

**EBRO FOODS, S.A.**

**REGULATIONS OF THE BOARD**

**CHAPTER ONE**  
**GENERAL PROVISIONS**

**Article 1: Purpose**

- 1.1. The purpose of these Regulations of the Board of Directors (the “**Regulations**”) of EBRO FOODS, S.A. (the “**Company**”) is to establish the principles of action of the Board of Directors and its Committees, the basic rules for its organisation, internal regulations and functioning, and the rules of conduct of its members, in accordance with prevailing laws and regulations and the Articles of Association.
- 1.2. The Regulations are applicable directly to the Board of Directors as a body corporate and the Directors, as members of the Board contributing to form its will as a corporate body, the Secretary and Vice-Secretary, if any, of the Board, the Committees of the Board and, insofar as they are compatible with their specific nature, the senior executives of the company.

**Article 2: Interpretation**

- 2.1. These Regulations supplement and complement the provisions of the law and Articles of Association.
- 2.2. The Board is competent to solve any queries that may arise in connection with the application and interpretation of these Regulations, relating them with the applicable legal provisions and Articles of Association according to the principles on which they are based.

**Article 3: Modification**

- 3.1. These Regulations may be modified at the proposal of the Chairman or at least one-third of the Board members whenever circumstances exist which, in their opinion, make such modification necessary or convenient, submitting together with the proposal a report justifying the grounds for and scope of the modification.
- 3.2. The proposal for modification and the report justifying it shall be submitted to the Audit and Compliance Committee and the Nomination and Remuneration Committee, which may issue a report if they so deem fit.
- 3.3. Prior to the Board meeting at which the proposal to modify these Regulations is to be discussed, the full text of the modification shall be sent to the directors together with the justifying report and, as the case may be, the reports of the Audit and Compliance Committee and the Nomination and Remuneration Committee.
- 3.4. The resolution to modify these Regulations shall be carried with the favourable votes of at least two-thirds of the Board members.
- 3.5. The Board shall inform the shareholders of the modifications to the Regulations at the first General Meeting held thereafter as stipulated in law.

#### **Article 4: Distribution**

- 4.1. The Board shall take the appropriate measures to ensure that the Regulations are widely distributed among the shareholders and investors in general.
- 4.2. The Regulations shall be disclosed to the National Securities Market Commission (CNMV) and entered in the Trade Register and shall be published on the company's corporate website as stipulated in the applicable laws and these Regulations.

### **CHAPTER II**

#### **STRUCTURE AND COMPOSITION OF THE BOARD**

#### **Article 5: Quantitative Criteria**

- 5.1. The General Meeting shall determine the exact number of Directors, between the maximum and minimum stipulated in the Articles of Association.
- 5.2. This notwithstanding, the Board and, as the case may be, the Nomination and Remuneration Committee, shall recommend an adequate number of members to ensure that it is duly representative and efficient and to favour the participation of all its members and expeditious decision-making.

#### **Article 6: Qualitative Criteria**

- 6.1. The selection policy for Directors shall promote diversity of expertise, experience and gender in the composition of the Board.
- 6.2. Nominations shall be made taking into account the classification and definition of the different categories director established by law and, as the case may be, in the Articles of Association, distinguishing between executive and non-executive or external directors and, within the latter, proprietary, independent or other non-executive.
- 6.3. The Board, exercising its powers of recommendation to the General Meeting and cooptation to fill vacancies, and the Nomination and Remuneration Committee, as the case may be, shall endeavour to ensure a composition in which non-executive directors have an ample majority on the Board and the number of executive directors is kept to a bare minimum, taking account of the complex nature of the corporate group and the percentage share held by executive directors in the capital of the company.
- 6.4. In order to establish a reasonable balance between proprietary and independent directors, the Board shall endeavour to reflect the ownership structure of the company, such that the ratio of the two types of director is similar to the ratio of capital held by controlling shareholders to capital held by institutional investors and minority shareholders.
- 6.5. In any case, any initiative taken by the Board in respect of its members shall be without prejudice to the sovereign power of the General Meeting to appoint and

remove Directors and exercise by shareholders of their right to proportional representation.

### **CHAPTER III**

#### **DUTIES AND POWERS OF THE BOARD**

##### **Article 7: General duties**

- 7.1. Save in any matters reserved for the General Meeting by law, regulations or the Articles of Association, the Board of Directors is the highest body of government and administration of the company, with full powers to direct, administer and represent the company in the performance of the activities comprising its objects.
- 7.2. The Board shall commission the day-to-day management of the company to its executive members and the senior officers, focusing its own activities on oversight and undertaking certain general duties including, among others corresponding to it by law, the following:
  - a) Define the general strategy and management guidelines of the company and its group.
  - b) Promote and supervise the senior management.
  - c) Establish the bases of corporate organisation in order to secure the utmost efficiency
  - d) Establish, within the confines of law, adequate coordination with investees for the benefit and common interests of the company and its subsidiaries.
  - e) Oversee and promote compliance with the principles of transparency and truth of all information on the company in its relations with shareholders and the markets in general.
  - f) Organise its own functioning and procedure.

##### **Article 8: Powers**

- 8.1. The Board shall have the following powers, without prejudice to those corresponding to the General Meeting and any others attributed to it by law and the Articles of Association.
  - 8.1.1. As regards the general strategy:
    - a) Approve the company's strategic or business plan and annual budget, establishing the financial targets and basic lines of action, as well as the specific plans and policies devised to reach those targets.
    - b) Define the policy for reporting to and general communication with the shareholders, markets and public opinion.

- c) Supervise all long-term commercial, industrial or financial agreements of particular strategic importance for the company and its subsidiaries.
- d) Coordinate with the subsidiaries, within the limits established in law, in all matters contemplated in this article, acting in the common interests and for the benefit of the company and its subsidiaries.

8.1.2. With regard to management guidelines and laying the bases for corporate organisation of the senior management:

- a) Approve the management targets, promote and supervise the operations of the company and efficiency of the senior management in meeting the targets set, establishing an organisational structure that will guarantee the greatest efficiency of the senior management and the management team in general.
- b) Perform the duties commissioned to the Board by the General Meeting of Shareholders, which duties may not be delegated unless expressly so provided in the resolution of the general meeting.
- c) Approve the following operations: organisation and winding-up of companies, acquisition of stakes in the capital of existing companies, mergers, takeovers, demergers or business concentrations of interest to the company, whenever these operations are material by virtue of their amount or nature.
- d) Propose to the General Meeting acquisitions and disposals of substantial assets and any financial transactions of the company that may have a material effect on its equity or which, by virtue of whatsoever other circumstance, are especially important.
- e) Approve any investments and divestments which, by virtue of their amount or special characteristics, are considered strategic or have a special tax risk, unless they are to be approved by the General Meeting.
- f) Furnish guarantees and the like to secure obligations of companies in which the Company has no stake.
- g) Approve the transfer of any industrial property rights belonging to the Company that may have a material economic importance or be significant for its image on the market.
- h) Supervise any commitments deriving from the staff welfare system involving long-term financial responsibilities for the Company.
- i) Establish, where necessary, the position of the Company in respect of its subsidiaries in the matters and operations contemplated in this section.

8.1.3. In respect of the transparency and truth of the company's reporting:

- a) Ensure the independence and professional suitability of the External Auditor.
- b) Supervise the services of the Internal Audit Department, overseeing the financial reporting process and internal control systems.
- c) Control the financial information disclosed to the shareholders or the markets in general.

8.1.4. In connection with its own organisation and functioning:

- a) Appoint Directors, whenever necessary, by the system of cooptation and accept resignations tendered by Directors.
- b) Appoint and remove the Directors who are to sit on the Executive Committee and any other Committees contemplated herein, and delegate powers to the Chairman, Vice-Chairman, Managing Director(s), if any, Executive Committee and any other Committees contemplated herein.
- c) Appoint and remove the Chairman, Vice-Chairman, Managing Director(s), if any, Lead Independent Director and the Secretary, and Vice Secretary if any, subject to a report, whenever so required by law, by the Nomination and Remuneration Committee.
- d) Appoint and remove the members of the Management Committee and senior officers and establish their possible termination benefit clauses.

8.2. Notwithstanding the powers of the General Meeting in this respect, pursuant to applicable legal provisions, the Board shall also authorise transactions made by the company or other companies in its Group with directors, significant shareholders, shareholders represented on the board or other related parties, where appropriate and subject to a favourable report by the Audit and Compliance Committee.

#### **Article 9: Specific duties regarding certain matters**

9.1. The Board shall see that the separate and consolidated Annual Accounts and Directors' Reports give a true and fair view of the equity, financial position and results of the company, as stipulated in law, and each and all of the Directors shall have the necessary information before signing the Annual Accounts.

9.2. The Board shall, as such and through its Committees, have the following specific duties in respect of the Securities Market:

- a) Approve the financial information published periodically.
- b) Promote and supervise the information given to the financial markets, particularly on any events, decisions and circumstances that may be important for the price of its shares.

c) Take whatever measures may be necessary to guarantee, as far as possible, a correct determination of the prices of shares in the Company and its subsidiaries, where appropriate.

d) Approve the Internal Code of Market Conduct and any modifications thereto as may be necessary.

9.3. The Board shall be ultimately responsible for the existence, maintenance and oversight of an adequate, effective internal control system of all financial reporting.

#### **Article 10: Delegation of powers by the Board**

10.1. Any powers which are reserved by law, regulations or the Articles of Association to direct oversight by the Board may not be delegated.

10.2. This notwithstanding, in the event of a duly justified emergency and provided this is permitted by law and the Articles of Association, the Executive Committee, or Delegated Committee as the case may be, may adopt decisions on matters within the competence of the Board, subject to ratification at the first Board meeting held thereafter.

### **CHAPTER IV**

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

#### **Article 11: Chairman of the Board**

11.1. The Board shall appoint one of its members to be Chairman, subject to a report by the Nomination and Remuneration Committee. This office may be held by an executive director, in which case the appointment of the Chairman shall require the favourable vote of two-thirds of the Board members.

11.2. Notwithstanding any executive duties he may have and any other duties corresponding to him by law or the Articles of Association, the Chairman of the Board shall be the highest institutional representative of the company and oversee the powers of the Board in respect of relations with shareholders and markets.

11.3. The Chairman of the Board shall also be Chairman of the Executive Committee. In addition, the Chairman shall permanently represent the Board and the Executive Committee and shall have the casting vote in all ballots within those bodies.

11.4. The Chairman of the Board, who shall, to all effects and purposes, be considered Chairman of the Company, shall:

a) Chair General Meetings, directing the discussions and debates of the shareholders, establishing a systematic order of contributions and determining their duration, with a view to enabling and expediting their participation and, in general, ensure compliance with the Regulations of the General Meeting.

- b) Chair and draw up the agendas for meetings of the Board of Directors, Executive Committee and such other Committees as he may preside, directing the discussions and debates.
- c) Ensure compliance with the Articles of Association and resolutions adopted by the corporate bodies, countersigning minutes and certificates thereof.
- d) Represent the Company in and out of court.
- e) In emergencies when there is no time to hold a General Meeting or a meeting of the Board or Executive Committee, take such measures as may be absolutely essential to protect the corporate interests, calling a meeting of the aforesaid bodies immediately afterwards to report.
- f) Any other power attributed to him by law or the Articles of Association.

11.5. If there is no Managing Director(s), the Chairman of the Board, as chief executive of the company, shall also have the duties assigned by these Regulations to the Managing Director.

11.6. When the Chairman is absent or sick and, in general, whenever he is unable to perform his duties for a period of time that may seriously affect them, his duties may temporarily be assumed by the Vice-Chairman, if any, and otherwise by the oldest director. Even so, the Secretary shall call an urgent Board meeting to assess the situation and, if necessary, decide who is to temporarily stand in as Chairman or permanently take over this position.

#### **Article 12: Vice-Chairman of the Board**

12.1. When the Chairman of the Board is also the chief executive officer of the company, the Board may appoint a Vice-Chairman from among the non-executive directors, in view of a report by the Nomination and Remuneration Committee. The Vice-Chairman will be authorised to request the calling of Board meetings or inclusion of new items on the agenda, and may organise meetings to coordinate non-executive directors and direct the assessment of the Chairman.

12.2. The Vice-Chairman shall temporarily stand in for the Chairman in cases of vacancy, absence, illness or temporary unavailability.

#### **Article 13: The Lead Independent Director**

13.1. Notwithstanding the provisions of Article 12.1 above, when the Chairman of the Board is also the chief executive officer of the company, the Board may, subject to a report by the Nomination and Remuneration Committee, appoint one of the independent directors to be Lead Independent Director. This director will be authorised to request the calling of Board meetings or inclusion of new items on the agenda of a Board meeting already called, coordinate and organise meetings of non-executive directors and, if appropriate, direct the regular assessment of the Chairman, plus any other powers assigned to him by the Board. Executive directors shall abstain in the election of the Lead Independent Director.



13.2. The same director may be appointed Vice-Chairman and Lead Independent Director, provided the Vice-Chairman appointed is an independent director. If both offices co-exist, they will coordinate to perform their duties, without prejudice to the powers assigned by law to the Lead Independent Director.

#### **Article 14: Managing Director**

14.1. If the Chairman is not the chief executive of the Company, the Board of Director may appoint one or several of its members to be Managing Director(s) of the company, in view of a report by the Nomination and Remuneration Committee.

14.2. The Managing Director(s) shall promote and direct the normal management of the company and, insofar as this may be permitted by law, coordinate the normal management of the subsidiaries.

14.3. The Managing Director, if any, shall chair the Management Committee of the Group and coordinate the actions of all the Group's core businesses to ensure maximum efficiency in the search for synergies and common organisational aspects.

14.4. When a member of the Board is appointed Managing Director or is assigned executive duties under any other title, a contract must be signed between the director and the company, which must be previously approved with the favourable vote of two-thirds of the Board members. The director in question shall abstain from the discussion and voting.

#### **Article 15: Secretary of the Board. Vice-Secretary**

15.1. The Board shall, subject to a report by the Nomination and Remuneration Committee, appoint a Secretary who may or may not be a Director and who will also be Secretary of the Board Committees and the Management Committee.

15.2. Apart from the duties assigned by law, Articles of Association, Regulations and internal codes, he shall have the following duties:

a) Ensure that the Board's actions:

- Conform to the provisions and spirit of the applicable laws and regulations, including those approved by the regulatory bodies.
- Conform to the company's Articles of Association, Regulations and internal codes.
- Take account of any good governance recommendations that the company has accepted.

b) Keep all company documents, duly record the procedures of meetings in the corresponding minute books and certify the resolutions of those corporate bodies of which he is Secretary.

c) Channel, generally, the Company's relations with Directors in all matters concerning the functioning of the Board and the Committees to which he belongs, following the instructions of the respective Chairmen.

d) Implement and facilitate exercise by the Directors of their right to information on the terms stipulated in these Regulations.

15.3. The Secretary shall exercise his office according to the decisions and criteria laid down by the Board, reporting directly to the Chairman, with the following duties without prejudice to any others that may be assigned by the Board:

a) Direct the legal services of the company and its subsidiaries.

b) Foster and channel coordination between the Board of Directors, the Executive Committee, the Nomination and Remuneration Committee, the Audit and Compliance Committee, the Strategy and Investment Committee and the Management Committee.

c) As Secretary of the Board Committees on which he holds this position, he shall keep the documents of those committees, duly recording the procedures of the meetings in the corresponding minute books and certifying their resolutions.

d) Coordinate relations between the Board of Directors and the directors of subsidiaries.

15.4. The Board may, subject to a report by the Nomination and Remuneration Committee, appoint a Vice-Secretary, who may or may not be a Director, to substitute the Secretary and take on his duties on the Board, Board Committees and Management Committee in the event of vacancy, absence, illness or temporary unavailability.

## **CHAPTER V**

### **RULES OF ACTION OF THE BOARD**

#### **Article 16: Procedure**

16.1. The Board will set up the necessary mechanisms to guarantee the performance of its supervisory duties and control of normal management and, in general, over the delegated powers and the senior management, ensuring adequate coordination with subsidiaries in the common interests of the company and said subsidiaries.

16.2. The Board of Directors shall be answerable as a body corporate to the General Meeting and the shareholders.

16.3. The Board of Directors shall perform its duties in accordance with corporate interests, considering this to mean the common interest of all shareholders, which shall not preclude consideration for other legitimate public and private interests that exist in the performance of all business activity.

16.4. The normal management of the Company and the monitoring of and adequate coordination with its subsidiaries shall be undertaken by the Chairman or the Managing Director(s), if any, assisted by the senior officers.

16.5. The Board shall regularly assess its own actions and those of its Committees.

#### **Article 17: Board meetings**

17.1. Ordinary Board meetings shall be held once a month, although occasionally or in certain circumstances, a different frequency may be established. In any case, the Board shall meet at least once each quarter.

17.2. At these ordinary meetings, the Board shall discuss the overall course of business and financial results of the company and, where appropriate, its subsidiaries, the balance sheet, cash statement, implementation of approved budgets and any other business falling within its competence; and in all cases, the items included on the agenda.

17.3. During these regular meetings, the calendar of which shall be issued to the Directors every year, the Board of Directors shall receive information on the most important aspects of business management and any foreseeable risk situations for the Company and its subsidiaries, together with the actions proposed by the senior management in respect thereof.

#### **Article 18: Notice of call**

18.1. The Chairman may call Board meetings as and when he may deem fit through the Secretary.

18.2. A Board meeting shall necessarily be called when requested by (i) the Lead Independent Director or (ii) at least one third of its members, in which case the Chairman shall call the meeting to be held within one month following the date of request. If the Chairman fails to call a Board meeting within that time without having justified reason for not doing so, directors representing at least one-third of the Board may call the meeting, including the agenda, to be held in the same city as the company's registered office.

18.3. The Chairman or acting chairman shall draw up the agenda for all Board meetings. The Lead Independent Director may request the inclusion of new items on the agenda for any Board meeting that has been called. One-third of the Board members may, at least six days prior to the date of the meeting, request the inclusion of any items which, in their opinion, ought to be discussed.

18.4. Notwithstanding the provisions of the Articles of Association regarding notices of call to Board meetings, such notices shall be sent by letter, fax, telegram, e-mail or any other similar means to each and every Director at the addresses they have indicated, at least three days prior to the date of the meeting, specifying the place and time of the meeting and including the agenda. Extraordinary meetings may be called immediately by telephone or any other means whenever circumstances so justify, in the opinion of the Chairman or acting chairman. Any necessary

information relating to the items on the agenda shall be sent to the Directors together with the notice of call.

**Article 19: Venue**

- 19.1. Board meetings shall normally be held at the registered office, although they may be held wherever else the Chairman may decide and specify in the notice of call.
- 19.2. Board meetings may be held in several rooms simultaneously, provided that interactivity and intercommunication between them in real time and, therefore, the unity of the event, is guaranteed by audiovisual or telephonic means. In this case, the system of connection shall be indicated in the notice of call and, if appropriate, the places where the technical means are available to attend and participate in the meeting. The resolutions shall be deemed adopted at the place from which the Chairman of the meeting participates.

**Article 20: Proxies**

- 20.1. Any Director may be represented by another Board member, to whom the former may issue specific voting instructions for any or all of the items on the agenda.
- 20.2. In any case, non-executive directors may only delegate their vote to other non-executive directors.

**Article 21: Quorum, debates and adoption of resolutions**

- 21.1. Board meetings will be quorate when attended, in person or by proxy, by the majority of its members.
- 21.2. The Board may debate and adopt resolutions on the issues included on the agenda and any others, provided all the directors present or represented agree to their discussion.
- 21.3. Resolutions shall be carried by the absolute majority of Directors present or represented at each meeting, without prejudice to special resolutions for which a higher majority is stipulated in the Articles of Association, these Regulations or the applicable laws.
- 21.4. Written resolutions, without a meeting, shall be valid provided that no Director objects to this procedure and the applicable legal requirements are met.
- 21.5. The Chairman or acting chairman shall direct the discussions and debates at Board meetings and countersign the corresponding minutes and certificates.

## CHAPTER VI

### COMMITTEES OF THE BOARD

#### **Article 22: General provisions**

- 22.1. The Board of Directors shall, subject to a report by the Nomination and Remuneration Committee, appoint the directors who are to sit on the different Committees pursuant to law, the Articles of Association and these Regulations.
- 22.2. Regardless of the composition of each committee, the Secretary of the Board shall be Secretary of each Committee, with the right to speak and vote, issuing minutes of the resolutions adopted.
- 22.3. In the event of absence, vacancy or illness of the Chairman or Secretary of the Committees, they will be substituted according to the rules of substitution established for the Board.
- 22.4. The Committees shall meet as and when called by their respective Chairmen, through their Secretaries, and may establish their own rules of procedure, in accordance with the applicable laws, the Articles of Association and these Regulations.
- 22.5. In the absence of specific rules of procedure, the provisions stipulated herein for Board meetings shall be applicable and shall supplement those rules insofar as this may be compatible with the function and nature of the Committee in question.
- 22.6. Notices of call shall be sent by the Secretary of the Committee, following instructions from the Chairman of the Committee. Apart from the committee members, any company executive may be called to committee meetings.
- 22.7. Committee meetings shall be held at the registered office or anywhere else indicated by the Chairman and indicated in the notice of call, and shall be quorate when attended in person or by proxy by the majority of the committee members.
- 22.8. Whenever so requested by the Committee of its Chairman, its meetings may be attended, with the right to speak but not to vote, by any company's management team, external auditors, advisers or such other professional as may be deemed fit.
- 22.9. The Committees may require management, employees or advisers of the Company to attend their meetings in order to assist them in the performance of their respective duties, and may request their Chairman to procure counselling from external experts, stating the reasons for their request.
- 22.10. The Chairman of the Board may attend the meetings of any Committees of which he is not a member, with the right to speak but not to vote, at the proposal of the Chairman of the corresponding Committee.
- 22.11. Resolutions shall be adopted by the majority of members attending the meeting. In the event of a tie the Chairman or acting chairman shall have a casting vote.

22.12. The members of each Committee may grant written proxies to other members and may issue specific voting instructions on one or all of the items on the agenda.

22.23. The resolutions adopted by the Committees shall be reported to the Board at its first meeting thereafter and the Board members will have access to the minutes of the Committee meetings through the Secretary.

**Article 23: Executive Committee**

23.1. The Board may appoint certain Directors to sit on the Executive Committee, delegating to it all or part of the Board's duties, except any which may not be delegated, pursuant to the law or the Articles of Association. The favourable vote of at least two-thirds of the Board members will be required to appoint members of the Executive Committee and delegate powers to it. At least two of the Executive Committee members shall be non-executive directors and one shall be an independent director.

23.2. The Executive Committee shall have the following powers:

- a) Adopt resolutions corresponding to the powers delegated to it by the Board of Directors.
- b) Monitor and supervise the normal management of the company, ensuring adequate coordination with subsidiaries in the common interests of the latter and the company.
- c) Study and propose to the Board of Directors the guidelines defining business strategy, supervising their implementation.
- d) Debate and inform the Board on any issues corresponding to the following matters, regardless of whether or not they have been delegated by the Board:
  - Separate and consolidated annual budget of the company, itemising the provisions corresponding to each core business.
  - Monthly monitoring of the financial management, deviations from the budget and proposed remedial measures, if necessary.
  - Significant financial investments and investments in property, plant and equipment and the corresponding economic justification.
  - Alliances and agreements with other companies which, by virtue of their amount or nature, are important for the company.
  - Financial transactions of a material economic significance for the company.
  - Programme of medium-term actions.
  - Assessment of the achievement of objectives by the different operating units of the company.

- Monitoring and assessment of the subsidiaries in respect of the matters contemplated in this sub-section d).
- e) Adopt resolutions corresponding to the buy-back and disposal of treasury stock by the Company, in accordance with the authorisation, if any, granted by the General Meeting. A Director may be designated to execute and formalise the decisions to buy or sell own shares, supervising and, if appropriate, authorising any resolutions that may be adopted by subsidiaries to buy and sell their own shares or shares in the Company, whenever such authorisation is required by law.
- 23.3. Without prejudice to the autonomy of decision of the Executive Committee in respect of the delegated powers, its resolutions normally being fully valid and effective without ratification by the Board, if the Chairman or three members of the Committee consider this necessary in the circumstances, the resolutions adopted by the Executive Committee shall be submitted to the Board for ratification. This will also be applicable when the Board has delegated the Committee to study certain matters while reserving for itself the ultimate decision, in which case the Executive Committee shall merely submit the corresponding proposal to the Board.
- 23.4. The Executive Committee shall have no fewer than three nor more than seven members, including the Chairman and Vice-Chairman of the Board, who will form part of this Committee.
- 23.5. The Executive Committee shall be presided by the Chairman of the Board.
- 23.6. The Executive Committee shall generally hold one meeting a month. Its meetings may be attended by such members of the management, employees and advisers of the company as the Committee may deem fit.

#### **Article 24: Audit and Compliance Committee**

- 24.1. An Audit and Compliance Committee shall be set up within the Board, with no fewer than three nor more than five directors. All the members of this Committee shall be non-executive directors and at least the majority shall be independent directors. As a body, they will be appointed on the basis of their experience and expertise in accounting, auditing and financial and/or non-financial risk management, or any one of these areas.
- 24.2. The Board shall appoint one of the independent directors on the Audit and Compliance Committee to chair that committee, subject to a report by the Nomination and Remuneration Committee. The Committee Chairman shall be replaced every four years and will become eligible for re-election one year after his retirement as such. The Chairman of the Audit and Compliance Committee will be appointed on the basis of their experience and expertise in accounting, auditing and financial and/or non-financial risk management, or any one of these areas.
- 24.3. The Audit and Compliance Committee shall meet as and when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests

the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

24.4. The Audit and Compliance Committee shall have the following powers, in addition to those assigned to it by law, regulations or the Articles of Association:

- a) Supervise, assess and promote internal control of the company and the financial and/or non-financial risk management systems (including operating, technological, legal, social, environmental, political, reputational and corruption risks) and submit recommendations to the Board for a decision on the risk management and control policy, including tax risks, specifying at least:
  - The types of financial and non-financial risk to which the company is exposed.
  - The risk level that the company considers acceptable.
  - The measures for mitigating the impact of identified risks, should they actually occur.
  - The control and reporting systems used to control and manage those risks.
- b) Supervise and promote the policies, procedures and systems used for drawing up and controlling the company's financial and non-financial information, checking the services performed in this regard by the Internal Audit Department, the Financial Department and the Management Committee and making sure they are correctly distributed throughout the Group.
- c) Receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information.
- d) Ensure that (i) the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be authorised for issue in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company and make sure that any interim financial statements are drawn up according to the same accounting principles as the annual accounts, considering the possibility of asking the external auditors to make a limited audit if necessary; and (ii) the Board of Directors endeavours to submit the annual accounts to the General Meeting with an unqualified auditors' report.

In this respect, it shall also see that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the company's annual accounts, supervising the policies and procedures established to ensure due compliance with applicable legal provisions and internal regulations. The Committee shall, through its Chairman,



obtain information and collaboration from both the Internal Audit Manager and the External Auditors to perform these duties.

- e) Establish regular contact with the External Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the External Auditors in accordance with prevailing auditing standards and legislation.
- f) Be informed of the decisions adopted by the senior management according to recommendations made by the External Auditors in connection with the audit.
- g) Report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation.
- h) Implement a confidential whistle-blowing channel accessible to all Group employees and other persons related with the Company and a protocol for establishing priority, processing, investigating and solving any issues reported through that channel according to their importance and nature, paying special attention to those involving possible falsehood or misrepresentation in financial or accounting documents and possible fraud.
- i) Supervise compliance with the internal codes of conduct and corporate governance rules, including the policies approved by the Board of Directors, which are supervised by the Audit and Compliance Committee. In particular, oversee the implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems in general and the financial reporting process in particular.
- j) Submit to the Board, to be tabled at the General Meeting, proposals for the selection, appointment, re-appointment and replacement of the company's External Auditors and their terms of contract, the scope of their commission and the renewal or revocation of their engagement. The Committee shall ensure the independence of the External Auditors and the existence of a discussion procedure enabling the External Auditors, the Internal Audit Department and any other expert to inform the company of any significant weaknesses in its internal control detected while checking the annual accounts or any other processes in which they have worked. The Committee shall issue an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the External Auditors and any supplementary services they may have provided. It shall also inform the Board on the proposal for appointment of the Internal Audit Manager and approve each year the internal audit work plan and monitor its implementation.
- k) Supervise and report to the Board on intragroup and related party transactions of the company or subsidiaries and settle any conflicts of interest that may arise between the company or the group and its directors, executives, significant shareholders and listed subsidiaries, if any.

24.5. The Audit and Compliance Committee shall also report to the General Meeting on any issues raised by shareholders concerning matters within its competence.

#### **Article 25: Nomination and Remuneration Committee**

25.1. A Nomination and Remuneration Committee shall also be set up within the Board, with no fewer than three nor more than five directors. All the members of this Committee shall be non-executive directors and at least two of them shall be independent directors, appointed by the Board pursuant to the law, the Articles of Association and these Regulations.

25.2. The Board shall appoint one of the independent directors on the Nomination and Remuneration to chair that committee, subject to a report by that Committee.

25.3. The Committee shall meet whenever called by its Chairman or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

25.4. In addition to any other powers corresponding to it by law, the Articles of Association or these Regulations, the Committee shall study, issue reports and submit proposals for the Board, at its request, on the following matters:

- a) Definition and, where appropriate, revision of the criteria to be followed for the composition and structure of the Board and selection of candidates to join the Board, informing always prior to the appointment of a Director by cooptation or the submission to the General Meeting of any proposal regarding the appointment or removal of Directors.
- b) Appointment of the Chairman, and Vice-Chairman if any, of the Board, Managing Director(s), Lead Independent Director and the Secretary, and Vice-Secretary if any, of the Board; appointment of Directors to the Committees of the Board; and appointment and possible dismissal of senior executives and their termination benefit clauses.
- c) Position of the Company regarding the appointment and removal of board members in subsidiaries.
- d) Proposal of directors' remuneration, according to the system of remuneration established in the Articles of Association and the executive directors' relationship with the Company. The Committee shall also inform in advance on any resolution or proposal of the Board on the remuneration of directors and executives indexed to the value of the shares in the Company or its subsidiaries or consisting of the delivery of shares in the Company or its subsidiaries or the granting of options thereover.
- e) Supervision of the senior management remuneration and incentives policy, obtaining information and reporting on the criteria followed by the Company's subsidiaries in this respect.

- f) Assessment of the principles of the management training, promotion and selection policy in the parent company and, where appropriate, in its subsidiaries.
- g) Examination and organisation, as deemed adequate, of the succession of the Chairman and chief executive and, if appropriate, submission of proposals to the Board to ensure that such succession is made in an orderly, well-planned manner.
- h) Preparation and proposal of the Annual Report on Directors' Remuneration and the Directors' remuneration policy in accordance with the laws and regulations in place from time to time.
- i) Setting targets for the representation of the least represented gender on the Board and issue guidelines on how to achieve them.

**Article 26: Strategy and Investment Committee**

- 26.1. The Strategy and Investment Committee shall consist of no fewer than three nor more than five Directors, including a Chairman, subject to a report by the Nomination and Remuneration Committee.
- 26.2. The Committee shall meet whenever called by its Chairman or at the request of two of its members and whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.
- 26.3. The Strategy and Investment Committee shall study, issue reports and submit proposals for the Board on the following matters:
  - a) Setting of targets for growth, yield and market share.
  - b) Strategic development plans, new investments and restructuring processes.
  - c) Coordination with subsidiaries in the matters contemplated in paragraphs (a) and (b) above, for the common interests and benefit of the Company and its subsidiaries.

**Article 27: Management Committee**

- 27.1. The Board of Directors may appoint a Management Committee consisting of the persons responsible for the principal management units and business areas of the Company and its subsidiaries and the executive directors proposed by the Nomination and Remuneration Committee.
- 27.2. The Management Committee shall be presided by the Chairman of the Board or the Managing Director(s), if any. The Secretary of the Board shall be Secretary of this Committee.
- 27.3. The Management Committee shall prepare and follow up company management decisions regarding strategy, budget, finance and personnel, and shall draw up

business plans and oversee their implementation, defining the Company's position in respect of its subsidiaries on these matters.

- 27.4. The Committee shall meet whenever called by its Chairman and in any case whenever the Board or Committees request the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

#### **Article 28: Other Committees**

- 28.1. The Board of Directors may, upon recommendation by the Chairman, set up Advisory Committees without the status of corporate bodies to study and inform on business of interest to the Board in the performance of its duties. These Committees may, if necessary, be set up as standing committees.
- 28.2. The Board shall, upon recommendation by the Chairman, appoint the members of Advisory Committees, who shall be persons of recognised professional standing who are neither Board members nor company employees.
- 28.3. The Board shall also, upon recommendation by the Chairman, decide what matters are to be studied by the Advisory Committees and, in particular, those designed to achieve a better knowledge of the Company's environment and the prospects of change on the domestic and international markets, the evolution of applied technologies or business organisation.
- 28.4. The Board shall, upon recommendation by the Chairman, define the rules of procedure and the remuneration, if any, of members of the Advisory Committees.

### **CHAPTER VII**

#### **DIRECTORS' STATUTE**

#### **Article 29: Appointment of Directors**

- 29.1. Directors shall be appointed by the General Meeting or the Board, according to the relevant provisions of law.
- 29.2. Nominations for appointment or re-election of directors submitted by the Board to the General Meeting and the decisions on the appointments of directors adopted by the Board using its power of cooptation shall be preceded by the corresponding proposals (for independent directors) and reports (in all cases) by the Nomination and Remuneration Committee.
- 29.3. Any Directors affected by proposed appointments, re-election or removals shall abstain from participating in the corresponding debates and votes. The ballots by the Board or relevant Committee on these matters may be secret if so requested by any of their members.

### **Article 30: Term of office**

- 30.1. Directors shall be appointed for a term of four years, after which they shall be eligible for re-election for terms of an equal duration. This term of four years shall be counted from the date of the General Meeting at which their appointment is made, or ratified in the case of prior appointment by the Board by cooptation.
- 30.2. The Nomination and Remuneration Committee shall previously inform on any proposal for re-election of Directors that the Board may submit to the General Meeting.

### **Article 31: Retirement of Directors**

- 31.1. Directors shall retire from office at the end of the period for which they were appointed and in all other cases when this is required, in accordance with the law, the Articles of Association and these Regulations.
- 31.2. Directors shall step down and tender their resignation in the following cases:
- a) When they are affected by one of the cases of incompatibility or disqualification established in law, the Articles of Association or these Regulations.
  - b) When they leave the executive post to which their appointment as director was linked, when the shareholder they represent sells all its shares or reduces its interest to a level requiring a reduction in the number of proprietary directors and, in general, whenever the reasons for their appointment disappear.
  - c) When the Board, following a report by the Nomination and Remuneration Committee, considers that the Director: (i) is in a situation, related or otherwise with his duties in the Company, that could jeopardise the Company's prestige and reputation; (ii) has seriously defaulted his obligations; or (iii) that there are reasons of corporate interest for demanding his resignation.
- 31.3. If a Director: (i) is in a situation, related or otherwise with his duties in the Company, that could jeopardise the Company's prestige and reputation; or (ii) is investigated within any criminal proceedings, he shall notify the Board as promptly as he is able and keep the Board up to date on subsequent developments in both cases.

On becoming aware of any of the situations contemplated in the preceding paragraph, the Board shall study the case as soon as possible and, in view of the specific circumstances and after a report has been issued by the Nomination and Remuneration Committee, decide whether or not to take any action, which may include asking the Director to step down or propose his removal.

Information on the foregoing shall be included in the Annual Corporate Governance Report, unless otherwise justified by special circumstances, which would be put on record.

- 31.4. If a Director leaves the Board before the end of his term, through resignation or by virtue of a resolution of the General Meeting, he shall explain the reasons for his

resignation or, in the case of non-executive directors, his opinion on the reasons for his removal by the General Meeting, in a letter to be sent to all the other Board members. Even though the Company shall report on the foregoing in the Annual Corporate Governance Report and to the extent that it may be important for investors, the Company shall publish an announcement of the cessation as soon as possible, including sufficient mention of the reasons or circumstances indicated by the Director.

31.5. If a Director opts to resign following adoption by the Board of decisions on issues on which that Director has expressed qualifications or reservations in the sense contemplated in Article 32.4 below, he shall explain the reasons as per the preceding paragraph.

31.6. The duties expressed in the preceding two paragraphs shall also be applicable to the Secretary of the Board, even though he is not a director.

### **Article 32: General duties of Directors**

32.1. Directors have a duty to assist the Board in promoting and supervising the normal management of the company and, insofar as this is legally permitted, that of the subsidiaries. In the performance of their duties, they shall act with due diligence, as of an orderly entrepreneur and a loyal representative. They shall also act in accordance with the corporate interest, defending the interests of all the shareholders.

32.2. Directors shall dedicate to the Company such time and attention as may be necessary to secure the efficient, loyal fulfilment of each and all of the duties corresponding to their office. Therefore, the number of other directorships that they may hold shall be limited as necessary to enable them to meet each and all of their obligations within the Company.

32.3. In particular, Directors shall be obliged to:

- a) Request the necessary information and adequately prepare the meetings of the Board and any Committees they are on.
- b) Attend meetings of the corporate bodies they belong to and participate actively in the debates thereof, contributing effectively to the process of forming the corporate will and making decisions. Whenever they are unable, for justified reasons, to attend any meetings to which they have been called, they shall duly instruct the Director who will represent them, if any.

Directors shall also request meetings of the corporate bodies to which they belong whenever they consider this necessary in the interests of the Company, proposing whatever items they think should be included on the agenda.

- c) Perform the specific duties commissioned to the Committee they are on, otherwise stating the reasons why they are unable to perform the duties in question.

32.4. Directors shall abstain from participating in the corresponding debates and voting on resolutions or decisions in which they or any person related to them has a direct or indirect conflict of interest, except in the cases in which they are authorised by law to participate in the discussion and voting.

32.5. Directors shall clearly state their opposition whenever they consider that some of the decisions proposed to the Board may go against the corporate interests and/or those of the shareholders not represented on the Board.

32.6. Directors shall exercise their powers to perform the purposes for which those powers were granted, on the principles of personal responsibility with freedom of judgement and independence in respect of instructions or third party relations.

### **Article 33: Confidentiality**

33.1. Directors shall keep secret all information, data, reports or background to which they may have access during the performance of their duties, even after they leave the Board, except in cases in which disclosure is permitted or required by law. That information may not be used unless it is common knowledge.

33.2. Directors may not use for private purposes any information on the Company or its subsidiaries that is not generally available. In any case, the rules of conduct established in law and, as the case may be, in the company's Internal Code of Market Conduct must be observed.

### **Article 34: Use of corporate name or assets**

34.1. No Directors may use the company's name or their status as directors to exercise undue influence in private transactions.

34.2. No Directors may make personal use for private purposes of the assets of the company or its subsidiaries, or brandish their position in the company/subsidiaries to obtain a benefit or reward from third parties, unless this is a mere courtesy gift.

### **Article 35: Business opportunities**

Directors may not take advantage, for their own benefit or that of any third person, of any opportunity to make an investment or commercial or other transaction that may have come to their knowledge in the course of their duties, using the means of information of the Company or its subsidiaries or in circumstances in which the third-party action might actually be presumed directed at the Company.

### **Article 36: Performance of activities**

Directors may not perform activities for their own or third party account that effectively or potentially compete with the company or which otherwise puts them in a permanent conflict of interest with the company.

### **Article 37: Conflict of interest. Related party transactions**

- 37.1. Directors shall take such measures as may be necessary to avoid falling into situations in which their interests, for their own or third party account, may conflict with the corporate interests and their duties to the company.
- 37.2. Accordingly, Directors shall abstain from entering into transactions with the company unless they are ordinary transactions made on arm's length terms and for insignificant amounts. In any other cases, those transactions will require authorisation by the company on the terms stipulated in law.
- 37.3. Other than in the cases in which this power is reserved by law to the General Meeting, any transactions made by the company or group companies with directors, controlling shareholders, other related parties or shareholders represented on the Board must be authorised by the Board. This authorisation is not necessary when the transactions meet all of the following three conditions:
- (i) They are made under contracts with standard terms and conditions applied "en masse" to numerous clients.
  - (ii) They are made at prices or rates established generally by the supplier of the goods or provider of the services in question.
  - (iii) The amount thereof does not exceed 1% of the company's annual revenue.
- 37.4. A general, prior authorisation by the Board for a line of transactions and their conditions, subject to a report by the Audit and Compliance Committee, will only be sufficient for bilateral or recurring transactions made in the normal course of the company's business.
- 37.5. By exception, in cases where urgent action is necessary, related party transactions may be authorised by the Executive Committee, subject to subsequent ratification by the Board.

### **Article 38: Directors' duty to inform**

- 38.1. Directors shall inform the Company of all and any shares they may hold in the Company or any of its shareholders, directly or through related parties. Directors shall also be obliged to inform on any other shares in the Company or its subsidiaries held directly or indirectly by their related parties.
- 38.2. Directors shall also inform the Company of any interests and all positions they may hold as director or executive in other companies or institutions engaged in activities which are identical, similar or complementary to the objects of the company; the performance for their own or third party account of any activities complementary to those comprising the objects of the company; and in general any fact or situation that could be important in respect of their actions as director of the company.
- 38.3. Directors shall inform the Board of any direct or indirect conflict of interest that they or any of their related parties may have with the company.



### **Article 39: Release from obligations**

The above notwithstanding, the company may release directors from some of their obligations in the cases and subject to the formalities stipulated in law.

### **Article 40: Right to counselling and information**

- 40.1. Directors shall, whenever so required in the performance of their duties, have the fullest powers to obtain information on any matter whatsoever, obtaining such documents, records, background information or other elements as they may require in this respect. This right to information is extended to subsidiaries.
- 40.2. All requests for information shall be addressed to the Chairman and met by the Secretary of the Board, who shall supply the information directly or indicate who is to be contacted within the Company and, in general, establish the necessary measures to fully meet the Director's right to information.
- 40.3. In the course of any specific duties commissioned on an individual level or within the framework of any of the Committees of the Board, any Director may request the Chairman to engage, at the Company's expense, such legal advisers, accountants, technical, financial or commercial experts or others as he may consider necessary to assist him in the performance of his duties, provided such counselling is justified to resolve specific problems that are particularly complex and important.
- 40.4. Considering the circumstances of the specific case, the Chairman may deny or authorise the proposal in a communication sent through the Secretary of the Board, who shall, provided the proposal is authorised, contract the expert in question.
- 40.5. The Chairman may also put the proposal to the Board, which may refuse to finance the counselling if (i) it is considered unnecessary for discharging the duties commissioned, (ii) the amount of finance required is considered out of proportion with the importance of the matter, or (iii) the Board considers that the technical assistance requested could be adequately provided by company employees.

### **Article 41: Remuneration**

- 41.1. Remuneration of all the board members for their duties as such (that is, for their supervisory and other non-executive duties) shall comprise: (i) a fixed annual allocation; and (ii) fees for attending meetings of the company's corporate bodies. Both the fixed annual allocation for the board as a whole and the amount of attendance fees shall be determined by the general meeting and shall remain in force until a resolution is passed to change them. The board of directors shall distribute each year among its members the fixed sum established by the general meeting, taking into account the positions held by the directors on the board, their membership of board committees and any other objective circumstances that the board may consider appropriate. The board shall also decide on the timing of successive payments.
- 41.2. The directors' remuneration shall in any case be reasonably aligned with the importance of the company, its economic situation from time to time and the market standards of comparable companies. The remuneration system established shall

focus on promoting the long-term yield and sustainability of the company and shall contemplate such precautions as may be necessary to avoid excessive exposure to risk or rewarding unfavourable results.

- 41.3. The remuneration policy for directors shall comply with all applicable provisions on the remuneration system in the articles of association and shall be approved by the general meeting at least every three years as a separate item on the agenda.
- 41.4. Regardless of the nature of their legal relationship with the company, directors with executive duties in the company shall be entitled to remuneration for the performance of such duties on the terms established by the board of directors in accordance with the remuneration policy for directors in place from time to time. The relationship between the company and its executive directors shall be set down in a contract, which must be approved by the Board in the manner and with the majorities stipulated in law.
- 41.5. In addition and independently of the remuneration contemplated in the preceding paragraphs, directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares of the company or any other companies in its group. Nevertheless, the use of those remuneration systems shall be decided by the general meeting, in the form and on the terms and conditions stipulated in law.
- 41.6. If the executive directors waive the remuneration to which they are entitled for their duties as directors (that is, for their supervisory and other non-executive duties), the fixed remuneration that would correspond to them will not be distributed among the remaining directors.

## **CHAPTER VIII**

### **RELATIONS OF THE BOARD OF DIRECTORS WITH SHAREHOLDERS AND MARKETS, THE GENERAL MEETING, AUDITORS AND SENIOR MANAGEMENT**

#### **Article 42: Relations with shareholders and markets**

- 42.1. The Board of Directors shall take such measures as may be necessary or convenient to enable the General Meeting of Shareholders to perform its duties in accordance with the law, the Articles of Association and the Regulations of the General Meeting.
- 42.2. In particular, the Board shall take the following measures:
  - a) Make available to the shareholders in the form stipulated in law, on calling a general meeting and, therefore, before the date of the general meeting, such information as may be required by law or the Articles of Association, putting it also on the Company's website.
  - b) Diligently and as stipulated in law, meet any requests for information submitted by shareholders in writing prior to the general meeting or by asking questions during the meeting, referring to the different items on the agenda, the

information reported to the National Securities Market Commission since the previous General Meeting and the auditors' report, acting at all times in accordance with the law and the Regulations of the General Meeting.

- c) Where necessary, make available to shareholders within seven days after a general meeting any information which they may request during the meeting in accordance with their right to information and which cannot be supplied there and then.
- d) Whenever the Chairman of the General Meeting considers this convenient in view of the agenda and the issues raised by the shareholders, the General Meeting may be attended by the Chairmen of the Board Committees and any other persons whose attendance may be convenient owing to their status in or relationship with the Company.

42.3. Following instructions from the Chairman, meetings may be organised to inform shareholders resident in the most important financial markets of Spain and overseas on the development of the company and its subsidiaries, where appropriate.

42.4. Similarly, following instructions from the Chairman, regular meetings may be held with any investors, particularly institutional investors, who, although having a significant interest in the Company and its subsidiaries, are nevertheless not represented on the Board, to inform them on the progress of the Company.

42.5. The Board of Directors shall inform the markets forthwith of any significant information for the determination of its share prices, material changes in its shareholding structure of which it may become aware and any substantial modifications in the rules of governance of the Company.

#### **Article 43: Relations with Auditors**

43.1. The Board shall establish an objective, professional, ongoing relationship with the External Auditors of the Company appointed by the General Meeting, guaranteeing their independence and putting at their disposal all the information they may require in order to perform their duties. This relationship with the External Auditors of the Company and the relationship with the Internal Audit Manager shall be exercised through the Audit and Compliance Committee.

43.2. The Board shall endeavour to draw up the Annual Accounts in such a way as to avoid a qualified opinion by the Auditors.

#### **Article 44: Relations with the senior management**

The Board may request information on any actions taken by the senior management of the Company in respect of the company or its subsidiaries.

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