



RULES OF PROCEDURE OF THE BOARD OF DIRECTORS

PRELIMINARY TITLE

Article 1.- Purpose

These Rules are laid down for the purpose of regulating the organisation and operation of the Board of Directors, in addition to the Commissions or Committees that it sets up, subordinate to the provisions of the legislation in force and the Company Bylaws.

Article 2.- Legal Effect and Interpretation

These Rules shall come into effect as from their approval and the Board of Directors itself shall be responsible for clarifying any doubts that may arise from their application, by complementing them insofar as it may be necessary.

TITLE ONE

THE BOARD OF DIRECTORS

Article 3.- Composition and appointments

Within the limits laid down by Article 13 of the Company Bylaws in effect and notwithstanding the powers of proposal which, under the legislation in force, may correspond to the shareholders, the Board of Directors shall be responsible for proposing to the General Shareholders' Meeting both the number of Board Members and the persons, natural or legal, to be appointed. The appointment proposal must specify the proposed Members' condition of executive, representing substantial shareholders, independent or external.

Furthermore, in the event that vacancies were to arise, the Board of Directors would be able to provisionally fill them from among the shareholders until the next General Shareholders' Meeting where the definitive choice would be made.

Article 4.- Functions

In accordance with the terms of Article 18 of the Company Bylaws in effect, the Board of Directors is responsible for representing the Company and administering its

business and for carrying out whatever operations may be involved in its purpose or may be related to it.

In carrying out its functions, the Board of Directors shall act in accordance with company interests and safeguarding the interests of the shareholders.

Particularly, the Board of Directors shall have the following responsibilities, which cannot be delegated:

- Accepting the resignation of Board Members.
- Appointing, discharging and accepting the resignation of the positions of Chairman, Vice-Chairman and Secretary to the Board.
- Appointing, discharging and accepting the resignation of Board Members who must form part of the Committees described herein.
- Delegating to any of their members, wholly or partly, the powers corresponding to the Board, except those which cannot be delegated.
- Preparing the individual and consolidated financial statements and directors' reports and submitting them for approval by the General Shareholders' Meeting. Also, drawing up an annual consultative report on the Board Member's remuneration policy, which shall be submitted to the Company's General Shareholders' Meeting as a separate item on the agenda.
- Drawing up the reports, including the Annual Report on Corporate Governance, and the proposals which, in accordance with the legislation in force and the Company Bylaws, the Board of Directors is responsible for adopting.
- Approving the yearly budget.
- Approving the merger, acquisition, division or concentration operations in which the main subsidiary companies of the Group where the Company is dominant.
- Approving the block issue of debentures, notes, bonds or similar security by the main companies of the Group where the Company is dominant.
- Approving the assignation of rights over the trademark, brands and other intellectual and industrial property rights that belong to the Company or the companies of its Group, whenever they are of financial relevance.
- Annually assessing: the quality and efficiency of its operation; the Chairman and, if appropriate, CEO's performance of their functions, following the issuance of a report by the Appointment and Remuneration Committee; and the operation of

the Board of Director's Committees, following the issuance of a report by these Committees.

- Amending these Rules.
- In general, to carry out all the functions which by law, by regulation or in accordance with these Rules, it is responsible for, and to carry out other functions which have been delegated to it by the General Shareholders' Meeting, and empowered, in turn, to delegate only those which have been expressly permitted in the delegation agreement with the General Shareholders' Meeting.

Additionally, the Board of Directors shall be responsible for and may not delegate the responsibility of defining the company's strategy and the exact organization required for its performance, as well as the supervision and control of Management in order to assure the fulfilment of the approved objectives. For this purpose, the Board of Directors shall be responsible for approving the following:

- 1) The company's general policies and strategies, and specifically:
 - The strategic or business plan, as well as the annual management objectives.
 - The investment and financing policy.
 - The structure of the group of companies.
 - Corporate governance and social responsibility policies.
 - Senior executive management evaluation and remuneration policies.
 - The risk control and management policy and the periodic monitoring of internal information and control systems.
 - The policy on dividends and on treasury stock and its limits.
 - Related party transactions, following a report prepared by the Audit Committee, unless such transactions meet the following three conditions:
 - a) They are performed in accordance with standard contract conditions;
 - b) They are performed at the general prices or rates set by the supplier of the good or service at issue: and

c) The transaction amount does not exceed 1% of the company's annual revenues.

2) The following decisions:

- The appointment, at the proposal of the Chairman, of senior executives, as well as their compensation clauses.
- The distribution among the board members, of the overall remuneration agreed by the General Shareholders' Meeting, and if appropriate, the establishment of supplementary remuneration and other supplementary pay corresponding to executive directors in relation to their functions.
- The financial information to be periodically made public by the Company given that it is listed on the stock exchange.
- Investments or transactions of a strategic nature or of relative importance, except where these are to be approved by the General Shareholders' Meeting.
- The creation or acquisition of special purpose entities or entities residing in territories considered to be tax havens, as well as any other operation or transaction which might diminish the transparency of the company or group.
- The establishment and supervision of a mechanism enabling employees to confidentially report any regularities they know of, and particularly financial and accounting regularities of special significance, to the Audit Committee, through its Secretary.

Article 5.- Duty to Inform Shareholders

In order that the General Shareholders' Meeting may appropriately perform the functions it is responsible for, the Company's Board of Directors must make available to shareholders, prior to each Meeting being held, all information that may be legally required or which, without being so, must reasonably be provided in accordance with the interests of the company and of the shareholders, in order for them to lay down criteria. Along these lines, the Board of Directors shall be obliged to attend with maximum diligence to requests which, for the purposes of the General Meeting, either previously or subsequently, shareholders may request provided that this does not prejudice company interests.

So as to enable transparency and maximum distribution of the corresponding information and to facilitate immediate access to it by shareholders, and investors in general, the Board of Directors shall provide for the Company Web Page to insert all those documents deemed as subject to general distribution and, especially, the Company Bylaws, the Rules of Procedure of the Board of Directors, the reports which, pursuant to the legislation in force, must be delivered to the Stock Market, dates when the General Shareholders' Meetings are convened and the proposals that they submit to discussion and approval, and the agreements adopted by the General Shareholders' Meetings which have been held recently.

Additionally, the Web Page shall include the composition of the Board of Directors, and in relation to each board member: his professional profile; the other Board of Directors of which he is a member: whether he is an executive and proprietary director, and the shareholder which he represents; or whether he is independent or external; the date on which he was appointed, and if applicable, re-elected; and the company shares or share options to which he holds title.

Article 6.- Preparation of Accounts

The Board of Directors, in view of the report issued by the Audit Committee, shall prepare the Annual Accounts and Management Reports, both individual and consolidated, in such terms that, in addition to complying with the legislation in force, make them easy for shareholders and for the general public to understand.

The Minutes of the Board Meeting where these Annual Reports are prepared shall specify the observations that may be made by the different Board Members individually, especially those that may affect the availability of the necessary information for forming an opinion and casting a vote.

Article 7.- Duties arising from its condition as a listed company

The Board of Directors shall be obliged to adopt or promote the adoption of whatever measures necessary or expedient in order to safeguard transparency in the Company's activities on the financial markets and carry out any function that may arise from its condition as a company listed on the Stock Market.

Article 8.- Sessions and notice

The Board shall meet whenever required to do so by the Company's interests, prior notice from the Chairman or, in his or her absence, by a Vice-Chairman, either on his or her own initiative or on the request of, at least, two Board Members. In any event, the Board shall meet at least six times a year to periodically examine the Group's progress compared to the budgets and previous accounting period.

Notice shall be given by means of letter, telex, telegram, telefax or any other means of written communication that permits verification that it has been received by the different Board Members, including the agenda.

Except in cases of emergency, to be freely judged by the Chairman, notice must be given at least three days in advance of the date of convening the Board Meeting.

The Board of Directors shall meet in the Company offices or in any other place the Chairman may decide and specify in the notice of meeting.

The Board of Directors shall empower one of the independent Non-Executive Directors to do the following:

1. Request the calling of meetings of the Board of Directors.
2. Request that new items be added to the agenda of the Board of Director's meeting.
- 3.- State and coordinate the voicing of concerns by independent, proprietary and non-executive Board Members.
- 4.- Direct the evaluation by the Board of Directors of its Chairman.

Article 9.- Quorum of attendance

The Board shall be deemed to be constituted when a majority of shareholders are either present or represented at the meeting.

Without prejudice to attendance obligations, Directors who are unable to attend a meeting in person may be represented and cast a vote through another Director. This proxy must be in writing and must be delivered to the Chairman in the form of a letter, telegram, telex or fax or any other written means that allows its reception by this addressee to be verified.

Nevertheless, the Board may meet without having called a meeting if all its members are present or represented and they unanimously agree to holding a meeting of the Board and to the meeting agenda.

Article 10.- Adopting agreements

Unless otherwise stipulated in the legislation in force, in the Company Bylaws or in these Rules, the Board of Directors' agreements shall be adopted by absolute majority of the Board Members attending the meeting, whether present or represented.

The adoption of agreements in writing and without meeting, shall only be admissible when no Board Member is in disagreement and the other requisites laid down by the legislation in force are complied with.

SECOND TITLE

REGARDING BOARD MEMBERS

Article 11.- Term of appointment for Board Members

Board Members shall hold their positions during the six-year term for which they were elected. They may be re-elected one or more times for terms of the same maximum duration.

Should a vacancy exist for any reason, the Board may provisionally fill it from among the shareholders until the next General Shareholders' Meeting, where a definitive appointment shall take place.

The appointment of the Board Members shall expire when the term has ended and the subsequent General Meeting has been held, or following the legal period within which the Meeting is to be held to resolve on whether to approve the financial statements for the previous year.

Notwithstanding the above, proprietary directors shall resign when the shareholder they represent fully disposes of his shares by any title.

Article 12.- Duties of Board Members

Board Members shall carry out their functions applying the diligence of a prudent businessman and of a loyal representative acting in defence of the company's interests. Particularly, Board Members are obliged to:

- Attend meetings of the Board and of the Committees that form part of it, unless a due to a justified cause, in which case they shall endeavour to delegate their representation and vote to another Board Member.
- Study and adequately prepare the meetings of the Board, and participate on its discussions.
- Oppose the adoption of any agreements they deem to constitute a breach of law or of the Company Bylaws or which prejudice the company's interests, registering their position in the Minutes.

- Maintain the Board's discussions in secret, in addition to any information obtained in carrying out the functions of a Board Member and which are not public knowledge.

Article 13.- Conflicts of interest

Considering the duty of loyalty that corresponds to them, Board Members shall avoid conflicts of interests between themselves, or their most direct relatives, and the Company, in all cases notifying the Board of Directors of the existence of such conflict in the event that they could not be avoided, a written record of which shall be made in the Minutes of the first Board Meeting held. Furthermore, they must notify the Company, in the shortest possible term, and in all cases, within the five following days, of the shares, stock options or derivatives referring to the share value which may be held, directly or indirectly, either by the Board Members themselves and by their most direct relatives.

Board Members must notify the Company of the most significant changes that take place in their professional circumstances, and especially, those affecting the qualities taken into account for appointing them as such. Furthermore, they shall notify the Company of any legal or administrative proceedings which, on account of their importance, may seriously affect the Company's reputation.

Board Members shall abstain from taking part in the discussions and from casting their vote on those matters where they have a private interest, which will be expressly registered in the Minutes.

Article 14. Dedication, non-competition and use of information

Board members may not form part of more than five management bodies of companies other than those in the group of companies in which the company is the parent, without previous express authorization from the Board provided on a reasonable basis. For these purposes, companies in the same group shall be considered as a single company.

Board Members may not hold, neither directly nor indirectly, positions in companies or organisations in competition against the Company or against any company of its Group nor provide services of representation for them.

Board Members may not make any use for private purposes of the non-public information of which they have become aware in carrying out their functions as Board Member. Especially, Board Members, unless expressly authorized by the Board of Directors, may not take advantage, in their own benefit, of the commercial operations of which they have become aware in carrying out the said functions.

Except in cases of duly authorized allowance in kind, Board Members may not make use of the Company's assets nor take advantage of their position to obtain advantages relating to assets without satisfying adequate consideration.

Article 15.- Information to Board Members

So as to better perform their tasks, Board Members may request, through the Chairman or through the Secretary to the Board of Directors, the information that he or she may deem necessary, which under special circumstances, may consist in external assistance at the company's expense.

Article 16.- Remuneration

Board Members shall be remunerated in accordance with the provisions of the legislation in force and with the Company Bylaws.

For this purpose, the Board of Directors, subject to a report from the Remuneration Committee, shall determine the definitive distribution of the overall amount that may correspond, in addition to the periods in which payment is made.

Remuneration received by the Board of Directors shall be registered in the Annual Report in accordance with the provisions of the legislation in force.

THIRD TITLE

REGARDING POSITIONS ON THE BOARD OF DIRECTORS

Article 17.- The Chairman

The Board shall elect a Chairman from among its members, who, in addition to the functions that may correspond in accordance with the legislation in force, the Company Bylaws and these Rules, shall perform the tasks corresponding to his or her condition as the Company's maximum executive manager, within the guidelines laid down by the General Shareholders' Meeting, the Board of Directors and the Executive Committee.

The Chairman shall enjoy the broadest powers for performing his or her tasks and, except due to legal prohibition, may delegate such powers, totally or partially, to other Board Members and the Company's management staff and, in general, whoever he or she deems expedient or necessary.

Article 18.- The Vice-Chairmen

Likewise, the Board may elect from among its members one or two Vice-Chairmen who shall substitute the Chairman in cases of delegation, absence or illness and, in

general, perform all the tasks that may be entrusted to them by the Chairman, the Executive Committee and the Board of Directors.

Substitution of the Chairman shall take place by chronological order of the Vice-Chairmen's appointment, in the absence of such order, by order of seniority and, lastly, by order of greater to lesser age.

Article 19.- The Chief Executive Officer

The Board may appoint a Chief Executive Officer, delegating him the powers deemed expedient except those which, by law or Company Bylaws, cannot be delegated.

Article 20.- The Secretary

Following the issuance of a report by the Appointment and Remuneration Committee, the Board of Directors shall appoint a Secretary, who may be a non-member, and who must be a practising lawyer. Apart from the functions laid down by the legislation in force, the Company Bylaws and these Rules, the Secretary to the Board of Directors is responsible for: ensuring that actions arising from the company bodies it forms part of comply with the requirements of the law, issuing warnings in this respect and registering them in the Minutes; and ensuring that the Board of Directors bears in mind in its actions the recommendations on good corporate governance of the unified Code in force.

TITLE FOUR

REGARDING THE BOARD COMMITTEES

Article 21.- The Committees

For the purposes of greater efficiency in its functions and notwithstanding the powers conferred to the Board by the Bylaws for setting up the Committees it may deem expedient, an Executive Committee shall be created, with powers delegated by the Board, in addition to an Audit Committee and an Appointment and Remuneration Committee, with functions which, within the scope of the legislation in force and the Company Bylaws, are laid down by these Rules.

Article 22.- The Executive Committee

The Executive Committee shall be made up of the Chairman of the Board of Directors, who shall act as its Chairman, and by the Vice-Chairman or both Vice-Chairmen, in the event that these positions had been appointed, by Board Members appointed by the Board of Directors for such purpose, and by the Secretary to the

Board of Directors, with entitlement to participate but not to vote, who shall act as its Secretary.

The Executive Committee shall meet as often as it is convened by its Chairman, on his or her own initiative or on request by, at least, two of its members. It shall be deemed to be set up when the majority of its members attend, present or represented, and unless the legislation in force, the Company Bylaws or these Rules provide otherwise, it shall adopt its agreements by majority vote of those attending, present or represented.

The Executive Committee shall have, by delegation of the Board of Directors, all the powers that correspond to it except those which, by law or bylaw, cannot be delegated. Nevertheless, the Board of Directors may pass on knowledge of and the decision upon any matter of its competence, and on its part, the Executive Committee may subject the decision on any matter to the Board of Directors, which even though a matter of its competence, deems necessary or expedient for the Board to decide upon.

Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Executive Committee shall be governed by the provisions of these rules regarding the operation of the Board of Directors.

Article 23.- The Audit Committee

In accordance with the provisions of Article 20 b of the Company Bylaws, there shall be an Audit Committee made up of a minimum of three and a maximum of five members who shall be appointed and discharged, from among its members, by the Board of Directors. Under no circumstances may such appointment cannot fall to anyone who currently performs or who has carried out tasks of an executive or labour-related nature in the Company during the three immediately preceding years. At least one of the members of the Audit Committee shall be independent and shall be appointed on the basis of his or her knowledge and experience in accounting or auditing or both. The Chairman's appointment, also to be carried out by the Board of Directors, shall necessarily correspond to one of the Company's non-executive Directors, who may not remain in such position for a period in excess of four years, although he may, nevertheless, be re-elected after the term of one year has elapsed from the moment of termination. The Secretary to the Board of Directors shall attend the Committee's meetings and shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

It shall only be deemed as constituted when the majority of its members are present and shall adopt its agreements by majority vote of those attending. In the event of a tie, the Chairman shall have the casting vote. It shall meet when convened by the Chairman and, at least twice a year, coinciding with the initial and final stages of the

audit of the Company's financial statements and of the consolidated financial statements of its Business Group and always prior to issuing the corresponding audit reports. Meetings may be attended, when specially summoned, by the Auditor of the Company for the purposes of explaining the most significant aspects in the audits carried out.

The Audit Committee shall be responsible for the following functions:

1. Report to the General Shareholders' Meeting on the questions presented therein on matters of their authority.
2. Monitor the effectiveness of the company's internal control, internal audit, and if applicable, risk management systems, and discuss any significant weaknesses in the internal control system identified during the performance of the audit with the auditors or audit firms.
3. Oversee the preparation and presentation of the regulated financial information.
4. Propose to the Company's Board of Directors, for submission to the General Shareholders' Meeting, the appointment of auditors or audit firms in accordance with applicable law.
5. Establish the appropriate relationships with auditors or audit firms for the purpose of receiving information on any matter which may compromise their independence and any other matter relating to the process of auditing the accounts, in addition to any other communication laid down in Spanish legislation regarding auditing accounts and technical auditing standards. In any case, auditors and audit firms shall annually furnish the committee with written confirmation of their independence from the company or directly and indirectly related companies, in addition to reporting any additional services of any type presented to these companies by the aforementioned auditors or firms, or related individuals or companies, in accordance with the provisions of current Spanish legislation.
6. Annually and prior to the issuance of the auditors' report, issue a report expressing an opinion on the independence of the auditors or audit firms. In any case, this report shall give an opinion on any of the above referred to additional services provided.
7. Review and inform on the estimates made by Company management and of those companies comprised within its Group of Companies with respect to possible significant tax and legal contingencies.
8. Be aware of the results of inspections conducted by official entities.

9. Be aware of the information periodically provided to the Stock Market on the company's accounts.
10. Previously inform the Board of Directors of any related party transactions to be submitted for its approval.
11. Any other matters for which it is responsible in accordance with the provisions of these Rules, or which may be especially entrusted to it by the Board of Directors or attributed to it under current Spanish legislation.

The provisions set forth in these rules regarding the operation of the Board of Directors shall be applied to the Audit Committee as necessary and with the natural adaptations.

Article 24.- The Appointment and Remuneration Committee

Likewise, the Board of Directors shall set up an Appointment and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and moved, from among its members, by the Board of Directors, and who shall perform their functions indefinitely or during the term for which they were elected. The appointment of the Chairman must fall on one of the independent Board Members. Its meetings shall be attended by the Secretary to the Board of Directors, with entitlement to participate but not to vote, who shall act as its Secretary, and shall write up the minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

It shall only be deemed to be set up when the majority of its members attend and it shall adopt its agreements by majority vote of those attending, with the Chairman having the casting vote in the event of an equal number of votes. It shall meet, prior notice from its Chairman, at least twice a year.

The Appointment and Remuneration Committee has the following tasks:

1. Report on the remuneration system for the Chairman of the Board of Directors and other top executives in the Company. Where appropriate, make the pertinent recommendations to the Board so that the succession of the Chairman and, if applicable, Chief Executive Officer, proceeds in a planned and orderly manner. It will also consult with the Chairman, and if appropriate, the Chief Executive Officer, on any matters within its competence affecting the Company's executive Board Members and other senior executives.
2. Report on the distribution among the members of the Board of Directors of the overall remuneration agreed upon by the General Shareholders' Meeting, and if applicable, the establishment of supplementary remuneration and other

supplementary payments corresponding to executive directors in relation to their functions.

3. Report on the remuneration of Board Members.
4. Report on multi-annual plans that may be set up according to stock value such as stock option plans.
5. Proposed appointment or re-appointment of independent Board members and report on the proposed appointment of other Board Members and of the Secretary to the Board of Directors. For these purposes, the skills, knowledge, experience and dedication to the good performance of their duties of those proposed as Board Members should be assessed. It shall also report on the proposed early resignation of any Independent Board Members.
6. Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts.
7. Issues relating to gender diversity on the Board of Directors.
8. Any other matters under its competence pursuant to these Rules, which may be especially entrusted to it by the Board of Directors.

Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Appointment and Remuneration Committee shall be governed by the provisions of these rules regarding the operation of the Board of Directors.