and analyze, in collaboration with the auditors, any significant weaknesses of the internal control system detected during the external audit, without affecting its independence. For these purposes and, if applicable, they may present

recommendations or proposals to the Board and the corresponding term for its monitoring.

- (iii) Supervise and evaluate the preparation and presentation of the statutory financial and non-financial information relating to the Company and, if applicable, to the Group, reviewing compliance with regulatory requirements, the accurate delimitation of the consolidation perimeter, and the correct application of accounting principles. and present recommendations or proposals to the Board of Directors directed to safeguard its integrity.
- (iv) To assist the Board of Directors in the supervision of the process of preparation and presentation of the mandatory financial and non-financial information and to submit recommendations or proposals to the Board of Directors, aimed at safeguarding the integrity of such information.
- (v) Make proposals to the Board of Directors, for submission to the General Meeting of shareholders, regarding the selection, appointment, re-election and replacement of the external auditors, taking responsibility of the process of selection, in accordance with applicable laws and regulations, as well as the terms of the audit engagement, and regularly gather information from the external auditors regarding the audit plan and its execution, while also preserving the auditors' independence in the exercise of their functions.
- (vi) Supervise the activity of the Company's internal audit function reporting organically to the Chairman of the Audit and Control Committee and monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit function; propose the function's budget; approve or make a proposal for approval to the Board of the priorities and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks the Company is exposed to (including reputational risk); receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

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- (vii) Establish appropriate relationships with the external auditors in order to receive information, for examination by the Audit and Control Committee, on matters that may threaten the auditors' independence and any other matters relating to the audit process, and, where applicable, the authorization of the services other than those prohibited in the terms set out by applicable law, as well as any other communications provided for in audit legislation and other audit standards. In any event, the Audit and Control Committee shall receive, each year, written confirmation from the external auditors of their independence from the Company and entities directly or indirectly related to it and individualized and detailed information about any additional services of any kind rendered and the corresponding fees received from these entities by the external auditor or by the persons or entities related to it, in accordance with audit legislation.
- (viii) Issue a report each year, prior to the audit report, expressing an opinion on whether the independence of the external auditors or audit companies is jeopardized. This report shall give an opinion on the provision of the additional non-audit services referred to in the preceding paragraph, both individually considered and as a whole, and in relation to the auditors' independence regime or to the audit regulations.
- (ix) Report to the Board of Directors, prior to Board meetings, on all matters provided by law, the Articles of Association or the Board of Directors Regulations and, in particular, on the following matters: (i) the financial information and the management report, which shall include, where appropriate, the mandatory non-financial information that the Company must publish periodically and (ii) the creation or acquisition of interests in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens.
- (x) Report on related party transactions to be approved by the General Shareholders' Meeting or the Board of Directors, as the case may be, and supervise the internal procedure for transactions whose approval has been delegated.

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- (xi) Report on the acquisitions that entail or may entail a conflict of interest.
- (xii) Report on any corporate structural modification intended to be carried out, its economic conditions and its accounting implications, specially, where appropriate regarding the applicable exchange rate.
- (xiii) Establish and supervise a mechanism that allows employees and other persons related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance of any nature, that they notice within the Company or its group. confidentially report any potentially serious irregularities within the Company, especially financial or accounting irregularities, as well as those that could entail criminal responsibility for the Company.
- (xiv) In general, ensure that the internal control policies and systems established are applied effectively in practice.
- (xv) Ensure that the preparation of anual accounts by the Board of Directors are drawn up in accordance to accounting legislation. Furthermore, in those cases where the auditors includes any qualification in its report, the Chairman of the audit committee should give a clear explanation at the general meeting of their opinion regarding the scope and content, making a summary of that opinion available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the Board.
- (xvi) Supervise compliance with the policies and rules of the Company in the environmental, social and corporate governance areas, and internal rules of conduct. In particular, the Committee shall be responsible for:
  - (i) Supervise compliance with the Company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.
  - (ii) Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as

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well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.

(iii) Periodically evaluate the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

(iv) Ensure the Company's environmental and social practices are in accordance with the established strategy and policy.

(v) Monitor and evaluate the Company's interaction with its stakeholder groups.

6. Additionally, the Audit and Control Committee will be empowered to carry out all those faculties provide for in the Internal Charter of the Audit and Control Committee approved, where appropriate by the Board of Directors. In addition, it shall assume the functions of the Audit and Control Committee contemplated at any time in the legislation in force.
7. The Audit and Control Committee shall meet quarterly in ordinary session to review the periodic financial information that must be mandatorily submitted to the stock market authorities, or that the Board may voluntarily decide to publish, as well as the information the Board of Directors must approve and include in its annual public documentation. It shall also meet at the request of any of its members and when convened by its Chairman, who must call a meeting whenever the Board of Directors or its Chairman requests the issuance of a report or the adoption of proposals and whenever necessary for the proper performance of its functions.
8. Meetings of the Audit and Control Committee shall be duly convened when a majority of the members are present in person or by proxy and resolutions shall be adopted by absolute majority vote. In the event of a tie, the Chairman of the Audit and Control Committee shall not have a casting vote.

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9. Minutes shall be taken of the committee's meetings and a copy of the minutes shall be sent to all the members of the Board of Directors.
10. The Audit and Control Committee shall prepare an annual report on its activities, highlighting any material incidents that have occurred in relation to its specific functions. Where the Audit and Control Committee considers it appropriate, said report may also include proposals aimed at improving the Company's rules of governance.
11. The Audit and Control Committee may call any member of the management team and any Company employee to attend its meetings, even without the presence of any other managerial employees. Any person called to attend shall be obliged to come before the Audit and Control Committee, collaborate with the committee and provide any information they may have at their disposal. The committee may also call on the external auditors to attend its meetings.
12. Where considered necessary to enable it to perform its functions more effectively, the Audit and Control Committee may take advice from outside experts.
13. The Company shall have an internal audit department, which, under the supervision of the Audit and Control Committee, shall oversee the proper functioning of the information and internal control systems. The internal audit function shall report functionally to the non-executive Chairman of the Board or to the Chairman of the Audit and Control Committee. The head of the internal audit department shall submit the department's annual work plan to the Audit and Control Committee, ensuring that its activity focuses primarily on the main risks the Company is exposed to (including reputational risk). He shall also report to the committee any incidents that may occur in the exercise of the internal audit function, the execution of projects, the results and the follow-up of the Committee's recommendations, and at the end of each year shall present the committee with a report on the department's activities.
14. Additionally, with regard to the external auditor, the Committee shall have the following competences:



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- (i) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- (ii) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- (iii) Ensure that the Company notifies any change of external auditor through the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- (iv) Ensure that the external auditor has a yearly meeting with the Board in full to inform it of the work undertaken and developments in the Company's risk and accounting positions.
- (v) Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

**Article 15. Appointments and Remuneration Committee.  
Composition, responsibilities and functioning**

1. The Board of Directors shall create a standing Appointments and Remuneration Committee, as an internal reporting and consultative body with no executive functions but with authority to report, advise and make proposals with the scope of its activities, as indicated in this article. The Appointments and Remuneration Committee shall be made up of no fewer than three and no more than five directors, appointed by the Board of Directors at the proposal of the Chairman of the Board, all of whom shall be non-executive directors. A majority of the members of the Appointments and Remuneration Committee shall be independent directors.
2. The Board of Directors will also appoint its Chairman from among the independent directors that are members of that Committee. In addition, the Board of Directors also may appoint a Vice-Chairman if deemed appropriate, being applicable to the appointment of the Vice-Chairman the provisions for the appointment of the Chairman.
3. The position of Secretary of the Appointments and Remuneration Committee will be performed by the person appointed by the Board of Directors. The Secretary of the

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Appointments and Remuneration Committee may not be a member of such Committee, in which case it may not be a member of the Board of Directors. The Secretary of the Appointments and Remuneration Committee be the Secretary of the Board of Directors or different to the Secretary of the Board of Directors.

4. The directors who sit on the Appointments and Remuneration Committee shall continue to hold their post for so long as they remain directors of the Company, unless the Board of Directors resolves otherwise. The renewal, re-election and removal of directors who serve on the Appointments and Remuneration Committee shall be governed by the resolutions of the Board of Directors.
5. In addition to any other tasks that may be assigned to it from time to time by the Board of Directors, the Appointments and Remuneration Committee shall independently exercise the following basic functions:
  - (i) Assess the competencies, knowledge and experience required on the Board of Directors. For this purpose, it shall define the functions and aptitudes required of candidates for each vacancy and shall assess the time and commitment required of them in order to be able to perform their duties effectively.
  - (ii) Set a target for the representation of the gender that is less well represented on the Board of Directors and develop guidelines on how to achieve that target.
  - (iii) Make recommendations to the Board of Directors for the appointment of independent directors, whether through co-option by the Board or for submission to the General Meeting of shareholders, and for the re-election or removal of such directors by the General Meeting of shareholders.
  - (iv) Report on proposals for the appointment of the other directors, whether through co-option by the Board or for submission to the General Meeting of shareholders, and on proposals for the re-election or removal of such other directors by the General Shareholders Meeting.
  - (v) Report on proposals for the appointment or removal of managerial employees and the basic terms of their contracts.

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- (vi) Examine and organise, in coordination with the Lead Independent Director, the succession of the Chairman of the Board of Directors and the CEO of the Company and, where appropriate, make recommendations to the Board of Directors to ensure that the succession is orderly and planned.
  - (vii) Make proposals to the Board of Directors for the policy on the remuneration of directors and executive directors, or managerial employees who report directly to the Board, an Executive Committee or a managing director, as well as the individual remuneration and other contractual terms of executive directors, ensuring and monitoring compliance.
6. Additionally, the Appointments and Remuneration Committee will be empowered to carry out all those tasks included in the Internal Charter of the Appointment and Remuneration Committee approved, where appropriate, by the Board of Directors.
  7. The Appointments and Remuneration Committee shall meet quarterly or, at least, four times a year in ordinary session. It shall also meet at the request of any of its members and when convened by its Chairman, who must call a meeting whenever the Board of Directors or its Chairman requests the issuance of a report or the adoption of proposals and whenever necessary for the proper exercise of its functions.
  8. Meetings of the Appointments and Remuneration Committee shall be duly convened when a majority of the members are present in person or by proxy and resolutions shall be adopted by absolute majority vote.
  9. Minutes shall be taken of the committee's meetings and a copy of the minutes shall be sent to all the members of the Board of Directors.
  10. The committee shall consult the Chairman and the CEO of the Company, especially in matters concerning executive directors and managerial employees.
  11. Where considered necessary to enable it to perform its functions more effectively, the Appointments and Remuneration Committee may take advice from outside experts, taking care to ensure that conflicts of interest do not adversely affect the independence of the external advice provided to the committee.

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

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

1. The Board of Directors shall meet as frequently as necessary for the proper exercise of its functions and, at least, quarterly, following the schedule of dates and items of business established at the beginning of the year, although each director may request that new items be added to the agenda, provided the request is submitted at least three calendar days in advance of the date set for the meeting.
2. The Board of Directors shall also meet, at the initiative of the Chairman, as many times as the Chairman deems appropriate for the smooth running of the Company and also when requested in the terms provided in articles 9.2 and 11.5 above.
3. Notice of meetings of the Board of Directors shall be given by the Secretary of the Board or a substitute, with the authorisation of the Chairman of the Board, by any means that will ensure it is received by each of the directors listed in the Company's records. The notice shall be issued at least seventy two hours before the day of the meeting. The notice shall always include the agenda for the meeting and shall be accompanied by the relevant information, duly prepared and summarised.
4. The agenda of Board meetings shall clearly indicate the items of business on which the Board of Directors must adopt a decision or resolution, so that the directors may investigate or gather the necessary information in advance. When, exceptionally and for reasons of urgency, the Chairman wishes to submit to the approval of the Board of Directors decisions or resolutions that do not appear in the agenda, the prior express consent of a majority of the directors present shall be required and shall be duly recorded in the minutes.
5. The Chairman of the Board of Directors may call extraordinary meetings of the Board when, in the Chairman's opinion, the circumstances justify a meeting, in which case the notice period and the other requirements stated in the previous section shall not apply. Nevertheless, any documentation that must be provided to the directors shall be

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delivered sufficiently in advance, unless the meeting is formed or is called exceptionally for reasons of urgency.

6. Notwithstanding the foregoing, meetings of the Board of Directors are considered to be duly convened with no need for prior notice if all of the Board's members present in person or by proxy unanimously consent to hold a meeting and agree on the business to be transacted. Similarly, if no director objects, votes of the Board of Directors may be conducted in writing, without a meeting. The vote may be issued in writing or via email, as long as the determination of the identity of the issuer is guaranteed.
7. The Board shall prepare an annual schedule of ordinary meetings.
8. The Board of Directors shall hold its meetings at the registered office, unless another meeting place is indicated in the notice of the meeting.
9. The Board of Directors may also meet simultaneously in multiple locations connected by systems that allow the participants to be recognised and identified, allow continuous communication among the participants wherever they are and allow participation and voting, all this in real time. Subject to the foregoing, Board of Directors meeting may take place by means of phone or video conferences, or any other similar means.

Wherever the participants are, for the purposes of the Board of Directors they shall be considered to be attending the same single meeting. The meeting shall be deemed to be held in the place where there is the largest number of directors or, in the event of a tie, where the Chairman of the Board of Directors or the person chairing the meeting in the Chairman's place is located.

#### **Article 17. Conduct of meetings**

1. The Board of Directors shall be duly convened when one-half plus one of the full number of directors decided upon by the General Meeting is present in person or by proxy, even if not all director positions have been filled or positions have fallen vacant. Only the members of the Board shall be entitled to attend Board meetings. However, members of the Group's management team and certain external advisors may be invited to attend whenever deemed necessary and appropriate. Invited guests shall be present

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only for the time necessary for the discussion of the agenda item that justifies their presence at the meeting and shall leave the meeting once said discussion has been completed and in any case before voting, as the case may be, and under no circumstances shall they be permanently present at the meeting.

2. Directors shall do everything in their power to attend Board meetings and when they cannot attend in person, shall in writing appoint another member of the Board as proxy, each appointment being specific to the meeting concerned, giving appropriate instructions and notifying the appointment to the Chairman of the Board of Directors. Non-executive members of the Board of Directors may only appoint other nonexecutive members as their proxy. Any non-attendance by directors at Board meetings shall be reported in the annual corporate governance report.
3. The Chairman shall organise and stimulate the debate, seeking and promoting the active participation of all the directors in the Board's deliberations and safeguarding their freedom to take positions and express opinions.
4. Except where the law or the Articles of Association specifically establish other voting rules, resolutions shall be adopted by absolute majority of the directors present at the meeting. In particular, the appointment, removal and agreements to terminate of CEOs, as well as the previous approval of contracts to be entered into between the  

Company and directors who are given executive functions will require the favourable vote of at least two thirds of the members of the Board, with the abstention, where applicable, of the affected director. In the event of a tie, the Chairman will not have a casting vote.
5. Minutes shall be taken of the meetings of the Board of Directors and shall be signed by at least the Chairman (or Vice-Chairman, where appropriate) and the Secretary or Deputy Secretary. The minutes shall be transcribed or recorded, in accordance with legal requirements, in a special minutes book of the Board of Directors.
6. The minutes shall be approved by the Board of Directors at the end of the meeting or in a later meeting.

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**Article 18. Annual assessment**

1. Each year, the Board of Directors shall assess (i) its own functioning and the quality of its work; (ii) the performance of the Chairman of the Board of Directors and the CEO, if any, based on the report submitted by the Appointments and Remuneration Committee; (iii) the diversity of the composition and powers of the Board of Directors; and (iv) the functioning of the Board's committees, based on the reports they submit to the Board. To do this, the Chairman of the Board of Directors shall organise and coordinate the assessment process with the Chairmen of the committees.

The result of the annual assessment shall be recorded in or annexed to the minutes of the meeting.

2. Where the Chairman of the Board of Directors exercises executive functions, his assessment shall be led by the independent director specially empowered for this purpose as provided in article 11.5 above.
3. Every three years the Board of Directors shall be assisted in carrying out the assessment by an outside consulting firm whose independence shall be verified by the Appointments and Remuneration Committee.
4. Any business relationship the consulting firm or any firm in its group may have with the Company or any company in its Group shall be disclosed in the annual corporate governance report. Likewise, the assessment process and the areas assessed shall be described in the annual corporate governance report.
5. Based on the results of the annual assessment, the Board of Directors shall propose an action plan to correct any deficiencies detected as regards:
  - (i) The quality and efficiency of the functioning of the Board of Directors and its delegated bodies.
  - (ii) The functioning and composition of the Board's committees.
  - (iii) Diversity in the composition and competencies of the Board of Directors.
  - (iv) The performance of the Chairman of the Board of Directors and the CEO of the Company.

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- (v) The performance and the contribution of each director, paying special attention to the heads of the various Board committees.

## **TITLE VI. APPOINTMENT AND REMOVAL OF DIRECTORS**

### **Article 19. Appointment and re-election of directors**

1. Directors shall be individuals appointed by the General Meeting or the Board of Directors by coopt, after consideration of a report by the Appointments and Remuneration Committee or, in the case of independent directors, at the proposal of the Appointments and Remuneration Committee, in accordance with applicable laws and regulations, the Articles of Association and these Regulations, and the Company's director selection policy.
2. The proposals for appointment and re-election of directors submitted by the Board of Directors to the consideration of the General Shareholders' Meeting and the appointment decisions adopted by said body by virtue of the co-optation powers legally attributed to it, must be preceded by the proposal of the Appointments Committee, in the case of independent directors, or by the report of the Appointments Committee, in the case of the other nature of directors. Both proposals require a prior analysis of the competences required by the Board, favoring diversity of knowledge, experience, age and gender.
3. Newly appointed directors shall quickly acquire sufficient knowledge of the Company and its corporate governance rules.
4. Members of the Board of Directors shall be subject, where applicable, to Law 53/1984 of 26 December on incompatibilities affecting government employees, Law 3/2015 of 30 March on the exercise of the senior government and other rules on incompatibilities.
5. The Board of Directors shall endeavour to ensure that the chosen candidates are people of recognised standing, competence and experience, exercising extreme care in selecting people to fill independent director positions. These qualifications shall be written up in the Appointments Committee's explanatory report to accompany the proposal for appointment and re-election of directors.



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6. Before making proposals to the General Meeting of shareholders for the re-election of directors, the Board of Directors, with the abstention of the directors concerned, shall assess the quality of the directors' work and performance during their previous term of office.

**Article 20. Term of office**

1. Directors shall be elected for a term of three years, after which they may be re-elected one or more times for similar terms of no more than four years.
2. Director appointments shall become void when, the term of office having expired, the following General Meeting of shareholders has been held or the period provided by law for holding the General Meeting of shareholders that is to receive the accounts for the preceding financial year has expired.
3. Directors who have been co-opted onto the Board shall exercise their position until the first meeting of the General Meeting of shareholders after their appointment and shall cease to exercise their position if the General Meeting of shareholders does not ratify their appointment. If the vacancy arises when the General Meeting is already convened and before it is held, the Board of Directors may appoint a director until the next General Meeting is held.
4. No independent director shall continue to serve as an independent director for a continuous period of more than 12 years.

**Article 21. Removal of directors**

1. Directors shall relinquish their position at the end of the period for which they were appointed or when so decided by the General Meeting of shareholders, using the authority granted to it by law or the Articles of Association.
2. Directors shall tender their resignation to the Board of Directors and, if the Board considers it appropriate, shall resign in the following circumstances:
  - (i) When they cease to hold the executive positions with which their appointment as directors was associated.

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- (ii) When they are affected by any of the rules on incompatibility or legal prohibition prescribed by law or the Articles of Association.
  - (iii) When they are seriously admonished by the Board of Directors for violating their duties as directors.
  - (iv) When their continued presence on the Board is likely to threaten or harm the interest, credibility or reputation of the Company or when the reasons for which they were appointed cease to apply included, but not limited to, when significant changes occur in connection with their professional status or in the circumstances under which they were appointed.
  - (v) When criminally charged or subject to disciplinary procedures for misdemeanours instructed by supervisory authorities.
  - (vi) In the case of proprietary directors, (i) when the shareholder they represent sells all or a significant part of its shareholding and (ii) by an appropriate number, when said shareholder reduces its shareholding to a point where the number of proprietary directors must be reduced.
  - (vii) When appointed to more than four boards of directors of other listed companies (excluding the Company).
  - (viii) When, due to acts and events attributable to the directors, his or her permanence in the Board of Directors may entail great harm to the Company's reputation, according to the Company.
3. Where, due to resignation or for any other reason, a director relinquishes the position before the relevant term of office expires, the director shall explain the reasons for the resignation in a letter which shall be sent to all the members of the Board. The reason for the resignation shall also be reported in the annual corporate governance report, and if it is relevant for investors, the Company should publish an announcement of the departure as promptly y as posible, with sufficient reference to the reasons or circumstances provided by the director.

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4. The Board of Directors may only propose the removal of an independent director before the term of office specified in the Articles of Association has expired when the Board of Directors considers there to be good cause, based on a report from the Appointments and Remuneration Committee. In particular, good cause shall be considered to exist when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a Board member, if the director has failed to perform the duties of the position or come under one of the disqualifying grounds for classification as independent according to applicable laws and regulations or, failing this, to the good corporate governance recommendations applicable to the Company from time to time. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the Company's capital structure, provided the changes in Board membership ensue from the good corporate governance recommendations applicable to the Company from time to time.

**Article 22. Objectivity of voting**

Directors who are the subject of proposals for appointment, re-election or dismissal shall refrain from participating in the deliberations and voting on those proposals.

**TITLE VII. INFORMATION TO BE PROVIDED TO DIRECTORS**

**Article 23. Authority to request information and carry out inspections**

1. Directors have the duty to diligently inform themselves regarding the on-going businesses of the Company and, to that end, directors may request information on any matter within the Board's authority and so may examine the Board's books, records, documents and other documentation. The right to request information will also be applicable with regard to subsidiary companies and participated entities, whenever this was possible.
2. Requests for information shall be addressed to the Secretary of the Board, who shall pass them on to the Chairman of the Board of Directors and the appropriate person in the Company.

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3. The Secretary shall notify the director of the confidential nature of the information requested and received and of the director's duty of confidentiality under these Regulations.
4. The Chairman may refuse the information if he or she considers: (i) that the information is not needed for the proper exercise of the director's functions or (ii) that the cost of the information is unreasonable in view of the importance of the problem and the scale of the Company's assets and revenues.

**Article 24. Expert advice and professional development programmes**

1. All directors may obtain from the Company such advice as may be required to enable them to exercise their functions. To this end, the Company shall open the necessary channels, which in special circumstances may include external advice at the Company's expense.

The advice sought shall necessarily concern specific problems of some importance and complexity that have arisen in the performance of the director's duties.

2. The decision to hire external advisors at the Company's expense shall be notified to the Chairman of the Board of Directors of the Company and may be vetoed by the Board of Directors if it can show:
  - (i) that the advice is not needed for the proper exercise of the director's functions;
  - (ii) that the cost of the advice is unreasonable in view of the importance of the problem and the scale of the Company's assets and revenues; or
  - (iii) that the specialised assistance sought can be adequately provided by the Company's own experts and specialists.
3. The Company shall also offer directors professional development programmes where circumstances so advise, independently of the knowledge required of the directors for the exercise of their functions.

## **TITLE VIII. REMUNERATION OF DIRECTORS**

### **Article 25. Remuneration of directors**

1. Directors shall be entitled to receive the remuneration established in the Articles of Association and in the Remuneration Policy. The total amount effectively paid to the directors shall not exceed the amount established by the General Shareholders Meeting.
2. The specific distribution and the specific amount corresponding to each director will be determined by the Board of Directors in accordance with the directors remuneration policy, to be approved, at least, every three years by the General Shareholders Meeting. For this distribution, the Board of Directors will take into account the tasks and the assistance to the different committees.
3. Directors remuneration shall be in reasonable proportion to the size of the Company, the economic situation at any given time and market rates of remuneration in companies of a similar size in similar sectors and that each director's level of commitment to the Company is taken into account. The remuneration system shall be designed to promote the long-term profitability and sustainability of the Company and shall include the necessary safeguards to avoid excessive risk taking and adverse results. Specifically, the remuneration system, in case of including variable elements, will set the limits and the necessary cautions to ensure that the variable remuneration is linked to the professional performance of the beneficiaries and its no the consequence market conditions.
4. The Board of Directors shall also take steps to ensure that the amount of the remuneration of external directors is such as to offer incentives for dedication but without compromising their independence.
5. Remuneration linked to the Company's earnings shall take into account any qualifications in the external auditor's report that reduce those earnings.

If the annual accounts on which said remuneration was based have to be restated, the Board of Directors shall decide whether it is necessary for all or part of the variable remuneration to be cancelled or repaid.

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6. Remuneration consisting of the delivery of shares of the Company or of group companies, options on shares or instruments linked to the value of the shares, longterm savings schemes such as pension plans, retirement schemes or other pension and insurance schemes and variable remuneration linked to the Company's profitability or to personal performance shall, as a general rule, be limited to executive directors, although external directors may participate in remuneration systems that entail the delivery of shares where delivery is subject to the holding of the shares throughout the period of office as a director. The above shall not apply to any shares a director needs to sell in order to cover the costs related to their acquisition.
7. Each year, the Board of Directors shall prepare a report on directors' remuneration in the terms established by applicable laws and regulations.

Said report shall be made available to the shareholders at the time of the notice of the Annual General Meeting and shall be submitted to an advisory vote as a separate item on the agenda.

## **TITLE IX. DIRECTORS' DUTIES**

### **Article 26. General obligations of directors**

1. In the performance of their duties, directors shall act with the care of prudent businessmen and the loyalty of faithful representatives, taking into account the nature of the position and the functions attributed to each one. Their actions shall be guided exclusively by good faith and the corporate interest, aiming to defend and protect the interest of the shareholders as a whole, from whom they have their mandate and to whom they render account. In particular, directors are obliged to:
  - (i) Be informed and prepare adequately for meetings of the Board of Directors and any Board committees of which they are members;
  - (ii) Attend the meetings of the Board of Directors and participate actively in deliberations, so that their judgment contributes effectively to decision making.

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- (iii) A director who is unable, for good reason, to attend a meeting to which he or she has been called shall give instructions to the director who is to act as representative.
- (iv) Contribute (especially the independent directors) their strategic vision and new concepts, criteria and measures to foster optimal development and growth of the Company's business.
- (v) Perform their functions in accordance with the principle of personal responsibility, exercising their own judgment, independently of any instructions from or ties with third parties.
- (vi) Carry out any specific task that the Board of Directors or any of its delegate or consultative bodies may assign to them and that is reasonably within the scope of their responsibilities.
- (vii) Promote the investigation and report immediately to the Board of Directors any irregularity in the Company's management that may come to their notice and the monitoring of any risk situation.
- (viii) Call on persons with the necessary authority to call an extraordinary meeting of the Board of Directors when they consider there to be matters that require discussion, or to add such matters to the agenda of the next meeting that is to be held.
- (ix) Oppose any resolutions that are against the law, the Company's Articles of Association or the Company's best interest and have their position placed on record whenever they consider it necessary in order to safeguard the Company's interests. Independent directors and other directors who are not affected by the potential conflict of interest shall make a point of clearly stating their opposition to any decisions that may be contrary to the interests of shareholders who are not represented on the Board of Directors.

If the Board of Directors adopts significant or repeated decisions about which a director has expressed serious reservations, the director shall draw the

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appropriate conclusions and, if he or she chooses to resign, shall state the reasons in her letter of resignation.

The provisions of this section shall apply to the Secretary and, if applicable, to the Vice Secretary of the Board, even if they are not directors.

2. Directors shall devote sufficient time and effort to their function to be able to perform it effectively and so shall inform the Appointments and Remuneration Committee of their other professional obligations, in case those obligations might interfere with their commitments as directors of the Company.

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

1. Directors shall keep the deliberations of the Board of Directors and any delegate bodies of which they are members secret and, in general, shall refrain from revealing any information to which they have had access in the exercise of their office.
2. The obligation of confidentiality shall continue even after directors have ceased to exercise their position. Directors shall keep secret all confidential information and all information, data, reports or background details that may have come to their knowledge as a result of having exercised the position, which shall not be communicated to third parties or otherwise disclosed when such disclosure could be contrary to the Company's interests. The duty of confidentiality referred to in this paragraph shall not apply in cases where the law allows the information to be communicated or disclosed to third parties or where the information is requested by or must be submitted to the supervisory authorities, in which case the information shall be conveyed as required by law.

**Article 28. Non-competition obligation**

1. Directors shall refrain from carrying on any activities for their own account or on behalf of others that actually or potentially entail effective competition with the Company or that in any way place the directors in permanent conflict with the interests of the Company.
2. The obligation not to compete with the Company may only be waived if no harm is expected to result for the Company or if any foreseeable harm is likely to be outweighed



by the benefits that are expected to be obtained from the waiver. The waiver shall be granted by express, separate resolution of the General Meeting.

3. At the request of any shareholder, the General Meeting shall resolve on the removal of any director who carries on competitive activities when the risk of harm to the Company has become significant.

**Article 29. Conflicts of interest**

1. A conflict of interest shall be deemed to exist where the interest of the Company or of a company in its Group clashes, directly or indirectly, with the personal interest of a director. A director shall be considered to have a personal interest in a matter when the issue affects him or a person related to him or, in the case of a proprietary director, the shareholder or shareholders that proposed or obtained the director's appointment or people directly or indirectly related to said shareholder or shareholders.
2. For the purposes of these Regulations, the following terms have the following meanings:
  - (i) Persons related to a director who is an individual:
    - a) The spouse or persons with an analogous affective relationship.
    - b) Ancestors, descendants and siblings of the director or of the director's spouse (or person with an analogous affective relationship).
    - c) The spouses of the director's ancestors, descendants and siblings.
    - d) In companies or entities in which the director holds directly or indirectly, including through an intermediary, a shareholding that gives him significant influence or holds a position in the administrative body or in senior management of such companies or their parent company. Significant influence shall be presumed to be conferred by any shareholding equal to or exceeding 10% of the share capital or of the voting rights or by virtue of which it has been possible to obtain, legally or the facto, a representation in the management body of the Company.

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- e) Companies or entities in which the director or any person related to the director, either directly or through an intermediary, holds a position as director or managerial employees or from which the director or related person receives emoluments for whatever reason.
  - f) In the case of proprietary directors, in addition, the shareholders at whose proposal the director was appointed.
- (ii) Persons related to a corporate director:
- a) Members who, with respect to the corporate director, are in any of the situations envisaged in article 42 of the Commercial Code.
  - b) Companies that form part of the same group, as this term is defined in article 42 of the Commercial Code, and their members.
  - c) The individual who acts as representative, the de jure and de facto directors, the liquidators and the legal representatives with general powers of attorney of the corporate director.
  - d) Persons who, with respect to the representative of the corporate director, are classified as related parties in accordance with the provisions of section 2.(i) of this article with regard to directors who are individuals.
3. Directors shall report conflicts of interest, both direct and indirect, to the Board of Directors and shall refrain from acting as representatives of the Company in the transaction to which the conflict refers, with such exceptions as may be established by applicable law. In addition, the Company shall inform, when appropriate according to the law, about any conflict of interest situation that had affected the directors (or any related party thereto) during the exercise at stake and of which it has knowledge by virtue of a communication of the affected party or by any other means. Directors' conflicts of interest situations will be disclosed in the notes to the Company's annual accounts.

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**Article 30. Use of the Company's assets**

Directors shall not use the Company's assets, including the Company's confidential information, nor use their position in the Company to obtain an economic advantage, unless it is in exchange for consideration given.

**Article 31. Non-public information**

Directors shall adhere to the standards of conduct established in securities market regulations, in particular the standards set forth in the Company's Internal Rules of Conduct in the Securities Markets regarding the treatment of inside information and material information.

**Article 32. Business opportunities**

1. Directors shall not take advantage of a business opportunity of the Company for their own benefit or for the benefit of persons related to them, within the meaning of article 29 of these Regulations, unless they have previously offered the opportunity to the Company and the Company has declined to take advantage of it.
2. For the purposes of the previous section, a business opportunity means any opportunity to make an investment or enter into a commercial transaction that has arisen for or been discovered by the director through the exercise of his position as director, or using means and information belonging to the Company, or under circumstances such that it is reasonable to assume that the counterparty's offer was in fact addressed to the Company.

**Article 33. Indirect transactions**

Directors are in breach of their duty of loyalty to the Company if they knowingly allow or fail to report the existence of transactions carried out by the related persons indicated in article 29 of these Regulations that have not been subject to the conditions and controls provided for in the previous articles.

**Article 34. Directors' duty of disclosure**

1. Directors shall inform the Company of any shares of the Company held by them, whether directly or indirectly through the related persons indicated in article 29 of these

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Regulations, all this in accordance with the Company's Internal Rules of Conduct in the Securities Markets.

2. Directors shall also inform the Company of any positions held by them on the management bodies of other companies and, in general, of any facts, circumstances or situations that may be relevant to their activities as directors of the Company, in accordance with these Regulations. In this respect, directors of the Company shall not hold more than ten directorships in other companies that do not belong to the Company's Group, of which no more than four may be of listed companies.
3. Furthermore, directors shall inform the Company of any circumstances that may harm the Company's name and reputation and, in particular, shall inform the Board of any criminal proceedings in which they are defendants or investigated and the progress of such proceedings.

If a director is charged with or stands trial for any of the offences indicated in corporate law, the Board of Directors shall examine the case at the earliest opportunity and shall decide, in view of the specific circumstances, whether or not it is appropriate for the director to continue in office, or shall adopt some other measure. All such circumstances shall be reported and explained in the annual corporate governance report, unless there are special circumstances that justify it.

#### **Article 35. Transactions with directors and significant shareholders**

1. The Company or its subsidiaries shall not enter into any transaction with directors or significant shareholders, as defined in applicable securities market regulations, or with shareholders who proposed the appointment of any of the Company's directors, or with persons related to them, as defined in the regulations governing related party transactions and, if applicable with respect to directors and shareholders related to proprietary directors, in the Company's internal regulations, without the authorisation of the Board of Directors or, where there is urgency, the Executive Committee, if one has been created, or the CEO, for subsequent ratification by the Board of Directors, in both cases after consideration of a report by the Audit and Control Committee.

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2. Before authorising the Company to enter into transactions of this nature, the Audit and Control Committee and the Board of Directors or Executive Committee shall assess the transaction from the point of view of equality of treatment of shareholders and market conditions.
3. The Board of Directors may delegate the approval of those related party transactions between companies that are part of the same corporate group that carried out within the scope of ordinary management and under market conditions, and those others that simultaneously meet the following three conditions:
  - (i) they are entered into under contracts whose terms and conditions are standardised and apply collectively to a large number of customers; (ii) they are entered into at market prices or rates, set on a general basis by the person supplying the goods or services; and (iii) their amount does not exceed 0,5% of the Company's annual revenue.
4. The Board of Directors shall establish, in relation to the related party transactions of the preceding section, an internal procedure of information and periodic control, in which the Audit Committee shall participate and which shall verify the fairness and transparency of such transactions and, if applicable, compliance with the legal criteria applicable to the foregoing exceptions.
5. The authorisation shall necessarily require the approval of the General Meeting when it concerns a transaction with a significant shareholder, a director or a related person to them, in an amount that exceeds 10% of the total asset items according to the last annual balance sheet approved by the Company.

## **TITLE X. POLICY ON INFORMATION AND BOARD RELATIONS**

### **Article 36. Website**

1. The Company shall maintain the corporate website to allow shareholders to exercise the right to information and to disseminate the privileged information and other relevant information required under securities market legislation, which shall include the documents and information provided for by applicable laws and regulations, including the information and documentation relating to the notice of General Meetings of

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Shareholders, as well as any other documentation and information the Board of Directors considers it appropriate to make available to shareholders by this means.

2. Through the corporate website, the Company shall publish and update as necessary the following information about its directors:
  - (i) Professional experience and background.
  - (ii) Other management bodies of which they are members, whether of listed or unlisted companies, and any other remunerated activities of any kind carried out by them.
  - (iii) An indication of the category of director to which they belong and, in the case of proprietary directors, the shareholder they represent or to which they are related.
  - (iv) Date of their first and subsequent appointments as directors of the Company.
  - (v) Shares, or options on shares, of the Company held by them.
3. It is the responsibility of the Board of Directors to provide the information that is to be posted on the Company's corporate website in compliance with the obligations imposed by applicable laws and regulations and to ensure that the information is updated in accordance with applicable law.

#### **Article 37. Relations with shareholders**

1. The Board of Directors shall establish to receive proposals from shareholders in relation to the Company's management.
2. Through one or more of its directors and with the collaboration of selected members of managerial employees, the Board may organise meetings for shareholders based in the main financial centres in Spain and other countries to inform them about the progress of the Company and its Group.
3. The Board of Directors shall also establish mechanisms for the regular sharing of information with the institutional investors among the Bank's shareholders. On no account may relations between the Board of Directors and institutional shareholders lead

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to the disclosure to such shareholders of information that could put them in a position of privilege or advantage over other shareholders.

4. Proxy solicitations conducted by the Board of Directors or any of its members shall state the representative's voting intention in case the shareholder gives no instructions.
5. The Board of Directors shall promote the informed participation of shareholders in General Meetings and shall take appropriate steps to enable the General Meeting of shareholders to more effectively exercise the functions assigned to it by law and the Company's Articles of Association.

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

- (i) It shall strive to provide shareholders, prior to the General Meeting of shareholders, with all the information required under applicable laws and regulations and any other information that, while not specifically required, may nevertheless be of interest and can reasonably be provided.
- (ii) It shall respond promptly to requests for information submitted by shareholders prior to the General Meeting of shareholders.
- (iii) It shall respond equally promptly to any questions raised by shareholders on the occasion of the General Meeting of shareholders.

#### **Article 38. Relations with the markets**

1. Through the communication of privileged information and other relevant information made to the CNMV and through the corporate website, the Board of Directors shall immediately make public all relevant information, as specified by the laws and regulations in force from time to time.
2. The Board of Directors shall appoint one or more persons to act as authorised representatives to the CNMV and shall notify the appointment as provided in applicable law.
3. The Board of Directors shall take the necessary measures to verify that any quarterly (if applicable), semi-annual or other financial information that the regulations require or

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prudence recommends to be made available to the markets is prepared according to the same professional principles, criteria and practices as the annual financial statements and is equally reliable.

4. In its annual public documentation, the Board of Directors shall include information on the Company's governance rules and the degree of compliance with them.

**Article 39. Relations with the external auditors**

1. It is the responsibility of the Audit and Control Committee to make proposals to the Board of Directors, for submission to the General Meeting of shareholders, for the appointment (indicating the terms of engagement and the scope of the audit engagement), renewal and revocation of the auditor of the Company's financial statements and supervise the execution of the audit engagement, in accordance with article 14 of these Regulations and the Internal Charters of the Committee approved, where appropriate by the Board of Directors.
2. The Audit and Control Committee shall refrain from submitting to the Board of Directors, and the Board in turn shall refrain from submitting to the General Meeting of shareholders, any proposal to appoint as the Company's auditor any audit firm that is disqualified under audit regulations, or any firm for which the fees to be paid by the Company, on all accounts, are more than five percent of the firm's total revenues for the last financial year.
3. The Board of Directors shall endeavour to formulate the financial statements in such a way that there is no scope for reservations or qualifications to the auditor's opinion. In the exceptional circumstances in which the auditor's opinion is qualified, both the Chairman of the Audit and Control Committee and the external auditors shall clearly explain to the shareholders the substance of these reservations or qualifications. However, where the Board considers that it must stand by its opinion, it shall publicly explain the nature and scope of its disagreement with the auditors.



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4. The Board of Directors will inform publicly and in the means provided in applicable laws, of the remuneration of the auditor, breakdown by items and of other services rendered by the auditor or any person or entity linked to the auditor.

**Article 40. Relations with the Company's managerial employees**

Relations between the Board of Directors and the managerial employees of the Company, as provided in these Regulations, shall be channelled through the Chairman of the Board of Directors or the CEO, if there is one.