

**Report by ACS, Construction Activities and Services,  
S.A.'s Board on the amendment of Articles 3, 4, 5, 6, 8,  
10, 14, 15, 16, 18, 19, 24, 25, 27 and 28 of the Board  
Regulations and the incorporation of the new Article 18  
agreed at its meeting held on 16 December 2021**

# **Report by ACS, Construction Activities and Services, S.A.'s Board on the amendment of Articles 3, 4, 5, 6, 8, 10, 14, 15, 16, 18, 19, 24, 25, 27 and 28 of the Board Regulations and the incorporation of the new Article 18 agreed at its meeting held on 16 December 2021.**

## **1. REPORT**

Law 5/2021, of 12 April, on promoting the long-term involvement of shareholders in listed companies, which transposes Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 into Spanish law ("**Law 5/2021**"), amended, among other rules, the consolidated text of the Corporate Enterprise Act, enacted by Royal Legislative Decree 1/2010, of 2 July.

On this basis, the Board, following a report from the Audit Committee, at its meeting held on 16 December 2021, agreed to amend Articles 3, 4, 5, 6, 8, 10, 14, 15, 16, 18, 19, 24, 25, 27 and 28 of the Board Regulations for ACS, Actividades de Construcción y Servicios, S.A. (the "Company") and the incorporation of a new Article 18.

In accordance with sections 528 Corporate Enterprise Act and 15 of the Articles of Association, the Board prepared this report to inform the General Meeting of the changes approved.

## **2. JUSTIFICATION FOR THE AMENDMENTS**

To facilitate understanding of the amendment to the of the Board Regulations, the numbering of the articles referred to below relates to those contained in the text corresponding to the proposed reform.

### **Amendment to Article 3 ("*Composition and appointment*")**

- Paragraph 1 of Article 3 is amended by deleting the reference to "*natural or legal*" persons and paragraph 3 of this Article on directors that are legal entities is deleted, in accordance with section 529 bis(1) Corporate Enterprises Act, which, as drafted by Law 5/2021, establishes the obligation for the Board of listed companies to consist exclusively of natural persons.
- In addition, in paragraph 1, as regards the categories of directors, the reference "*external*" is replaced by "*other external*" in accordance with the legal name stipulated in section 529 duodecies(2) Corporate Enterprises Act.

### **Amendment to Article 4 ("*Categories of Directors*")**

- Article 5(b) is developed as regards independent directors, in accordance with section 529 duodecies(4)(b) Corporate Enterprises Act.

### **Amendment to Article 5 ("*Functions*")**

- Paragraph 2(h) of Article 5 is amended, deleting the reference to "*where applicable*", since listed companies must necessarily have a remuneration policy for directors, approved by the General Meeting, in accordance with section 529 novodecies Corporate Enterprises Act.
- Paragraph 2(t) is amended as regards the approval of connected transactions, adapting the wording in accordance with section 529 ter(1)(h) Corporate Enterprises Act, as drafted by Law 5/2021.

#### **Amendment to Article 6 ("*Obligation to inform shareholders*")**

- Paragraph 1 of the article is amended to replace the obligation to provide information to shareholders after the General Meeting, since the information must be legally provided above and/or during the Meeting, not after it is held.
- The reference to "*provided that corporate interests are not impaired*" is also replaced by "*in the legally stipulated terms and limits*", which implies a general reference to section 197.3 Corporate Enterprises Act.
- Furthermore, in paragraph 2 of Article 6, the information to be published on directors in accordance with Recommendation 18 of the Code of Good Governance (CBG) is developed.
- Lastly, in paragraph 2 of Article 6, as regards the categories of directors, the reference "*external*" is replaced by "*other external*" in accordance with the legal name stipulated in section 529 duodecies(2) Corporate Enterprises Act.

#### **Amendment to Article 8 ("*Obligations arising from the status of listed company*")**

- The reference to "*Stock exchanges*" is deleted, since the concept of "*listed company*" is legally established in section 495 Corporate Enterprises Act, as drafted by Law 5/2021, according to which "*listed companies are public companies whose shares are admitted to trading on a Spanish regulated market*".

#### **Amendment to Article 14 ("*Duties of directors*")**

- The duty of care outlined in paragraph 1 is developed, incorporating the reference to "*subordinating, in any event, their particular interest to the Company's interest*" in accordance with section 225.1 Corporate Enterprises Act, as drafted by Law 5/2021.
- Paragraph 3 of the Article on directors that are legal entities is also deleted, in accordance with section 529 bis(1) Corporate Enterprises Act, which, as drafted by Law 5/2021, establishes the obligation for the Board of listed companies to consist exclusively of natural persons.

#### **Amendment to Article 15 ("*Conflicts of interest*")**

- The wording of paragraph 1(a) is changed since, on the one hand, the directors of a listed company cannot perform any type of "transaction" with the Company unless it is approved under the connected transactions regime (since there are no transactions with directors who are

not related) and, on the other hand, there are some cases of transactions with the Company carried out by certain persons connected to the director in accordance with section 231 Corporate Enterprises Act who are not related to the Company within the meaning of section 529(s)(1) Corporate Enterprises Act (which refers to the IAS), and they are not subject to the connected transactions regime but to the waiver of conflicts of interest stipulated in section 230 Corporate Enterprises Act and Article 16 of the Board Regulations.

- Paragraph 2(d) is amended and paragraph 2(e) is included in accordance with section 231(1) Corporate Enterprises Act as drafted by Law 5/2021, as regards the definition of persons connected to directors.
- Lastly, paragraph 3, on directors that are legal entities, is deleted, in accordance with section 529 bis(1) Corporate Enterprises Act, as drafted by Law 5/2021, which establishes the obligation for the Board of listed companies to consist exclusively of natural persons.

#### **Amendment to Article 16 ("Disclaimer regime")**

- A new paragraph 2 is added and a reference to the new Article 18 of the Board Regulations is included, introducing the connected transactions regime established by Law 5/2021.

#### **Incorporation of a new Article 18 ("Connected transactions")**

- A new Article 18 is incorporated to reflect the definition and basic regime for approving and disseminating connected transactions outlined in sections 529(s) to 529(v) Corporate Enterprises Act as drafted by Law 5/2021.

#### **Amendment to Article 19 ("The Chair and coordinating director")**

- The role of the coordinating director is expressly incorporated, as outlined in Recommendation 34 of the CBG regarding contact with investors and shareholders to find out their views in order to form an opinion on their concerns, in particular as regards the Company's corporate governance.

#### **Amendment to Article 24 ("The Executive Committee")**

- The Article is amended to include a reference to an "*absolute*" majority as regards the majority necessary to pass the Commission's resolutions in coordination with that established for the Board in section 248.1 Corporate Enterprises Act and in the Regulations.

#### **Amendment to Article 25 ("The Audit Committee")**

- Paragraph 1 is amended to remove the subsection "*under no circumstances may the appointment fall to the person who is currently performing, or has performed in the previous three years, executive or work functions in the Company*", so that members of the organisation who fully meet the suitability requirements may be members of the Committee and have the status of other external director.

- Furthermore, paragraph 4 is amended to include a reference to "absolute" as regards the majority necessary to pass the Commission's resolutions in coordination with that envisaged for the Board in section 248.1 Corporate Enterprises Act and in the Regulations.
- In addition, as regards the functions of the Committee included in paragraph 6 of the Article: (i) heading (c) is developed by incorporating the directors' report, which will include, where appropriate, the mandatory non-financial information, in accordance with section 529 quaterdecies(4)(h)(1) Corporate Enterprises Act, as drafted by Law 5/2021; (ii) a new heading (t) is added as regards the obligation of the Committee to provide information on connected transactions, in accordance with section 529 quaterdecies(4)(g) Corporate Enterprises Act, as drafted by Law 5/2021; and (iii) heading u) is also amended in accordance with section 529 quaterdecies(4)(h)(1) Corporate Enterprises Act, as drafted by Law 5/2021.
- Lastly, Article 8 expressly incorporates section two of the Spanish Security and Exchange Commission's (CNMV) Technical Guide 1/2019 on appointment and remuneration fees, regarding the inclusion in the meeting minutes of the entry and departure of guests, which this Guide expressly extends to audit committees.

#### **Amendment to Article 27 ("The Appointments Committee")**

- Paragraph 3 is amended to include the reference to an "*absolute*" majority as regards the majority necessary to pass the Commission's resolutions in coordination with that established for the Board in section 248.1 Corporate Enterprises Act and in the Regulations.
- Moreover, paragraph 7 expressly incorporates section two of the CNMV's Technical Guide 1/2019 on appointment and remuneration fees, regarding the inclusion in the meeting minutes of the meeting of the entry and exit of guests.

#### **Amendment to Article 28 ("The Remuneration Committee")**

- Paragraph 3 is amended to include the reference to an "*absolute*" majority as regards the majority necessary to pass the Commission's resolutions in coordination with that established for the Board in section 248.1 Corporate Enterprises Act and in the Regulations.
- On the other hand, as regards the functions of the Committee, section 4(b) is amended in accordance with section 529 septdecies(3) Corporate Enterprises Act, as drafted by Law 5/2021, in the case of directors in their capacity as such, and 529 octdecies(3) Corporate Enterprises Act, as drafted by Law 5/2021, in the case of executive directors.
- Moreover, paragraph 7 expressly incorporates section two of the CNMV's Technical Guide 1/2019 on appointment and remuneration fees, regarding the inclusion in the meeting minutes of the meeting of the entry and exit of guests.

#### **Other technical amendments.**

In addition to the above amendments, certain technical or wording clarifications have been made in Article 5 ("*Functions*"), (in particular eliminating paragraph 1(d) due to its repetition and the reference to "*shares*" in paragraph 2(j) since these types of securities do not exist in public companies); and in Article 19 ("*The Chair and coordinating director*") in order to coordinate the wording of its paragraph 1 with that of Article 15 of the Articles of Association and 20 of the Regulations as regards the possibility of appointing one or two Deputy Chairmen.

### **3. APPROVED AMENDMENTS**

The comparison between the text of the Articles of the Board Regulations above the amendment and the text in force is adjoined as an Schedule.

Madrid, 24 March 2022

## ANEXO

### Article 3.- Composition and appointments

1. Within the limits stipulated in Article 13 of the Company Bylaws in force 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 the number of Board Members and ~~individuals or legal entities~~persons to be appointed. The appointment proposal shall specify whether the Board Member is an Executive, Proprietary, Independent or External Board Member.

Furthermore, should any vacancies arise, the Board of Directors may provisionally fill them by appointing Directors by co-option until the next General Shareholders' Meeting where a definitive appointment shall take place. Should any vacancy arise once the General Meeting has been convened and before it is held, the Board of Directors may appoint a Board Member until the next General Meeting is held. The Director appointed by the Board does not necessarily need to be a Company shareholder.

2. The proposed appointment or re-election of Board members corresponds to the Appointments Committee in the event of Independent Directors and to the Board itself in the remaining cases. In any case, the proposal must be accompanied by a Board of Directors' report justifying its decisions, which assesses the competences, experience and merits of the proposed candidate, which will be attached to the minutes of the General Shareholders' Meeting or of the Board itself. The proposed appointment or re-election of any Non-Independent Director must also be preceded by a report by the Appointments Committee.

The Board of Directors must ensure that the procedures for selecting Board members encourage diversity, with respect to criteria such as age, gender, disability or training and professional experience, and are not tainted by implicit biases which could represent any form of discrimination and, in particular, that they facilitate the selection of female Board members in sufficient numbers to have balanced numbers of men and women.

- ~~3. This article will also apply to individuals who are appointed as representatives of a Director which is a legal entity. The proposal of a representative who is an individual must be included in the Appointments Committee report.~~

#### Article 4.- Categories of Directors.

1. Executive Directors perform management functions within the Company or its group, whatever the legal link with the Company. When a Director performs management functions and, at the same time, is or represents a significant shareholder, or when he/she is represented on the Board of Directors, he/she will be deemed to be an Executive Director.
2. Non-Executive Directors are all the remaining Company Directors, and they may be Proprietary, Independent or other External Directors.
3. Proprietary Directors are deemed to be those who own an equity interest equal to or exceeding that legally deemed to be significant, or those who have been appointed in their capacity as shareholders, even if their shareholder investment does not attain that amount, together with those representing the shareholders of those mentioned above.
4. The Proprietary Directors who lose their status as such as a result of the sale of their investment by the shareholder they represented may only be re-elected as Independent Directors when the shareholder they represented until that date has sold all its shares in the Company.
5. Independent Directors are deemed to be those who, appointed in line with their personal and professional status, may carry out their functions without being conditioned by relationships with the Company or its group, its significant shareholders or its executives.

Independent Directors can in no case be considered to be those found to be in the following situations:

- a) Employees or Executive Directors of Group Companies, unless 3 or 5 years, respectively, have elapsed since such relationships ended.
- b) Those who receive from the Company, or from its Group, any amount or benefit for items other than Directors' remuneration, unless ~~it~~the amount received by the Director is insignificant. For these purposes, neither the dividends nor the pension supplements received by the Director as a result of his/her previous professional or employment relationship will be taken into account, if such supplements are unconditional and, accordingly, if the Company which pays them cannot suspend, modify or revoke their accrual on a discretionary basis without breaching its obligations.
- c) Those who are or have been in the last three years partners of the external auditor or head of the auditors' report, since it involves the

audit during this this period of the listed Company or of any other Company of its group.

- d) Executive Directors or Senior Executives of another Company other than that in which an Executive Director or Senior Executive of the Company is an External Director.
- e) Those who hold, or who have held in the last year, a significant business relationship with the Company or with any Group company, be it in their own name or as a significant shareholder, Director or Senior Executive of an entity which maintains or has maintained such relationship. Business relationships will be deemed to be those involving the supplier of goods or services, including financial services, and those involving advisors or consultants.
- f) Significant shareholders, Executive Directors or Senior Executives of an entity which receives, or has received during the last three years, donations from the Company or from its Group. This article will not include those who are mere employers of a foundation which receives donations.
- g) Spouses, people tied by a similar relationship of affectivity or relatives up to the second degree of an Executive Director or Senior Executive of the Company.
- h) Those who have not been proposed, either for appointment or renewal, by the Appointments Committee.
- i) Those who have been Directors for an on-going period exceeding 12 years.
- j) Those who find themselves with respect to any significant shareholder or representative on the Board of Directors in any of the cases indicated in letters a), e), f) or g) above. In the event of any relationship by affinity indicated in letter g), the restriction will be applied not only to the shareholder, but also with respect to its Proprietary Directors at the Investee.

A Director who owns an ownership interest in the Company may be deemed to be an Independent Director, provided that he/she meets all the conditions stipulated in this article and that his/her interest is not material.

## **Article 5.- Functions**

1. 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, safeguarding the interests of the shareholders.

2. Under no circumstances may the Board of Directors delegate the following powers:

- a) The supervision of the effective functioning of the Committees set up by it, and of the procedures of the executive bodies and of the executives appointed by it.
- b) The determination of the Company's general policies and strategies.
- c) The authorisation or dispensation of obligations arising from the duty of loyalty.

~~d) Its own organisation and functioning.~~

e)d) The preparation of financial statements and their presentation to the General Meeting.

f)e) The preparation of any type of report required by law by the governing body, provided that the operation referred to in the report cannot be delegated.

g)f) The appointment and removal of Chief Executive Directors of the Company, and the establishment of the conditions of their contracts.

h)g) The appointment and removal of executives which were directly answerable to the Board or any of its members, and the establishment of the basic conditions of their contracts, including their remuneration.

i)h) Decisions relating to the remuneration of Directors, in accordance with the Bylaws and, ~~where appropriate,~~ the remunerations policy approved by the General Meeting.

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

k)j) The policy relating to ~~shares or~~ own shares.

l)k) The powers delegated by the General Shareholders' Meeting to the Board of Directors, unless it has been expressly authorised by the former to sub-delegate them.

- ~~m)l)~~ \_\_\_\_\_ The approval of the strategic or business plan, management targets and annual budgets and of investment and financing, corporate social responsibility and sustainability policy and dividend policy.
- ~~n)m)~~ \_\_\_\_\_ The policy for controlling and managing risks, including tax risks, and the supervision of the internal control and reporting systems.
- ~~o)n)~~ \_\_\_\_\_ The determination of the Company's corporate governance policy and that of the group of which it is the parent; its organisation and functioning and, in particular, the approval and amendment of its own Rules of Procedure.
- ~~p)o)~~ \_\_\_\_\_ The approval of the financial information to be periodically made public by the Company given that it is listed on the stock exchange.
- ~~q)p)~~ \_\_\_\_\_ The definition of the structure of the group of companies of which the Company is the parent.
- ~~r)q)~~ \_\_\_\_\_ The approval of the policy relating to communication and contacts with shareholders and institutional investors within the framework of their involvement in the Company, as well as with voting advisors, including the communication of economic-financial, non-financial and corporate information.
- ~~s)r)~~ \_\_\_\_\_ The approval of investments or operations considered strategic or to have a particular tax risk by virtue of their high amount or special characteristics, unless their approval corresponds to the General Meeting.
- ~~t)s)~~ \_\_\_\_\_ The approval of the creation or acquisition of ownership interests in special purpose vehicles or entities resident in countries or territories considered to be tax havens, and any other transactions or operations of a similar nature whose complexity might impair the transparency of the Company and its Group.
- ~~u)~~ ~~The approval, subject to an Audit Committee report, of the transactions which the Company or Companies of its group perform with Directors, in the terms envisaged in the legislation in force, or with significant shareholders, individually or in agreement with others, including shareholders represented on the Board of Directors of the Company or of other Companies forming part of the same group or with persons related thereto. The Directors in question or which represent or are related to the shareholders in question must abstain from participating in the deliberation and voting of the resolution in issue. This approval~~

~~will only exclude the operations which simultaneously meet the following three characteristics:~~

~~1. They are governed by standard contracts applied on an across-the-board basis to a large number of clients;~~

~~2. They are performed at the general prices or rates set by the supplier of the good or service at issue; and~~

~~3. Their amount is no more than 1% of the Company's annual revenue.~~

t) The approval of Related-Party Transactions subject to an Audit Committee report, unless the transactions must be approved by the General Meeting, without prejudice to possible delegation to the Board of Directors, in the cases and in the terms stipulated by law and by these Rules of Procedure.

v)u) \_\_\_\_\_ The determination of the Company's tax strategy.

w)v) \_\_\_\_\_ Monitoring the process of preparing and presenting financial information and the management report, which will include the required non-financial information.

When urgent circumstances arise, which are duly justified, the decisions relating to previous matters may be adopted by the bodies or persons delegated, which must be ratified at the first Board Meeting held following the adoption of the decision.

## **Article 6.- Duty to inform shareholders**

1. In order for the General Shareholders' Meeting to appropriately perform its functions, 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. Following this line, the Board of Directors shall be obliged to deal with shareholders' requests made either before or after during the Meeting, with the maximum diligence, providing in the Company's interests are not harmed terms and within the limits provided by law.

2. For the purposes of 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 have a Company web page that includes all those documents that are for general dissemination and, especially, the Company Bylaws; the Regulations of the General Shareholders' Meeting; the Rules of Procedure of the Board of Directors; the reports which, in accordance

with legislation in force, must be given to the stock markets; the call notices to the General Shareholders' Meetings and the proposals that are submitted for the deliberation and approval thereof, as well as the resolutions adopted at recently held General Shareholders' Meetings.

Additionally, the Web Page shall include the composition of the Board of Directors, and the professional profile of each Board Member; other Boards of Directors of listed or unlisted companies of which he/she is a member; any other paid activities in which he/she is engaged; whether he/she is an Executive or Proprietary Board Member, and the shareholder which he/she represents; or whether he/she is an Independent or External Board Member; the date on which he/she was first appointed, and if applicable, re-elected; and the Company shares or share options which he/she holds.

### **Article 8.- Duties arising from its status as a listed Company**

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

### **Article 10.- Sessions and notice**

1. The Board shall meet whenever required to do so in the Company's interests, subject to notice from the Chairman or, in its absence, from a Deputy Chairman, either on his or her own initiative or on the request of, at least, two Board Members or of the coordinating Director referred to in Article ~~18~~19 of these Rules. In any event, the Board shall meet at least eight times a year to periodically examine the Group's progress compared to the budgets and the previous accounting period.
2. Call notice shall be granted via letter, email or any other means of written communication that permits verification that it has been received by the various Board Members, including the agenda.

Except in cases of emergency, which shall be freely determined by the Chairman, notice must be given at least three days in advance of the date on which the Board Meeting is expected to be held.

3. The Board of Directors shall meet at the Company's registered office or at any other location determined by the Chairman and specified in the call notice.
4. Attendance of Board Members at the Board of Directors meetings shall be equally valid by means of remote communication, provided that these means allow the Board Members attending to mutually

recognise and identify each other, to be in permanent communication, and to take the floor and vote in real time. Board of Director meetings that are attended by Board Members through means of remote communication, in accordance with that provided in this article, shall be considered unique and held at the location from where the Chairman of the body, or whoever stands in for him, is attending. The meeting minutes and certificates of the resolutions must express the form of adoption thereof.

## **Article 14.- Duties of Board Members**

### **1. General duty of diligence.**

The Directors must perform their functions and comply with the duties imposed by the laws and Bylaws with the diligence of an orderly businessman, taking into account the nature of the post and the functions attributed to each of them, in all cases subordinating their own individual interests to the interests of the Company.

The Directors must have adequate devotion and will adopt the measures required to correctly manage and control the Company.

When performing its functions, the Director must request and has the right to collect the adequate information required from the Company which will serve to comply with its obligations.

### **2. Duty of loyalty**

The Directors must perform their tasks with the loyalty of a faithful representative, acting in good faith and in the Company's best interests. In particular, Directors are bound by their duty of loyalty.

~~In particular, the duty of loyalty bounds the Director:~~

- a) To not exercise their powers for purposes other than those for which they were granted.
- b) To keep information, data, reports or history secret to which he/she has had access during the performance of his/her duties, even when he/she has ceased to occupy such positions, except when permitted or required by law.
- c) To abstain from participating in the deliberation and voting of agreements or decisions in which he/she or a related person has a direct or indirect conflict of interests. This obligation to abstain will exclude the resolutions or decisions affecting him/her in his/her capacity as Director, such as his/her appointment or revocation with respect to posts on the Board of Directors or others of similar significance.

- d) The Directors must perform their functions under the principle of personal liability with freedom of criteria or judgement and independence with respect to third party instructions or ties.
- e) To adopt the measures required to avoid situations in which their interests, be they for their own account or for the account of third parties, may enter into conflict with Company interests and with Company duties.
- f) To report and, where appropriate, to resign in the event of situations that affect them, whether or not they are related to their actions in the Company itself, that may damage the credit and reputation of the Company and, in particular, any criminal case in which they are under investigation, as well as the progress of the proceedings. The Board of Directors, having been informed or otherwise made aware of the case, will examine it as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Appointments Committee, whether or not to adopt any measure, such as opening an internal investigation, requesting the resignation of the Director or proposing their removal. Unless there are special circumstances that justify it, this shall be reported in the Annual Corporate Governance Report, which shall be recorded in the minutes, without prejudice to the information that the Company must disclose, if appropriate, when the corresponding measures are adopted.

~~3. The individual appointed to permanently exercise the functions inherent in the post of legal entity Director must meet the legal requirements set by the Directors, be submitted to the same duties and be jointly and severally liable to the legal entity Director.~~

### **Article 15.- Conflicts of interest**

- 1. The duty to avoid conflicts of interests referred to in letter e) of the previous article bind the Directors to abstain from:
  - a) ~~The Directors may not perform Engaging in transactions with the Company, except for ordinary unless an exemption has been granted as provided in Article 16 of these Rules of Procedure or the transactions performed in standard conditions for the customers have been approved as provided by law and of scant importance, understood to be those whose information is not required to express fairly the Company's equity, financial position~~

~~and results~~ Article 18 of these Rules of Procedure concerning Related-Party Transactions.

- b) Using the Company's name or invoking his/her status as Director to unduly influence the performance of private operations.
  - c) Making use of Company assets, including confidential Company information, for private purposes.
  - d) Taking advantage of Company business opportunities.
  - e) Obtaining advantages or remuneration from third parties other than the Company and its Group associated with the discharge of their duties, except when such perks are mere courtesy.
  - f) Performing activities, for their own account or for the account of others which involve effective competition, be it current or potential, with the Company or which, in any other way, place them in an on-going conflict vis-à-vis the Company's interests.
2. The foregoing obligation to abstain will also apply when the beneficiary of the acts or activities prohibited is a person tied to the Director. Persons tied to the Directors will also be deemed to be:
- a) The spouse of the Director or the persons with a similar relationship of affectivity.
  - b) The ascendants, descendants and brothers and sisters of the Director or of his/her spouse.
  - c) The spouses of the ascendants, descendants and brothers and sisters of the Director.
  - ~~d) The Companies~~ or entities in which the Director, ~~by him/herself or via either directly or indirectly, including through~~ an intermediary, ~~is in~~ has an interest that accords him/her significant influence, or he/she holds a position on the management body or as a senior executive of those companies or their parent company. For these purposes, any of the situations envisaged in section one of article 42 ~~interest greater than or equal to ten per cent of the Spanish Code of Commerce.~~
  - ~~e)d)~~ \_\_\_\_\_ With respect to share capital or voting rights enabling the legal entity Director, the following will be deemed to be related parties: represented, de facto or de jure, on the Company's management body is presumed to afford significant influence.
  - ~~a) The shareholders who, with respect to the legal entity Director, are in any of~~ represents on the situations envisaged in section one of article 42 of the Spanish Code of Commerce.

- ~~b) The Board of Directors, in fact or in law, the liquidators, and the representatives with general powers of the legal entity Director.~~
- ~~c) The Companies which form part of the same group and their shareholders.~~
- ~~f)e) The persons who, with respect to the representative of the legal entity Director, are considered to be related parties vis-à-vis the Directors in conformity with that set forth in the preceding paragraph.~~

3. Directors must notify the Board of Directors of any direct or indirect conflict which they or parties related to them may have with respect to the Company's interests.

Conflicts of interest involving Directors must be disclosed in the notes to the financial statements in the terms envisaged in the legislation in force.

#### **Article 16.- System of dispensation**

1. The Company may dispense of the prohibitions set forth in the preceding article in specific cases, authorising the performance by a Director or a related person of a certain transaction with the Company, the use of certain social assets, the use of a specific business opportunity, the obtainment of an advantage or the remuneration of a third party.

Authorisation must be necessarily granted by the General Shareholders' Meeting when it intends to dispense of the prohibition from obtaining an advantage or remuneration from a third party, or it affects a transaction whose value exceeds ten (10) per cent of Company assets. In the remaining cases, authorisation may also be granted by the Board of Directors provided that the independence of members which grant it with respect to the Director dispensed off is guaranteed. Furthermore, it will be necessary to ensure the harmlessness of the operation authorised for Company assets or, where appropriate, its performance on an arm's length basis and the transparency of the process.

2. Provisions of law and Article 18 of these Rules of Procedure concerning related-party transactions will apply in the case of transactions with the Company by Directors and personas related to the Directors, who must be considered related parties of the Company in accordance with International Accounting Standards (IAS).

2-3. The obligation not to compete with the Company may only be dispensed of in the event it is not expected to cause damage for the Company or that it is expected to be offset by the benefits the

Company expects to obtain therefrom. Such dispensation will be granted via a separate express resolution adopted by the General Meeting.

## **THIRD TITLE**

### **RELATED-PARTY TRANSACTIONS**

#### **Article 18.- Related-Party Transactions**

1. The Board of Directors will be responsible for reviewing and approving, after hearing the Audit Committee, transactions by the Company or by its subsidiary companies with Directors, with shareholders that hold 10% of the voting rights or more or are represented on the Company's Board of Directors, or with any other persons defined as related parties by law ("Related-Party Transactions"), unless by law that decision lies with the General Meeting.

2. For purposes of the above paragraph, transactions between the Company and companies that are, directly or indirectly, wholly owned by the Company; approval by the Board of Directors of the terms of contracts to be signed with Directors who will be performing executive duties, including, where applicable, Managing Directors or Senior Executives; and specification by the Board of Directors of specific amounts or remuneration to be paid under those contracts will not be considered Related-Party Transactions.

Transactions carried out by the Company with its subsidiary or investee companies will also not be considered Related-Party Transactions where no other party related to the Company has an interest in those subsidiary or investee companies.

3. Related-Party Transactions valued at amounts greater than or equal to ten per cent of the total assets on the latest balance sheet approved by the Company will need to be approved by the General Shareholders' Meeting. All other Related-Party Transactions are to be approved by the Board of Directors, which may not delegate its authority in this area except for Related-Party Transactions between companies belonging to the Group that are carried out in the ordinary course of business at market terms and Related-Party Transactions that are concluded under contracts based on standard terms generally employed for large numbers of customers, are performed at the usual prices or rates set by the vendor of the goods or services in question, or are for sums of no more than 0.5% of the Company's net turnover.

4. The Audit Committee must issue a report on each Related-Party Transaction to be performed before it is approved by the General

Meeting or Board of Directors. In its report the Committee must assess whether the transaction is fair and reasonable from the standpoint of the Company and, if appropriate, of the shareholders other than the related party and must explain the standards on which the assessment has been based and the methods that have been used.

Members of the Audit Committee involved in the Related-Party Transaction may not take part in drawing up the report.

No report will be required for Related-Party Transactions for which approval has been delegated by the Board of Directors in the cases permitted by law and as provided in these Rules of Procedure.

5. Where the Board of Directors delegates responsibility for approving Related-Party Transactions pursuant to item 3 of this Article, the Board itself will set up a routine internal control and reporting procedure to make sure that these transactions are fair and transparent and are compliant with any applicable legal requirements.

6. The Board of Directors will arrange for Related-Party Transactions carried out by the Company or other companies in its Group for sums greater than or equal to five per cent of total book assets or 2.5% of the Company's annual turnover to be made public.

It will post an announcement containing the information required by law in a readily accessible spot on the Company's web page for that purpose and will report this to the National Securities Market Commission [*Comisión Nacional del Mercado de Valores*] (CNMV). The announcement must be posted and released together with the report by the Audit Committee, if any, no later than on the same date the Related-Party Transaction is concluded.

7. All the transactions concluded with the same counterparty in the previous twelve months will be taken into account when calculating the amount of a Related-Party Transaction.

#### **Article ~~1819~~. - The Chairman and the coordinating Director**

1. Subject to a report by the Appointments Committee, the Board of Directors will appoint a Chairman from among its members and, where appropriate, one or ~~several~~two Vice Chairmen.
2. The Chairman is the ultimate person in charge of the efficient functioning of the Board of Directors and it will have, among others, the following functions and powers:

- a) To convene and chair Board meetings, establishing the meeting agenda and leading debates and deliberations.
  - b) Unless stated otherwise in the Bylaws, to chair the General Shareholders' Meeting.
  - c) To ensure that Directors receive sufficient information in advance to deliberate on the points on the agenda.
  - d) To stimulate debate and the active participation of Directors during the meetings, safeguarding their free posture, ensuring that sufficient time is devoted to discuss strategic matters.
  - e) To organise and coordinate the frequent assessment of the Board, and of the Company's CEO, if the Chairman does not hold such position.
  - f) To ensure that refresher programmes exist which enable Directors to bring themselves up to date with their knowledge when the circumstances so advise.
  - g) To prepare and submit to the Board of Directors a programme of dates and matters to be dealt with.
3. The position of Chairman of the Board of Directors may fall to an Executive Director. In this case, the appointment of the Chairman will require the favourable vote of two thirds of Board members.
4. In the event the Chairman is an Executive Director, the Board of Directors, with the abstention of the Executive Directors, must appoint a coordinating Director from among the Independent Directors, who will have the following powers and responsibilities:
- a) To chair the Board in the absence of the Chairman and Vice Chairmen.
  - b) To request that a Board meeting be called or that new points be included on the agenda of an already convened Board meeting.
  - c) To coordinate and assemble Non-Executive Directors and to reiterate their concerns, in particular, in relation with the Company's corporate governance.
  - d) To keep in touch with investors and shareholders to ascertain their points of view to be able to form an opinion as to their concerns, especially in relation to the Company's corporate governance.
  - ~~d~~e)        To manage, where appropriate, the periodic assessment of the Chairman of the Board of Directors.

e)f) \_\_\_\_\_ To coordinate the Chairman's succession plan.

### **Article ~~19~~20.- The Vice Chairmen**

The Board may also elect from among its Board Members one or two Vice Chairmen who shall act as 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 and, in the absence of such order, by order of seniority and, lastly, by order of greater to lesser age.

### **Article ~~20~~21.- The Chief Executive Officer**

The Board may appoint one or various Chief Executive Officers, delegating him/her the powers deemed expedient except those which, by law or under the Company's Bylaws, cannot be delegated.

When a Board member is appointed CEO or is attributed executive functions by another means, it will be necessary for him/her to enter into a contract with the Company which must be previously approved by the Board of Directors with the favourable vote of two thirds of its members. The Director in question must abstain from deliberation and from participating in the voting. The contract approved must be included as an appendix to the minutes of the meeting.

### **Article ~~21~~22.- The Secretary**

1. Subject to a report by the Appointments Committee, the Board of Directors will appoint a Secretary and, where appropriate, one or several Deputy Secretaries. The same procedure will be followed to agree the separation of the Secretary and, where appropriate, of each Deputy Secretary. The Secretary and the Deputy Secretaries may or may not be Directors.
2. Aside from the functions assigned by law and under the Company's Bylaws or these Rules, the Secretary must perform the following tasks:
  - a) Conserve the documentation of the Board of Directors, make a record in the Minutes books of the holding of the meetings and attest to their content and to the resolutions adopted.
  - b) Ensure the Board of Directors' procedures comply with the applicable regulations, the Company's Bylaws and other internal rules, and take into account the good governance

recommendations generally accepted or considered by the Spanish listed companies.

- c) Aid the Chairman in ensuring that the Directors receive the relevant information to exercise their functions sufficiently in advance in the adequate format.

## **TITLE ~~FOUR~~FIVE**

### **REGARDING THE BOARD COMMITTEES**

#### **Article ~~2223~~.- The Committees**

For greater efficiency in the exercise of its duties and without prejudice to the statutory powers that correspond to the Board for the creation of the Committees that it deems necessary, an Executive Committee will comprise, with delegated powers from the board, an Audit, an Appointments and a Remuneration, with the functions that are established in these Rules within the framework of current legislation and the Company Bylaws.

#### **Article ~~2324~~.- The Executive Committee**

The Executive Committee shall be composed of at least two non-executive Directors, at least one of whom shall be independent. In any event, the Executive Committee shall be comprised of the Chairman of the Board of Directors, who shall act as its Chairman, and by the Deputy Chairman/Chairmen of the Executive Committee, in the event that these positions have been appointed by Board Members appointed by the Board of Directors for such purpose, and of the Secretary to the Board, with the right to speak but not to vote, who shall act as its Secretary.

The Executive Committee will meet as often as it is convened by its Chairman, on his or her own initiative or at the request of, at least, two of its members. It will 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 will adopt its agreements by an absolute majority ~~vote~~ of those attending, present or represented.

The Executive Committee will exercise all duties delegated thereto by the Board of Directors, except those that cannot be delegated by law or the Company Bylaws. Nevertheless, the Board of Directors may pass on knowledge of and the decision upon any matter of its competence and, for 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 will be governed by the provisions of these rules regarding the operation of the Board of Directors.

## **Article ~~24~~25.- The Audit Committee**

1. In accordance with the provisions of Article 21 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 fall to anyone who currently performs or who has carried out tasks of an executive or labour-related nature at the Company during the three immediately preceding years.~~ The majority of the members of the Audit Committee shall be Independent Directors and one of them shall be appointed on the basis of his or her knowledge and experience in accounting or auditing or both. Notwithstanding the above, steps shall be taken to ensure that all members of the Audit Committee as a whole – and especially its Chair – are appointed on the basis of their knowledge and expertise in accounting, auditing or risk management, both financial and non-financial, and also in all areas which are helpful in performing all their duties for the Audit Committee, such as finance, internal monitoring and information technology.

In turn, without prejudice to the obligation to promote diversity in terms of gender and of geographic origin, the Audit Committee members must have relevant technical skills in relation to the Company's area of activity.

2. The Committee Chairman shall be appointed by the Board of Directors and shall necessarily correspond to one of the Company's Independent Directors, who may not remain in such position for a period in excess of four years, although he/she may, nevertheless, be re-elected after the period of one year has elapsed from the moment of cessation. The Chairman of the Committee shall act as its spokesman at meetings of the Board of Directors and, where applicable, the company's General Shareholders Meeting.

The Secretary to the Company's Board of Directors shall attend meetings with the right to speak but not to vote. Their role shall be to assist the Chairman of the Committee in planning the meetings,

compile and distribute the necessary information in sufficient time, and take the minutes, copies of which shall be sent upon approval to each of the members of the Board of Directors.

3. Under the supervision of the Audit Committee, it will have a unit which will assume the internal audit function to oversee the sound functioning of the reporting and internal control systems. From a functional standpoint, it will be answerable to the Non-Executive Chairman of the Board or to that of the Audit Committee. The head of this unit shall submit their annual work plan to the Audit Committee and shall report directly to the latter on any matters arising in the course of the procedures carried out, as well as on the results and follow-up of their recommendations, and shall submit an activity report at the end of each financial year.
4. The notice of a meeting, which must always include the agenda and should be accompanied by the necessary information, although in certain circumstances, it may be justified to distribute all or part of the information at the meeting itself, rather than in advance. The Audit Committee shall be deemed duly convened when the majority of its members are present, and it shall adopt its agreements by ~~thean absolute majority vote~~ thean absolute majority ~~vote~~ of those attending, with the Chairman having the casting vote in the event of a tie.
5. The Audit Committee will meet as many times as convened by its Chairman and, in any case, it must coincide with the initial and final phases of the audit of the Company's financial statements and the consolidated financial statements of its group of companies, prior to the issuance of the corresponding auditors' reports, as well as upon the process of preparing financial reporting packages which must be made public by the Company.

The Company's Auditor may attend such Audit Committee meetings, whenever especially convened for the purpose of explaining the most significant aspects of the audits performed, and so may the internal auditor.

6. The Audit Committee shall have the following functions:

As pertains to oversight of the financial and non-financial information:

- a) To inform the General Shareholders' Meeting of matters envisaged in relation to those issues which are the competency of the Committee, and in particular, of the result of the audit, explaining how it contributed to the integrity of

the financial information, and the role which the Committee played in that process.

- b) To supervise and evaluate the preparation and presentation of the company's, and where applicable the Group's, financial and non-financial information, reviewing compliance with regulatory requirements and ensuring the adequacy of the consolidation scope defined and appropriate application of accounting criteria and, in particular, being aware of, understanding and supervising the effectiveness of the internal financial information control system (SCIIF). The Committee may present recommendations or proposals to the Board of Directors, with the aim of safeguarding the integrity of the financial information.
- c) To provide the Board of Directors with prior notice about the financial information and the management report, to include, where appropriate, any requisite non-financial information that the Company is required to publish periodically.
- d) To ensure that the Financial Statements that the Board of Directors presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations and that, in those cases in which the auditor has included a proviso in his audit report, the Chairman of the Audit Committee clearly explains to the General Shareholders' Meeting the opinion of the Audit Committee regarding its content and scope, making a summary of this opinion available to the shareholders at the time of publication of the call to the Meeting, together with the rest of the proposals and reports of the Board.

As pertains to the oversight of the internal control and internal audit:

- e) To oversee the efficiency of the Company's internal control, ensuring that the policies and systems established in the area of internal control are effectively applied in practice, and the internal audit, as well as to discuss with the account auditor any significant weaknesses in the internal control system detected during the audit process, without infringing its independence, drawing conclusions as to the level of trustworthiness and reliability of the system. For these purposes, where necessary, the Audit Committee may present recommendations or proposals to the Board of Directors and indicate the corresponding period of time for follow-up of these recommendations.

- f) To oversee the independence of the internal audit unit; propose the selection, appointment and removal of the head of the internal audit department; propose the budget for the service; approve the orientation and the annual work plan of the internal audit, ensuring that activities are directed principally toward key risks for the company (including the reputational ones); receive regular information on internal activities; ensure that senior management takes the conclusions and recommendations of internal audit reports into consideration; and annually assess the workings of the internal audit unit and the performance of its duties by the person responsible for the unit.
- g) To establish and oversee a mechanism that allows employees and other persons related to the Company, such as Directors, shareholders, suppliers, contractors or subcontractors, to confidentially report any potentially significant irregularities, including financial and accounting irregularities, or irregularities of any other nature, related to the Company that they may identify within the Company or its group, by receiving regular information on its operation and being able to propose the appropriate actions for its improvement and future risk reduction.

As pertains to the oversight of risk management and control:

- h) To supervise and evaluate the effectiveness of financial and non-financial risk management systems relating to the Company and the group, including operational, technological, legal, social, environmental, political and reputational or corruption-related systems.
- i) At least once a year, to reassess the list of most significant risks, both financial and otherwise, and evaluating their tolerance level, proposing adjustments to the Board of Directors where necessary. For these purposes, the Committee shall, at least once a year, hold a meeting with the heads of the various business lines, for those managers to explain trends in their line of business, and the associated risks.
- j) To directly oversee the performance of the internal control and risk management functions carried out by any unit or Department of the Company.

In relation to the external auditor:

- k) To feed back to the Board of Directors any proposals for the

selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process, and for the conditions of their engagement, and for this purpose, the Committee must:

1. define the process for selection of the auditor; and
  2. issue a reasoned proposal containing at least two alternatives for auditor selection, except in cases of re-election of the same auditor.
- l) To regularly gather information from the external auditor regarding the audit plan, its execution and any other issues relating to the account auditing process – in particular, any disagreements which arise between the account auditor and the Company management, as well as to preserve its independence in the exercise of its functions.
- m) To establish the appropriate relationships with the external auditor for the purpose of receiving information on any matter which may compromise its independence, for examination by the Committee, and any other matter relating to the process of auditing the accounts and, where necessary, authorization of services other than those which are prohibited, in the conditions set forth in the applicable legislation, as any other communications prescribed by the legislation in account auditing and in the auditing standards.

In any case, the Company must receive an annual declaration from the external auditors regarding their independence vis-à-vis the entities directly or indirectly related to the Company, together with information on additional services of any kind provided and the related fees received from these companies by the external auditor or by persons or entities related thereto, in accordance with the audit legislation in force.

- n) To issue annually, prior to the issue of the auditors' report, a report in which it gives its opinion on the independence of the auditor. In any case, this report should inform on the provision of the additional service referred to in the previous section, individually and globally considered, other than the legal audit and in relation with the independence system or the audit regulations.

Should the external auditor resign, examine the circumstances leading to such decision.

- o) Ensure that the remuneration of the external auditor does not compromise its quality or independence, and establish a guideline cap on fees that the auditor can be paid, each year, for services other than auditing.
- p) Ensure that the company notifies any change of auditors through the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditors and, if any, of their content.
- q) Ensure that the external auditor holds an annual meeting with the Board of Directors to inform it of the work performed and of the evolution of the Company's accounting situation and risks.
- r) Ensure that the Company and the external auditor comply with the applicable laws regarding the provision of services other than auditing services, restrictions on the concentration of the external auditor's business, and, in general, with other laws stipulated to safeguard the independence of auditors.
- s) To perform a final assessment regarding the auditor's performance, and how they have contributed to the quality of the audit and the integrity of the financial information.

Other roles:

t) To report on Related-Party Transactions that need approval by the General Meeting or Board of Directors and oversee the Company's internal procedure for transactions for which the Board has delegated approval pursuant to the applicable laws and regulations.

t)u) To report to the Board of Directors on all matters where so required by Law, the Bylaws and the Board's Rules of Procedure, in particular with regard to:

1. the economic conditions and the impact on accounting matters and, where applicable, on the proposed exchange ratio, of structural and corporate modifications which the Company plans to carry out; and
2. the creation or acquisition of investments in special purpose vehicles registered in countries or territories listed as tax havens; and

~~3. related party transactions.~~

The stipulations of paragraphs k), l), m) and n) above apply without prejudice to prevailing legislation governing auditing.

7. Before attending meetings of the Audit Committee, members must put in sufficient effort to analyze and assess the information received. In addition, at Committee meetings, constructive dialog and free expression between the members will be encouraged, and members will be encouraged to adopt a vigilant and analytical attitude. The Chairman of the Committee must ensure that members are freely participating in the discussions.
8. Also, the Audit Committee may convene any Company employee or manager, even ordering their appearance without the presence of another Senior Executive, and also insist that other persons attend their sessions, though only by invitation of the Chairman of the Committee, and only to address those specific points of the agenda which they are called to explain, provided the matter at hand justifies such a measure. In particular, the minutes of Committee meetings will record the entrance and exit of the various guests. The guests shall not attend the deliberation and voting phases of the Committee except in special cases with good reason duly explained in the minutes.
9. The Audit Committee must establish an effective channel for periodic communication with their usual interlocutors, normally between the Chairman of the Committee and, amongst others, the Company management – in particular, the general management and finance department, the head of internal audits, and the main auditor responsible for account auditing. In particular, communication between the Audit Committee and the external auditor must be free and continuous, in accordance with the regulations on account auditing.
10. The Audit Committee may have adequate access, when required, to any information or documentation the Company has, and may receive advice from external experts when deemed necessary for the Committee to discharge its duties properly.
11. The Company must provide the Audit Committee with sufficient resources to perform its duties. In particular, the Committee shall have a periodic training plan to help update the Committee members' knowledge, and a program shall also be run to help integrate new Committee members.

12. The Audit Committee shall establish an annual work plan listing the main activities the Committee intends to carry out over the course of the year. In addition, the Committee will produce an annual report on its operation during the year, including, amongst other things, significant activities carried out over that period, specifying those which have been conducted with the help of external experts.
13. Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Audit Committee shall be governed by the provisions of these Rules regarding the functioning of the Board of Directors.

### **Article ~~2526~~. - Functions of the Audit Committee in corporate governance and sustainability in environmental and social matters**

In addition to the functions listed in the previous article, the Audit Committee shall oversee compliance with the Company's policies and rules on environmental, social and corporate governance matters, as well as with internal codes of conduct, with the following functions:

- a) The supervision of compliance with the rules of corporate governance and the internal codes of conduct of the Company, as well as ensuring that the corporate culture is aligned with its purpose and values.
- b) The supervision of the application of the general policy regarding the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, voting advisors and other interest groups. The way in which the Company communicates and engages with small and medium sized shareholders will also be monitored.
- c) The evaluation and periodic review of the Company's system of corporate governance and its environmental and social policy, in order to ensure that it fulfills its mission of furthering the corporate interest and takes into account, as appropriate, the legitimate interests of other stakeholders.
- d) Ensuring that the Company's environmental and social practices are in line with the defined strategy and policy.
- e) Supervision and assessment of the relationship processes with the different groups of interest.

### **Article ~~2627~~. - The Appointment Committee**

1. Likewise, the Board of Directors will set up an Appointment Committee to be made up of a Chairman and a minimum of two Members who will be freely elected and moved, from among its members, by the Board of Directors, and who will perform their functions during the term of four years for which they were appointed. At least two Members of the Committee must be Independent Directors and the Chairman of the Committee will be appointed from among the Independent Directors who form a part of it and. The members of the Appointments Committee shall be appointed bearing in mind that they should, as a whole, have the knowledge, skills and experience appropriate to the functions of the Committee, in the different competence areas, such as, among others, human resources, selection and suitability requirements for Directors and executives and performance of senior management functions, all favoring, in its different aspects, diversity in the structure of the Committee.
2. The Chairman of the Committee shall be appointed by the Board of Directors from among the independent Directors forming part of the Board of Directors. The Chairman of the Committee shall act as spokesperson at the meetings of the Board of Directors and, where appropriate, of the General Shareholders' Meeting of the Company.

The Secretary to the Board of Directors will attend the Committee's meetings, will act as its Secretary, with entitlement to participate but not to vote, who will assist the Chairman of the Committee to plan its meetings, compile and distribute the necessary information adequately in advance and will write up the minutes of the meeting, which will be forwarded to all members of the Board of Directors following their approval.

3. The convening of the meetings of the Committee, which shall always include the agenda, shall be accompanied by the necessary information, without prejudice to the fact that – in certain circumstances – it may be justified that all or part of the information be provided at the meeting itself. The Committee will only be deemed to be convened when the majority of its members attend and agreements will be adopted by an absolute majority ~~vote~~ of those attending, with the Chairman having the casting vote in the event of a tie. The Committee will meet, when convened by the Chairman, at least three times a year, ensuring that, whenever possible, the Committee meetings take place sufficiently in advance of the meetings of the Board of Directors.

4. The Appointment Committee has the following duties:

Regarding the members of the Board of Directors:

- a) To evaluate the capabilities, expertise and experience required by the Board of Directors. For these purposes, the Appointments and Remuneration Committee shall define the necessary skills and abilities of

the candidates to cover any vacancy and shall evaluate the time and dedication required to discharge the related duties effectively, ensuring that non-executive Directors have sufficient time available to perform their duties properly.

For these purposes, the Committee shall prepare and periodically update a matrix with the necessary competences of the Board that defines the skills and knowledge of the candidates for Directors, especially those of executives and independent Directors.

b) To make proposals to the Board of Directors for the appointment of independent Directors by co-option or by approval at the Shareholders' General Meeting, as well as proposals for the re-election or removal of such Board Members by the Shareholders' General Meeting;

c) Verify the category of Directors on an annual basis.

Regarding the selection of Directors and Senior Management:

d) To make proposals for the appointment of other Board Members by co-option or by approval at the Shareholders' General Meeting, as well as proposals for the re-election or removal of such Board Members by the General Shareholders' Meeting.

e) To make proposals for the appointment of the remaining Directors for their appointment by co-option or for their submission to the decision of the General Shareholders' Meeting, as well as proposals for their re-election or separation by the General Meeting.

f) To make proposals for appointing and separating Senior Management, especially those who will form part of the Group Management Committee and to propose the basic terms and conditions of their contracts, in coordination, if necessary, with the Remuneration Committee.

g) Periodically checking the criteria for selecting Directors.

Regarding the positions of the Board:

h) Reporting the proposals for the appointment of the Chairman and, where appropriate, Vice-chairman of the Board.

i) Reporting the proposals for appointing the Secretary and, if applicable, the Deputy Secretaries of the Board of Directors.

j) Proposing, if applicable, the appointment of the coordinating Director.

k) Examining and organizing the succession of the Chairman of the Board of Directors and the first Company executive and, if applicable,

making proposals to the Board of Directors for said succession to take place in an orderly and planner manner, making a succession plan to this end.

Other functions:

l) Lead, in coordination with the Chairman of the Board and with the collaboration, where appropriate, of the coordinating Director, the annual assessment of the Board regarding the operation and composition of the same, its Committees and the Directors of the Company.

m) Periodically design and organize knowledge update programs for Directors, in coordination, if necessary, with the Remuneration Committee.

n) To ensure that potential conflicts of interest do not adversely affect the independence of external advice provided to the Committee.

5. The Appointments Committee shall consult with the Chairman of the Board of Directors and the Company's chief executive officer, in particular on matters relating to Executive Directors and Senior Management. Likewise, any board member may request that the Committee takes potential candidates to cover vacancies in the Board of Directors into consideration, where they understand the same to be suitable.

6. Attendance at Committee meetings must be preceded by sufficient preparation of its members to analyze and assess the information received. Likewise, in the meetings of the Committee, constructive dialogue between its members shall be promoted, encouraging the free speech and their supervisory and analytical attitude, and the Chairman of the Committee must ensure that its members freely participate in the deliberations.

7. The Appointments Committee may summon any employee or manager of the Company, and even order that they appear without the presence of any other manager, as well as request the attendance at their meetings of any third party, although this only may be so upon the invitation of the Chairman of the Committee and only to deal with those items on the agenda for which they have been convened to the extent that it is justified by the matter in question. The minutes of Committee meetings will record the entrance and exit of the various guests. The guests shall not attend the deliberation and voting phases of the Committee except in special cases with good reason duly explained in the minutes.

8. The Appointments Committee must establish an effective and periodic communication channel with its usual partners, which shall normally correspond to the Chairman of the Committee and, among others, to the Chairman of the Board of Directors; where appropriate, with

the coordinating independent Director, in the event that he is not part of the Committee; and with the leadership of the Company.

9. The Appointments Committee may adequately, timely and sufficiently access any information or documentation available to the Company as well as seek the advice of external experts when it deems it necessary for the proper fulfillment of its functions. In particular, it must disclose with transparency any relationship or situation of conflict of interest affecting the external advisers, requesting that in their service proposals they break down all possible conflicts with the Company or its Directors.

10. The Company must provide the Appointments Committee with sufficient resources to enable it to fulfil its functions. In particular, the Committee shall have a periodic training plan to facilitate the knowledge update of the members of the Committee, and the provision of a welcome program for its new members.

11. The Appointments Committee shall establish an annual work plan that shall include the main activities of the Committee during the fiscal year. Likewise, the Committee shall prepare an annual report on its operation during the fiscal year, including, among other matters, the significant activities carried out during the period, reporting on those that have been performed with the collaboration of external experts.

12. To the extent necessary, and with the natural adaptations, the provisions of this Statute relating to the operation of the Board of Directors shall apply to the Appointments Committee.

#### **Article ~~27~~28. -The Remuneration Committee**

1. Likewise, the Board of Directors will set up a Remuneration Committee to be made up of a Chairman and a minimum of two Members who will be freely elected and moved, from among its members, by the Board of Directors, and who will perform their functions during the term of four years for which they were appointed. At least two of the Members of the Committee must be Independent Directors and the Chairman of the Committee will be appointed from among the Independent Directors who form a part of it. The members of the Remuneration Committee shall be appointed bearing in mind that they should, as a whole, have the knowledge, skills and experience appropriate to the functions of the Committee, in the different competence areas, such as the design of remuneration policies and plans for Directors and Senior Management, all favoring, in its different aspects, diversity in the structure of the Committee.

2. The Chairman of the Committee shall be appointed by the Board of Directors from among the independent Directors forming part of said Board. The Chairman of the Committee shall act as spokesperson in the meetings of the Board of Directors and, if applicable, in the Company's General Shareholders' Meetings.

He shall attend the meetings, with the entitlement to speak but with no voting rights, and shall act as Secretary of the Company's Board of Directors, who shall assist the Chairman of the Committee to plan its meetings, compile and distribute the necessary information sufficiently in advance and who shall draw up the minutes of the meetings, a copy of which, once approved, shall be sent to the members of the Board of Directors.

3. The convening of the meetings of the Committee, which shall always include the agenda, shall be accompanied by the necessary information, without prejudice to the fact that – in certain circumstances – it may be justified that all or part of the information be provided at the meeting itself. The meeting will only be deemed to be convened when the majority of its members attend and agreements will be adopted by an absolute majority ~~vote~~ of those attending, with the Chairman having the casting vote in the event of a tie. The Committee will meet, when convened by the Chairman, at least twice a year, ensuring, to the extent possible, that the Committee meetings take place sufficiently in advance of the meetings of the Board of Directors.

4. The Remuneration Committee has the following duties:

- a) To report to the Board of Directors on policy regarding the remuneration of directors and general managers or other persons discharging senior management functions and reporting directly to the Board of Directors, executive committees or Executive Board Members, and to verify compliance with the policy established.

- ~~b) To make proposals on the distribution of the overall remuneration agreed upon by the shareholders at the General Meeting, between the members of the Board of Directors.~~

- b) To report to the Board of Directors on the remuneration set for each individual Director in that capacity in the framework of the Bylaws and the remuneration policy and on the remuneration set for each individual Director for performing his/her assigned

executive duties in the framework of the remuneration policy and in accordance with the terms of his/her contract.

- c) To make proposals on individual remuneration and other contractual conditions for members of the Executive Board, as well as to propose the basic terms and conditions of the contracts of the Senior Management on remuneration, on coordination, as necessary, with the Appointments Committee, checking that they are consistent with the applicable remuneration policies.
  - d) To propose long-term plans that may be established in accordance with share value, such as stock option plans.
  - e) Periodically review the remuneration policy applied to Board Members and Senior Management, including share-based remuneration systems and their application, if any, and to provide assurance that individual remuneration is proportionate and in line with the compensation paid to other Directors and Senior Management of the Company.
  - f) To verify information on the remuneration of Board Members and Senior Management contained in the different corporate documents, including the Annual Report on Board Members' Remuneration.
  - g) To ensure that potential conflicts of interest do not adversely affect the independence of external advice provided to the Committee.
5. The Appointments Committee shall consult with the Chairman of the Board of Directors and the Company's chief executive officer, in particular on matters relating to Executive Directors and Senior Management.
  6. Attendance at Committee meetings must be preceded by sufficient preparation of its members to analyze and assess the information received. Likewise, in the meetings of the Committee, constructive dialogue between its members shall be promoted, encouraging the free speech and their supervisory and analytical attitude, and the Chairman of the Committee must ensure that its members freely participate in the deliberations.
  7. The Remuneration Committee may summon any employee or manager of the Company, and even order that they appear without the presence of any other manager, as well as request the

attendance at their meetings of any third party, although this only may be so upon the invitation of the Chairman of the Committee and only to deal with those items on the agenda for which they have been convened to the extent that it is justified by the matter in question. The minutes of Committee meetings shall record the entrance and exit of the various guests. The guests shall not attend the deliberation and voting phases of the Committee except in special cases with good reason duly explained in the minutes.

8. The Remunerations Committee must establish an effective and periodic communication channel with its usual partners, which shall normally correspond to the Chairman of the Committee and, among others, to the Chairman of the Board of Directors; where appropriate, with the coordinating independent Director, in the event that he is not part of the Committee; and with the leadership of the Company.
9. The Remunerations Committee may adequately, timely and sufficiently access any information or documentation available to the Company as well as seek the advice of external experts when it deems it necessary for the proper fulfilment of its functions. In particular, it must disclose with transparency any relationship or situation of conflict of interest affecting the external advisers, requesting that in their service proposals they break down all possible conflicts with the Company or its Directors.
10. The Company must provide the Remunerations Committee with sufficient resources to enable it to fulfil its functions. In particular, the Committee shall have a periodic training plan to facilitate the knowledge update of the members of the Committee, and the provision of a welcome program for its new members.
11. The Remunerations Committee shall establish an annual work plan that shall include the main activities of the Committee during the fiscal year. Likewise, the Committee shall prepare an annual report on its operation during the fiscal year, including, among other matters, the significant activities carried out during the period, reporting on those that have been performed with the collaboration of external experts.
12. Insofar as may be necessary, and with the appropriate adaptations, the functioning of the Remunerations Committee shall be governed by the provisions of these Rules regulating the functioning of the Board of Directors.