

# **REPORT BY THE DIRECTORS OF EBRO FOODS, S.A. TO THE ANNUAL GENERAL MEETING CALLED FOR 2 JUNE 2015 ON FIRST CALL AND 3 JUNE 2015 ON SECOND CALL, JUSTIFYING THE MOTION TO ALTER THE ARTICLES OF ASSOCIATION, INCLUDED IN ITEM FIVE ON THE AGENDA**

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## **1. Purpose of the Report**

Among the requirements for altering the articles of association, section 286 of the Corporate Enterprises Act stipulates that the directors must draft the full text of the proposed alteration and submit a written report justifying those alterations.

This report (the “**Report**”), drafted and approved by the Board of Directors of Ebro Foods, S.A. (“**Ebro**” or the “**Company**”) on 29 April 2015, is issued in compliance with that legal requirement for the alteration of the Articles of Association proposed to the shareholders under item five on the agenda for the AGM called by the Board to be held on 2 June 2015 on first call and on 3 June 2015 on second call.

## **2. Justification of the alterations proposed**

The main purpose of the proposed alterations to the company’s Articles of Association (the “**Articles of Association**”) is to adapt the current text to the amendments to the Corporate Enterprises Act introduced by Act 31/2014 of 3 December amending the Corporate Enterprises Act to improve Corporate Governance (“**Act 31/2014**”).

In addition, the review made to adjust the Articles of Association to the amendment of the Act mentioned above revealed certain aspects which the Board has considered convenient to alter, to improve the wording or, in some cases, to clarify the present wording to avoid possible misinterpretations.

The alterations to the Articles of Association are proposed along with the general review of the other texts regulating the corporate life and proceedings of the corporate bodies (Regulations of the General Meeting and Regulations of the Board), which is also necessary in the wake of the amendment to the Corporate Enterprises Act made by Act 31/2014. By law those other texts must also be submitted for approval and information at the same General Meeting as the alterations to the Regulations contemplated in this Report.

The articles affected by the proposed alteration and the respective explanations/justifications are set out below:

### **2.1. Article 9 (General Meeting)**

It is proposed altering the text of the first paragraph of Article 9 of the Articles of Association to clarify that the majorities required for the general meeting to

adopt resolutions are those stipulated in law, i.e. those established in section 201 of the Corporate Enterprises Act, as amended by Act 31/2014.

## **2.2. Article 10 bis (Right to request the calling of a general meeting, add items to the agenda and propose new resolutions)**

It is proposed altering the text of Article 10 bis of the Articles of Association to lower to three per cent (from five per cent) the capital required to request the calling of a general meeting, request the publication of a supplementary call to the AGM and submit propose well-founded resolutions on business included or that should be included on the agenda.

The third paragraph of the article is also altered to adjust the text to the wording of the Corporate Enterprises Act.

The foregoing is proposed pursuant to sections 495 and 519 of the Corporate Enterprises Act, as amended by Act 31/2014.

## **2.3. Article 12 (Quorum. Special cases)**

The alteration proposed to Article 12 of the Articles of Association is purely one of order and consists of deleting the second paragraph since it refers to the majorities required to adopt resolutions and not to the quorum for general meetings (which is the matter addressed in this article).

Nevertheless, the contents of the deleted paragraph will be included in Article 17 of the Articles of Association (as explained hereinbelow), on the voting and adopting of resolutions.

## **2.4. Article 14 (Proxies)**

It is proposed altering Article 14 of the Articles of Association to include an exception to the prohibition for one shareholder to be represented by more than one proxy at general meetings, whereby undertakings legitimately recognised as shareholders by virtue of the accounting record of their shares but acting on behalf of several individuals may delegate the votes to each of the indirect holders or to third parties designated by the latter, with no limit on the number of delegations that may be made. The foregoing is proposed pursuant to section 524 of the Corporate Enterprises Act, as amended by Act 31/2014.

An errata detected in the second paragraph of that article (in Spanish) is also corrected, replacing the word “represente” with “representante”.

## **2.5. Article 17 (Presiding board. Information, discussion and voting. Postal and electronic vote and proxy)**

It is proposed altering Article 17 of the Articles of Association to adjust the time limit for shareholders to exercise their right to information, the conditions for exercising that right and the consequences of its infringement, all pursuant to

sections 197 and 520 of the Corporate Enterprises Act, as amended by Act 31/2014. In particular:

- (i) The time for exercising the right to information prior to the general meeting is extended to five days before the date for which the general meeting is scheduled on first call, compared to the earlier limit of seven days.
- (ii) The text is made clearer in respect of the form and times for requesting information on the disclosures filed with the National Securities Market Commission or on the auditors' report.
- (iii) The legal obligation to publish on the company's website all valid requests for information and answers thereto is included.
- (iv) The express provision is included that requests for information may be answered with a referral to the company's website when the issue raised is already on that site, pursuant to the applicable legal provisions.

It is also proposed altering the article in respect of the majorities required to adopt resolutions, in order to include the legal provision contained in section 201 of the Corporate Enterprises Act, as amended by Act 31/2014. It is thus specified that as a rule resolutions will be adopted by simple majority of the votes present or represented at the general meeting; incorporating also the special rule established in law for especially important resolutions when the shareholders attending the general meeting in person or by proxy represent less than 50% of the capital. In this regard, the provision currently contained in the second paragraph of Article 12 is included in this Article 17 (being deleted from the former, as mentioned in point 2.3 above), adjusting the text as necessary to the provisions of section 201 of the Corporate Enterprises Act (as amended by Act 31/2014).

## **2.6. Article 20 (Term of office and cooptation)**

It is proposed altering Article 20 of the Articles of Association to:

- (i) Eliminate the need to be a shareholder in order to be elected director by cooptation, pursuant to section 529 decies, paragraph 2(a) of the Corporate Enterprises Act, introduced by Act 31/2014; and
- (ii) Contemplate, in the terms set out in section 529 decies, paragraph 2(a) of the Corporate Enterprises Act, introduced by Act 31/2014, the possibility of appointing a director by cooptation after calling and before holding the general meeting, in which case the appointment would be effective up to the following general meeting.

## **2.7. Article 22 (Directors' emoluments)**

It is proposed modifying Article 22 of the Articles of Association to adjust the text to the provisions of sections 217, 218 and 219, as amended by Act 31/2014, and sections 529 septdecies and 529 octodecies of the Corporate Enterprises Act, introduced by Act 31/2014. In short, the proposed alteration distinguishes, as stipulated in the aforesaid legal provisions, between directors' remuneration for their duties as such (which still consists of a share in the consolidated profit attributed to the company and attendance fees) and the remuneration of executive directors, set by the board within the framework of the remuneration policy in place from time to time.

Certain improvements are also made to the wording which do not involve any modification to the contents of the article.

## **2.8. Article 23 (Notice of call and venue of meetings)**

It is proposed modifying Article 23 of the Articles of Association to:

- (i) Include the power of the Lead Independent Director to request the calling of a Board Meeting, pursuant to section 529 septies of the Corporate Enterprises Act, introduced by Act 31/2014;
- (ii) Clarify the text regarding the possibility of Board meetings being called by directors who are at least one-third of the Board members, adjusting the text to the wording of section 246 of the Corporate Enterprises Act; and
- (iii) Include the provision contained in section 245 of the Corporate Enterprises Act, as amended by Act 31/2014, regarding the obligation of the Board to meet at least once a quarter.

## **2.9. Article 24 (Quorum at Board meetings)**

It is proposed modifying Article 24 of the Articles of Association to include the provision contained in section 529 quater of the Corporate Enterprises Act, introduced by Act 31/2014, stipulating that non-executive directors may only be represented at board meetings by another non-executive director.

It is also proposed clarifying the text of the first paragraph regarding the quorum at Board meetings to include the provision contained in section 247.2 of the Corporate Enterprises Act.

## **2.10. Article 25 (Positions on the Board)**

It is proposed modifying Article 25 of the Articles of Association to:

- (i) Include the requirement of a prior report by the Nomination and Remuneration Committee for the appointment by the Board of its Chairman and, as the case may be, Vice-Chairman, pursuant to section 529 sexies, paragraph 1, of the Corporate Enterprises Act, introduced by Act 31/2014;

- (ii) Clarify that the duties of the Chairman established in the Articles of Association are without prejudice to any other duties corresponding to him by law or the Articles of Association, in order to coordinate the text of the article with the provisions of section 529 sexies, paragraph 2, of the Corporate Enterprises Act, introduced by Act 31/2014;
- (iii) Clarify the regulation regarding the Vice-Chairman of the Board and coordinate it with the possible existence of a Lead Independent Director, including the basic regulation of the Lead Independent Director in the terms of section 529 septies of the Corporate Enterprises Act, introduced by Act 31/2014; and
- (iv) Include the requirement of a prior report by the Nomination and Remuneration Committee for the appointment by the Board of its Secretary and, as the case may be, Vice-Secretary/ies, pursuant to section 529 octies, paragraph 1, of the Corporate Enterprises Act, introduced by Act 31/2014, and clarify the text of the article regarding the possibility that the Vice-Secretary may or may not be a director and performance by the Vice-Secretary of the duties of the Secretary in the event of absence or illness of the latter and, as the case may be, of the Vice-Secretary.

#### **2.11. Article 26 (Discussion and adoption of resolutions)**

It is proposed modifying Article 26 of the Articles of Association to establish that whenever a mandatory special majority is required by the Act, those special majorities will prevail over the general rule of the absolute majority contemplated in the second paragraph of that article.

The purpose of the alteration is, therefore, to improve the wording and clarity of the article, since those special majorities, being mandatory, are already applicable to the company.

#### **2.12. Article 27 (Delegation of powers)**

It is proposed modifying Article 27 of the Articles of Association to include the provision established in section 249 of the Corporate Enterprises Act, as amended by Act 31/2014, regarding the necessary existence of a contract between the company and the CEO or any director having executive duties under any title other than a delegation of powers. For this purpose, it is proposed including a fourth paragraph in that article summarising the provisions set out in section 249.3 of the Corporate Enterprises Act, as amended by Act 31/2014.

#### **2.13. Article 28 (Executive Committee, Audit and Compliance Committee, Nomination and Remuneration Committee and other Committees)**

It is proposed modifying Article 28 of the Articles of Association, regarding the Committees of the Board, to adapt the contents to the regulation set forth in sections 529 quaterdecies (on the Audit Committee) and 529 quindecies (on the Nomination and Remuneration Committee). In particular, the proposed alterations are as follows:

- (i) The inclusion regarding the composition of the Audit Committee of the legal requirement for at least two committee members to be independent directors;
- (ii) The elimination of the list of powers of the Audit Committee since those duties are stipulated in law, without prejudice to any others that may be assigned to the Audit Committee in the Articles of Association and the Regulations of the Board, maintaining the existing provision regarding a possible development in regulations of the powers, organisation and procedure of the Audit Committee (with a few minor modifications merely affecting the wording);
- (iii) The inclusion of minimum regulation of the Nomination and Remuneration Committee, incorporating the essence of the legal regulation and establishing basic rules of procedure, similar to those established for the Audit Committee (meetings, adopting of resolutions, positions on the Nomination and Remuneration Committee, casting vote of the Chairman and possible development of the powers in regulations, organisation and procedure of the Committee).

#### **2.14. Article 34 (Approval of the Accounts. Application of Profit)**

It is proposed modifying Article 348 of the Articles of Association to clarify the text, without introducing any alteration of the regulations contained therein.

In this regard, it is considered that the present wording of this article could give rise to misinterpretation, so it is proposed modifying the text to make it perfectly clear that the General Meeting may, should it deem fit, distribute dividends against the profits or any other accounting item which, according to legal and accounting principles, is available for distribution.

### **3. Separate voting**

Pursuant to section 197 bis of the Corporate Enterprises Act, introduced by Act 31/2014, since the main justification for the proposed alteration of the Articles of Association is to adjust the text of the different articles to the new legal provisions, the alteration of all the articles contemplated in this Report will be submitted to the general meeting for joint approval

This notwithstanding, the proposals to alter Articles 12 (Quorum. Special cases), 26 (Discussion and adoption of resolutions) and 34 (Approval of the Accounts. Application of Profit) will be submitted for approval separately and individually, since they do not correspond to adaptation of the text to amendments introduced in the Corporate Enterprises Act by Act 31/2014 but merely to improvement of the wording to clarify their content.

### **4. Full text of the proposed alteration. Proposed resolution**

The full text of the resolution proposed to the AGM containing the full text of the alterations proposed to the different articles, as justified hereinabove, is set out below:

***“Alteration, if appropriate, of the following articles of the company’s Articles of Association: 9 (“General Meeting”), 10 bis (“Right to request the calling of a general meeting, add items to the agenda and propose new resolutions”), 12 (“Quorum. Special cases”), 14 (“Proxies”), 17 (“Presiding board. Information, discussion and voting. Postal and electronic vote and proxy”), 20 (“Term of office and cooptation”), 22 (“Directors’ emoluments”), 23 (“Notice of call and venue of meetings”), 24 (“Quorum at Board meetings”), 25 (“Positions on the Board”), 26 (“Discussion and adoption of resolutions”), 27 (“Delegation of powers”), 28 (“Executive Committee, Audit and Compliance Committee, Nomination and Remuneration Committee and other Committees”) and 34 (“Approval of the Accounts. Application of Profit”)***

5.1 To approve the alteration of Articles 9 (General Meeting), 10 bis (Right to request the calling of a general meeting, add items to the agenda and propose new resolutions), 14 (Proxies), 17 (Presiding board. Information, discussion and voting. Postal and electronic vote and proxy), 20 (Term of office and cooptation), 22 (Directors’ emoluments), 23 (Notice of call and venue of meetings), 24 (Quorum at Board meetings), 25 (Positions on the Board), 27 (Delegation of powers) and 28 (Executive Committee, Audit and Compliance Committee, Nomination and Remuneration Committee and other Committees) of the Articles of Association, redrafting them as follows:

***“Article 9: General Meeting***

*The shareholders, assembled in a general meeting, shall decide by the majorities stipulated in law on all business assigned by law or these Articles of Association to the competence of the general meeting.*

*The resolutions adopted by the general meeting shall be binding on all shareholders, including those dissenting or absent at the meeting in question, without prejudice to their rights and remedies by law.*

*General meetings may be annual and/or extraordinary. The Annual General Meeting, duly called, shall necessarily be held within the first six months of each year to review the management of corporate affairs, approve, if appropriate, the accounts of the previous year and resolve on the application of profits.*

*General meetings shall be called and held in accordance with the relevant provisions of law and these Articles of Association and, where appropriate, the Regulations for the Organisation and Procedure of the General Meeting approved by said body upon recommendation by the Board of Directors.”*

***“Article 10 bis: Right to request the calling of a general meeting, add items to the agenda and propose new resolutions***

*The directors shall call general meetings whenever so requested by one or several shareholders representing at least three per cent of the capital, stating in their request the business to be transacted. In this case, the general meeting shall be held within two months after the date on which the directors have been required through notarial channels to call it, necessarily including on the agenda the business stated in the request.*

*Shareholders representing at least three per cent of the capital may also request the publication of a supplementary notice of call to the annual general meeting, including one or more additional items on the agenda, provided the new items are accompanied by an explanation or, as the case may be, a substantiated proposed resolution. Under no circumstances may this right be exercised in respect of extraordinary general meetings.*

*This right shall be exercised by sending verifiable notice, to be received at the registered office within five days after publication of the notice of call. The supplementary notice shall be published at least fifteen days prior to the date for which the general meeting has been called. Failure to publish the supplementary notice within this time will be grounds for challenging the validity of the general meeting.*

*Similarly, shareholders representing at least three per cent of the capital may, within five days after publication of the notice of call, propose well-founded resolutions on business included or that should be included on the agenda for the general meeting called. The company shall ensure that these proposed resolutions and any documents attached thereto are distributed among the remaining shareholders in pursuance of applicable laws and regulations.”*

**“Article 14: Proxies**

*Any shareholder entitled to attend may be represented at general meetings by another person, even if the latter is not a shareholder.*

*The appointment and revocation of proxies, notification to the company, formalities, contents and limitations on representation and conflicts of interest of the proxy shall be governed by the applicable legal provisions, these Articles of Association, the Regulations of the General Meeting and any resolutions adopted by the Board.*

*This right to representation is without prejudice to the legal provisions established for family representation, general powers of attorney and public requests for representation. In any case, no shareholder may have more than one representative at any general meeting, although any undertakings legitimately recognised as shareholders by virtue of the accounting record of their shares but acting on behalf of several individuals may delegate the votes to each of the indirect holders or to third parties designated by the latter, with no limit on the number of delegations that may be made.”*

**“Article 17: Presiding board. Information, discussion and voting. Postal and electronic vote and proxy**

*1. The directors attending the general meeting shall form the Presiding Board. After drawing up the attendance list and declaring the meeting open, the Secretary shall read out the items on the agenda, which shall be duly debated. The Chairman shall speak first, followed by such persons as he may authorise, including the Chairmen of the Board Committees whenever necessary or convenient in respect of the business on the agenda. The Chairman shall then*



*grant the floor to such shareholders as may so request, directing the debate and ensuring that it stays within the confines of the agenda.*

*From the date of publication of the notice of call to the general meeting up to five days, inclusive, before the date scheduled for holding the general meeting on first call, shareholders may request in writing such information or explanations as they may deem necessary, or submit such written questions as they may deem fit, on the items on the agenda. Shareholders may also request, in writing within the same time, such explanations from the directors as they may deem fit on the information accessible to the public supplied by the company to the National Securities Market Commission (CNMV) since the last General Meeting and explanations regarding the auditors' report. In these cases, the directors shall be obliged to provide the information requested, in writing, up to the date of the General Meeting.*

*Valid requests for information, explanations or questions submitted in writing and the written answers given by the directors shall be published on the company's website.*

*Whenever the information contemplated in a written question is already available to all shareholders clearly, expressly and directly on the company's website, in question-answer format, and may limit their answers to a referral to the information provided in that format.*

*During the General Meeting, shareholders may orally request such information or explanations as they may deem fit on the items on the agenda or the publicly accessible information supplied by the company to the National Securities Market Commission since the date of the last general meeting and on the auditors' report. If it is not possible to comply with the shareholders' right at that time, the directors shall provide that information in writing within seven days after the end of the General Meeting. Infringement of the right to information contemplated in this paragraph will not be considered a ground for challenging the validity of the general meeting, although shareholders will be entitled to demand fulfilment of the obligation to provide information and redress of any damages they may have suffered as a result of that infringement.*

*Directors will not be obliged to provide any information requested in the terms of the preceding paragraphs if that information is unnecessary to protect shareholders' rights or if there are objective reasons to consider that it could be used for non-corporate purposes or that disclosure of the details requested could be detrimental to the interests of the company or any of its related companies. The information may not be denied if the request is backed by shareholders representing at least one-quarter of the capital.*

*The Chairman shall close the debate when he considers the business sufficiently debated and shall then put the resolutions to a vote.*

*As a rule, resolutions shall be carried with the votes of a simple majority of the shareholders present and represented at the general meeting, considering a*

*resolution passed when it obtains more votes for than against from the capital present and represented.*

*For a resolution on the increase or reduction of the capital or any other alteration of the Articles of Association, the issuance of debentures, suppression or restriction of the right of pre-emption over new shares, the conversion, merger or division of the company, the global transfer of assets and liabilities or moving the registered office to another country, if more than fifty per cent of the capital is present and represented at the general meeting the resolution will be passed by absolute majority. However, if the meeting is attended on second call by shareholders representing twenty-five per cent or more of the subscribed capital with voting rights but less than fifty per cent, the favourable vote of two thirds of the capital present or represented at the general meeting.*

*Unless another system is established by the Presiding Board for any particular vote, all shareholders present or represented who do not expressly declare their abstention, vote against or blank vote shall be deemed to vote for the resolutions, approval of which shall be evidenced by recording the votes against, blank votes and abstentions. However, when voting on business not included on the agenda, all shareholders present or represented who do not expressly declare their abstention, vote in favour or blank vote shall be deemed to vote against the resolution in question.*

## *2. Postal and economic vote and proxies*

*a) Shareholders entitled to attend and vote may vote by post or electronic means on the resolutions proposed under the agenda, on the terms stipulated in the Regulations of the General Meeting and any provisions passed by the Board in development of or supplementing those Regulations.*

*The Board is authorised to develop and supplement the regulation set forth in the Regulations of the General Meeting taking account of the technical and legal bases that make it possible and duly guarantee the identity of the person exercising his voting right. In this case the Board shall decide when shareholders may start casting postal or electronic votes, according to the state and security offered by the available technical means.*

*The company shall publish on its web site all rules and regulations and any amendment thereof passed by the Board in development of and supplementing the Regulations of the General Meeting, pursuant to this provision, and the time specified by the Board as from which shareholders may cast postal and electronic votes for General Meetings.*

*Shareholders entitled to attend General Meetings who send postal or electronic votes in pursuance of this article shall be counted as present for establishing the quorum of the relevant general meeting.*

*b) The provisions of (a) above will also be applicable to the granting of proxies for General Meetings by postal, electronic or any similar means of communication.*

*c) Personal attendance of the General Meeting by a given shareholder will annul any postal or electronic vote cast by the same shareholder. Personal attendance by the represented shareholder will also revoke a proxy granted by postal, electronic or any other means of communication contemplated in the Regulations of the General Meeting.”*

**“Article 20: Term of office and cooptation**

*Directors shall be appointed for a term of four years, after which they will be eligible for re-election on one or several occasions for terms of an equal duration.*

*After this term, Directors’ appointments shall end on the date of the next succeeding Annual General Meeting or upon expiry of the time stipulated in law for holding the General Meeting to approve the previous year’s accounts.*

*Should any vacancies arise during the term for which directors were appointed, the Board may appoint persons to fill such vacancies until the next general meeting thereafter. Should a vacancy arise after the general meeting has been called and before it is held, the Board may appoint a director up to the holding of the following General Meeting.”*

**“Article 22: Directors’ emoluments**

*Remuneration of the Board members for their duties as such shall consist each year in a share of up to two and a half per cent (2.5%) of the consolidated profits attributable to the company, although this sum may only be taken from the company’s net profit and after setting aside such sums as may be necessary to meet the legal reserve requirements, fund any reserves that may be established in the articles of association, pay shareholders the minimum dividend established in prevailing legislation and meeting all and any other priority assignments required by law. The general meeting shall determine the percentage applicable within the maximum established in this article. The board shall distribute the aforesaid sum among its members each year.*

*The directors will also be entitled to a fee for attending meetings of the governance bodies of the company, the amount of which will be established every year by the general meeting.*

*The maximum amount of the annual remuneration for all the directors as such shall be approved by the general meeting and shall be maintained until a modification is approved.*

*The directors’ emoluments 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.*

*The remuneration policy for directors shall comply with all applicable provisions in the articles of association on the remuneration system and shall be approved by the general meeting at least every three years as a separate item on the agenda.*

*Directors with executive duties in the company shall, regardless of the nature of their legal relationship with the latter, 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.*

*In addition and independently of the emoluments 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 although the use of those remuneration systems shall be decided by the general meeting in the form, terms and conditions stipulated in law.*

*If executive directors waive the share in the profits to which they are entitled for their duties as directors, the sums that would correspond to them as a share in the company's profits will not be distributed among the remaining directors.”*

**“Article 23: Notice of call and venue of meetings**

*The Board shall meet as and when called by the Chairman or acting chairman, on his own initiative, at the request of the lead independent director or whenever so requested by at least one-third of the directors. If the Chairman has been requested to call a meeting and, for no justified reason, fails to do so within a period of one month, directors constituting at least one-third of the board members may call it, indicating the agenda, to be held within the location of the company's registered office.*

*The Board shall meet at least once a quarter.*

*The meetings shall normally be held at the registered office, but may be held anywhere else decided by the Chairman.*

*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 audio-visual or telephonic means. In this case, the system of connection and, if appropriate, the places where the technical means are available to attend and participate in the meeting shall be indicated in the notice of call. The resolutions shall be deemed adopted at the place from which the meeting is chaired.*

*The above notwithstanding, written resolutions may be adopted, without assembly, whenever this is authorised in law and subject to the requisites and formalities established in the Trade Registry Regulations.”*

***“Article 24: Quorum at Board meetings***

*Board meetings shall be quorate when attended, in person or by proxy, by the majority of the members.*

*Board members may be represented by another director by virtue of a written proxy issued especially for each board meeting. Non-executive directors may only be represented by another non-executive director.*

*Board meetings may be attended by such persons as the Chairman may deem fit.”*

***“Article 25: Positions on the Board***

*The Board shall elect one of its members to be Chairman, subject to a report by the Nomination and Remuneration Committee. It may also appoint a Vice-Chairman to substitute the Chairman in the event of vacancy, absence or illness. Otherwise or in the absence of the Vice-Chairman, one of the Directors shall be elected to stand in temporarily as acting Chairman.*

*Notwithstanding the powers corresponding to him by law and the articles of association and his executive duties, if any, the Chairman of the Board shall have the highest institutional representation of the company and shall watch over the powers of the Board in respect of relations with shareholders and markets. The Chairman will also be responsible for the efficient functioning of the Board, encouraging discussion at meetings and organising and coordinating with Committee Chairmen the regular assessment of the Board and the Managing Director, if any.*

*If the Chairman of the Board is also chief executive of the company, one of the non-executive directors may be appointed Vice-Chairman, subject to a report by the Nomination and Remuneration Committee, with the power to request the calling of Board meetings or the inclusion of new items on the agenda, organise meetings to coordinate non-executive directors and direct the regular assessment of the Chairman.*

*This notwithstanding, if the Chairman of the Board is also an executive director, the Board shall appoint one of the independent directors to the position of Lead Independent Director, with the power to request the calling of Board meetings or the inclusion of new items on the agenda, coordinate and organise meetings of non-executive directors and, if appropriate, direct the regular assessment of the Chairman. Executive directors shall abstain in the election of the Lead Independent Director.*

*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.*

*The Board shall also elect a Secretary, subject to a report by the Nomination and Remuneration Committee, who may or may not be a director. It may also appoint*

*a Vice-Secretary, subject to a report by the Nomination and Remuneration Committee, to assist the Secretary and substitute him in the event of vacancy, absence or illness. The Vice-Secretary, too, may or may not be a director. In the absence of the Secretary and the Vice-Secretary, the youngest director attending the meeting shall stand in as secretary.”*

**“Article 27: Delegation of powers**

*The Board of Directors may appoint some of its members to sit on an Executive Committee and one or several Managing Directors, delegating to them all or part of the duties of the Board, save any which, by law, may not be delegated.*

*The rules indicating how the Managing Director(s) is/are to act shall determine his/their powers of attorney. The scope of the powers of attorney of the delegated bodies shall at all times be as specified for directors in the applicable laws and regulations.*

*Resolutions on the permanent delegation of powers of the Board to the Executive Committee or Managing Director(s) and the appointment of directors who are to hold these positions shall be carried with the votes in favour of two-thirds of the Board members and will not be effective until entered in the Trade Register.*

*When a Board member is appointed managing director or is assigned executive duties by virtue of any other title, a contract shall be signed between that director and the company, which must be previously approved by the Board with the votes in favour of two-thirds of the Board members. The director in question shall abstain from the discussion and voting on this matter.”*

**“Article 28: Executive Committee, Audit and Compliance Committee, Nomination and Remuneration Committee and other Committees**

*1. The Executive Committee shall have no fewer than three nor more than seven members, including the Chairman.*

*The Executive Committee shall be presided by the Chairman of the Board, assisted by the Secretary of the Board. The rules of substitution established for the Board shall also be applicable to the Chairman and Secretary of the Executive Committee.*

*2. An Audit and Compliance Committee shall be set up within the Board, with no fewer than three nor more than five members appointed by the Board. All the members of this Committee shall be non-executive directors and at least two of them shall be independent directors, one of whom will be appointed on the basis of his experience and expertise in accounting, auditing or both.*

*The Board shall appoint one of the independent directors on the Audit and Compliance Committee to chair that committee. The Committee Chairman shall be replaced every four years and will become eligible for re-election one year after his retirement as such. In the event of absence or temporary unavailability of*

*the Chairman, he shall be substituted by a member of the Committee provisionally so nominated by the Board, or otherwise by the oldest Committee member.*

*The Audit and Compliance Committee shall meet with the frequency stipulated in the Regulations of the Board and as and when called by its Chairman, whenever so decided by at least two of its members or at the request of the Board. Committee meetings shall be held at the registered office or wheresoever else may be decided 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 its members. Resolutions shall be carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting Chairman, shall have the casting vote. The Secretary of the Committee shall be appointed by the Board and shall issue minutes of the resolutions adopted, which shall be reported to the Board.*

*The Audit and Compliance Committee shall have the powers assigned to it by law, the Articles of Association and the Regulations of the Board. The Regulations of the Board may develop and complete the Committee's powers and the rules for its organisation and procedure, in accordance with the relevant provisions of law and the Articles of Association.*

*3. A Nomination and Remuneration Committee shall also be set up within the Board, with no fewer than three nor more than five members appointed by the Board. All the members of this Committee shall be non-executive directors and at least two of them shall be independent directors.*

*The Board shall appoint one of the independent directors on the Nomination and Remuneration to chair that committee. In the event of absence or temporary unavailability of the Chairman, he shall be substituted by a member of the Committee provisionally so nominated by the Board, or otherwise by the Committee member designated by the Committee for the specific meeting.*

*The Nomination and Remuneration Committee shall meet with the frequency stipulated in the Regulations of the Board and as and when called by its Chairman, whenever so decided by at least two of its members or at the request of the Board. Committee meetings shall be held at the registered office or wheresoever else may be decided 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 its members. Resolutions shall be carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting Chairman, shall have the casting vote. The Secretary of the Committee shall be appointed by the Board and shall issue minutes of the resolutions adopted, which shall be reported to the Board.*

*The Nomination and Remuneration Committee shall have the powers assigned to it by law, the Articles of Association and the Regulations of the Board. The Regulations of the Board may develop and complete the Committee's powers and the rules for its organisation and procedure, in accordance with the relevant provisions of law and the Articles of Association.*

*4. The Regulations of the Board shall also contemplate the existence of a Strategy and Investment Committee, on which any director may sit.”*

5.2. To approve the alteration of Article 12 (Quorum. Special cases) of the Articles of Association, redrafting it as follows:

**“Article 12: Quorum. Special cases**

*In order to validly adopt resolutions at an annual or extraordinary general meeting on an increase or reduction of the capital or any other alteration of the Articles of Association, the issuance of debentures, suppression or restriction of the right of pre-emption over new shares, the conversion, merger or division of the company, the global transfer of assets and liabilities or moving the registered office to another country, the meeting must be attended on first call, in person or by proxy, by shareholders representing at least fifty per cent of the subscribed voting capital. On second call the attendance of twenty-five per cent of that capital shall suffice.”*

5.3. To approve the alteration of Article 26 (Discussion and adoption of resolutions) of the Articles of Association, redrafting it as follows:

**“Article 26: Discussion and adoption of resolutions**

*The Board shall debate the issues included on the agenda and such others as the Chairman may bring up or as may be proposed by the majority of members present or represented, even though they may not be included on the agenda.*

*Resolutions shall be carried by the absolute majority of directors present or represented at each meeting, except where the law stipulates mandatory special majorities, in which case those special majorities must be respected.*

*The resolutions of the Board shall be set down in minutes, which shall be issued or transcribed in the corresponding minute book, indicating the details required by prevailing legislation.*

*The minutes shall be approved by the directors at the end of the meeting or at a subsequent meeting. The Board may authorise the Chairman and one Director to jointly approve the minutes of the meeting.”*

5.4. To approve the alteration of Article 34 (Approval of the Accounts. Application of Profit) of the Articles of Association, redrafting it as follows:

**“Article 34: Approval of the Accounts. Application of Profit**

*The annual accounts shall be approved by the General Meeting of Shareholders.*

*Once the general meeting has been called, any shareholder may obtain from the company, forthwith and free of charge, a copy of the documents that are to be laid before the general meeting for approval, and of the directors’ report and auditors’ report, if appropriate. This right shall be stated in the notice of call.*



*The general meeting shall resolve on the application of the profit for the year, as shown on the approved balance sheet and in pursuance of prevailing legislation. The general meeting may decide on the distribution in cash or in kind of dividends against profits or, as the case may be, against the share premium or other unrestricted reserves. In the event of a distribution in kind, the assets or securities to be distributed shall be homogenous and have adequate liquidity. This regulation will also be applicable to the refund of contributions in a reduction of capital.”*

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Madrid, 29 April 2015

## Informative Annex

### Articles altered marking the changes

#### **Article 9: General Meeting**

The shareholders, assembled in a general meeting, shall decide by ~~majority vote, of those east by shareholders present or represented with voting rights, the majorities stipulated in law~~ on all business assigned by law or these Articles of Association to the competence of the general meeting, ~~without prejudice to those cases where a special resolution or quorum is required by law.~~

The resolutions adopted by the general meeting shall be binding on all shareholders, including those dissenting or absent at the meeting in question, without prejudice to their rights and remedies by law.

General meetings may be annual and/or extraordinary. The Annual General Meeting, duly called, shall necessarily be held within the first six months of each year to review the management of corporate affairs, approve, if appropriate, the accounts of the previous year and resolve on the application of profits.

General meetings shall be called and held in accordance with the relevant provisions of law and these Articles of Association and, where appropriate, the Regulations for the Organisation and Procedure of the General Meeting approved by said body upon recommendation by the Board of Directors.

#### **Article 10 bis: Right to request the calling of a general meeting, add items to the agenda and ~~submit~~propose new ~~proposed~~ resolutions**

The directors shall call general meetings whenever so requested by one or several shareholders representing at least ~~five~~three per cent of the capital, stating in their request the business to be transacted. In this case, the general meeting shall be held within two months after the date on which the directors have been required through notarial channels to call it, necessarily including on the agenda the business stated in the request.

Shareholders representing at least ~~five~~three per cent of the capital may also request the publication of a supplementary notice of call to the annual general meeting, including one or more additional items on the agenda, provided the new items are accompanied by an explanation or, as the case may be, a ~~justified~~substantiated proposed resolution. Under no circumstances may this right be exercised in respect of extraordinary general meetings.

This right shall be exercised by sending ~~attested~~verifiable notice, to be received at the registered office within five days after publication of the notice of call. The supplementary notice shall be published at least fifteen days prior to the date for which the general meeting has been called. ~~If failure to publish the supplementary notice is not published within this time will be grounds for challenging the validity of the general meeting may be declared null and void.~~

Similarly, shareholders representing at least ~~five~~three per cent of the capital may, within five days after publication of the notice of call, ~~submit~~propose well-founded ~~proposed~~ resolutions on business included or that should be included ~~in~~on the agenda for the general meeting called. The company shall ensure that these proposed resolutions and any documents attached thereto are distributed among the remaining shareholders in pursuance of applicable laws and regulations.

#### **Article 12: Quorum. Special cases**

In order to validly adopt resolutions at an annual or extraordinary general meeting on an increase or reduction of the capital or any other alteration of the Articles of Association, the issuance of debentures, ~~eliminations~~suppression or restriction of the right of pre-emption over new shares, the conversion, merger or division of the company, the global transfer of assets and liabilities or moving the registered office to another country, the meeting must be attended on first call, in person or by proxy, by shareholders representing at least fifty per cent of the subscribed voting capital. On second call the attendance of twenty-five per cent of that capital shall suffice.

~~If the general meeting is attended by less than fifty per cent of the voting capital, the resolutions contemplated in the preceding paragraph may only be adopted with the favourable votes of two-thirds of the capital present or represented at the general meeting.~~

#### **Article 14: Proxies**

Any shareholder entitled to attend may be represented at general meetings by another person, even if the latter is not a shareholder.

The appointment and revocation of proxies, notification to the company, formalities, contents and limitations on representation and conflicts of interest of the proxy shall be governed by the applicable legal provisions, these Articles of Association, the Regulations of the General Meeting and any resolutions adopted by the Board.

This right to representation is without prejudice to the legal provisions established for family representation, general powers of attorney and public requests for representation. In any case, no shareholder may have more than one representative at any general meeting, although any undertakings legitimately recognised as shareholders by virtue of the accounting record of their shares but acting on behalf of several individuals may delegate the votes to each of the indirect holders or to third parties designated by the latter, with no limit on the number of delegations that may be made.

#### **Article 17: Presiding board. Information, discussion and voting. Voting~~Postal~~ and ~~proxies by means of distance communication~~electronic vote and proxy**

1. The directors attending the general meeting shall form the Presiding Board. After drawing up the attendance list and declaring the meeting open, the Secretary shall read out the items on the agenda, which shall be duly debated. The Chairman shall speak first, followed by such persons as he may authorise, including the Chairmen of the Board Committees whenever necessary or convenient in respect of the business on the

agenda. The Chairman shall then grant the floor to such shareholders as may so request, directing the debate and ensuring that it stays within the confines of the agenda.

From the date of publication of the notice of call to the general meeting up to ~~seven~~five days, inclusive, before the date scheduled for holding the general meeting on first call, shareholders may request in writing such ~~reports~~information or explanations as they may deem necessary, or submit such written questions as they may deem fit, on the items on the agenda. ~~Within~~Shareholders may also request, in writing within the same time ~~and in the same form, shareholders may request reports or, such~~ explanations ~~or submit written questions from the directors as they may deem fit~~ on the information accessible to the public, supplied by the company to the National Securities Market Commission (CNMV) since the last General Meeting, ~~and explanations regarding the~~ auditors' report. In these cases, the directors shall be obliged to provide the information requested, in writing, up to the date of the General Meeting.

Valid requests for information, explanations or questions submitted in writing and the written answers given by the directors shall be published on the company's website.

Whenever the information contemplated in a written question is already available to all shareholders clearly, expressly and directly on the company's website, in question-answer format, and may limit their answers to a referral to the information provided in that format.

During the General Meeting, shareholders may orally request such information or explanations as they may deem fit on the items on the agenda, ~~and if or the~~ publicly accessible information supplied by the company to the National Securities Market Commission since the date of the last general meeting and on the auditors' report. If it is not possible to comply with the shareholders' right at that time, the directors shall provide that information in writing within seven days after the ~~General Meeting~~end of the General Meeting. Infringement of the right to information contemplated in this paragraph will not be considered a ground for challenging the validity of the general meeting, although shareholders will be entitled to demand fulfilment of the obligation to provide information and redress of any damages they may have suffered as a result of that infringement.

Directors will not be obliged to provide any information requested in the terms of the preceding ~~two~~ paragraphs ~~when, in the opinion of the Chairman,~~ if that information is unnecessary to protect shareholders' rights or if there are objective reasons to consider that it could be used for non-corporate purposes or that disclosure of the details requested could be detrimental to ~~corporatethe~~ the interests, ~~although this exception will of~~ the company or any of its related companies. The information may not be validly denied if the request is backed by shareholders representing at least one-quarter of the capital.

The Chairman shall close the debate when he considers the business sufficiently debated and shall then put the ~~proposed~~ resolutions to ~~the~~a vote.

Resolutions As a rule, resolutions shall be carried with the votes in favour of the a simple majority of voting the shareholders present and represented at the general meeting, considering a resolution passed when it obtains more votes for than against from the

capital present and represented ~~at the general meeting, save as otherwise provided in law for special resolutions.~~

For a resolution on the increase or reduction of the capital or any other alteration of the Articles of Association, the issuance of debentures, suppression or restriction of the right of pre-emption over new shares, the conversion, merger or division of the company, the global transfer of assets and liabilities or moving the registered office to another country, if more than fifty per cent of the capital is present and represented at the general meeting the resolution will be passed by absolute majority. However, if the meeting is attended on second call by shareholders representing twenty-five per cent or more of the subscribed capital with voting rights but less than fifty per cent, the favourable vote of two thirds of the capital present or represented at the general meeting.

Unless another system is established by the Presiding Board for any particular vote, all shareholders present or represented who do not expressly declare their abstention, vote against or blank vote shall be deemed to vote for the ~~proposed~~ resolutions, approval of which shall be evidenced by recording the votes against, blank votes and abstentions. However, when voting on business not included on the agenda, all shareholders present or represented who do not expressly declare their abstention, vote in favour or blank vote shall be deemed to vote against the ~~motion~~resolution in question.

2. ~~Voting~~Postal and economic vote and proxies ~~by means of distance communication.~~

a) Shareholders entitled to attend and vote may vote by post or electronic means on the ~~motions relating to~~resolutions proposed under the agenda, on the terms stipulated in the Regulations of the General Meeting and any provisions passed by the Board in development of or supplementing those Regulations.

The Board is authorised to develop and supplement the regulation set forth in the Regulations of the General Meeting taking account of the technical and legal bases that make it possible and duly guarantee the identity of the person exercising his voting right. In this case the Board shall decide when shareholders may start ~~voting through means of distance communication~~casting postal or electronic votes, according to the state and security offered by the available technical means.

The company shall publish on its web site all rules and regulations and any amendment thereof passed by the Board in development of and supplementing the Regulations of the General Meeting, pursuant to this provision, and the time specified by the Board as from which shareholders may ~~vote at~~cast postal and electronic votes for General Meetings ~~through means of distance communication.~~

Shareholders entitled to attend General Meetings who ~~vote through distance communications~~send postal or electronic votes in pursuance of this article shall be counted as present for establishing the quorum of the relevant general meeting.

b) The provisions of (a) above will also be applicable to the granting of proxies for General Meetings ~~throughby postal,~~ electronic of any similar means of communication ~~or whatsoever other means of distance communication.~~

c) Personal attendance of the General Meeting by a given shareholder will annul any postal or electronic vote cast by the same shareholder. Personal attendance by the represented shareholder will also revoke a proxy granted by postal, electronic means or any other means of ~~distance~~ communication contemplated in the Regulations of the General Meeting.

#### **Article 20: Term of office and cooptation**

Directors shall be appointed for a term of four years, after which they will be eligible for re-election on one or several occasions for terms of an equal duration.

After this term, Directors' appointments shall end on the date of the next succeeding Annual General Meeting or upon expiry of the time stipulated in law for holding the General Meeting to approve the previous year's accounts.

Should any vacancies arise during the term for which directors were appointed, the Board may appoint ~~one or several shareholders~~ persons to fill such vacancies until the next general meeting thereafter. Should a vacancy arise after the general meeting has been called and before it is held, the Board may appoint a director up to the holding of the following General Meeting.

#### **Article 22: Directors' emoluments**

~~When approving Remuneration of the company's accounts Board members for the previous year, the general meeting their duties as such shall set aside for the directors consist each year in a share of up to two and a half per cent (2.5%) of the consolidated profits attributable to the company, although this sum may only be taken from the company's net profit for the year and after meetings setting aside such sums as may be necessary to meet the legal reserve requirements, setting aside for the fund any reserves that may be established in the articles of association, pay shareholders the minimum dividend established in prevailing legislation and meeting all and any other priority assignments required by law. The directors may waive general meeting shall determine the percentage applicable within the maximum established in this remuneration, in full or in part, when drawing up the accounts. article. The board shall distribute the aforesaid sum among its members, annually and at its discretion, according to the duties assumed by each director on the board year.~~

The directors ~~shall~~ will also be entitled to a fee for attending meetings of the ~~corporate governance~~ bodies of the company, the amount of which ~~shall~~ will be established every year by the general meeting.

The maximum amount of the annual remuneration for all the directors as such shall be approved by the general meeting and shall be maintained until a modification is approved.

The directors' emoluments 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.

The remuneration policy for directors shall comply with all applicable provisions in the articles of association on the remuneration system and shall be approved by the general meeting at least every three years as a separate item on the agenda.

Directors with executive duties in the company shall, regardless of the nature of their legal relationship with the latter, be entitled to remuneration for the performance of such duties, ~~the amount of which shall be decided for each year at the Annual General Meeting. This remuneration may contemplate welfare payments to cover any public/private pension schemes and insurance systems considered necessary or retirement from office.~~ 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.

In addition and independently of the emoluments 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. ~~The general meeting shall decide if and when any although the use of these/those remuneration systems are to/shall be used, pursuant to decided by the general meeting in~~ the form, terms and conditions stipulated in law.

If executive directors waive ~~their~~ the share in the profits, to which they are entitled for their duties as ~~contemplated in the first paragraph of this article~~ directors, the sums that would correspond to them as a share in the company's profits ~~of the company~~ will not be distributed among the remaining directors.

### **Article 23: Notice of call and venue of meetings**

The Board shall meet as and when called by the Chairman or acting chairman, on his own initiative, at the request of the lead independent director or whenever so requested by at least one-third of the directors ~~if~~. If the Chairman has been requested to call a meeting and, for no justified reason, ~~has not done~~ fails to do so within a period of one month, ~~stating the business~~ directors constituting at least one-third of the board members may call it, indicating the agenda, to be ~~transacted~~ held within the location of the company's registered office.

The Board shall meet at least once a quarter.

The meetings shall normally be held at the registered office, but may be held anywhere else decided by the Chairman.

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 audio-visual or telephonic means. In this case, the system of connection and, if appropriate, the places where the technical means are available to attend and participate in the meeting shall be indicated in the notice of call. The resolutions shall be deemed adopted at the place from which the meeting is chaired.



The above notwithstanding, written resolutions may be adopted, without assembly, whenever this is authorised in law and subject to the requisites and formalities established in the Trade Registry Regulations.

#### **Article 24: Quorum at Board meetings**

Board meetings shall be quorate when attended, in person or by proxy, by ~~one half plus one~~ the majority of the members.

Board members may be represented by another director by virtue of a written proxy issued especially for each board meeting. Non-executive directors may only be represented by another non-executive director.

Board meetings may be attended by such persons as the Chairman may deem fit.

#### **Article 25: Positions on the Board**

The Board shall elect one of its members to be Chairman, subject to a report by the Nomination and Remuneration Committee. It may also appoint a Vice-Chairman to substitute the Chairman in the event of vacancy, absence or illness. Otherwise or in the absence of the Vice-Chairman, one of the Directors shall be elected to stand in temporarily as acting Chairman.

Notwithstanding the powers corresponding to him by law and the articles of association and his executive duties, if any, the Chairman of the Board shall have the highest institutional representation of the company and shall watch over the powers of the Board in respect of relations with shareholders and markets. The Chairman will also be responsible for the efficient functioning of the Board, encouraging discussion at meetings and organising and coordinating with Committee Chairmen the regular assessment of the Board and the Managing Director, if any.

If the Chairman of the Board is also chief executive of the company, one of the non-executive directors may be appointed Vice-Chairman, subject to a report by the Nomination and Remuneration Committee, with the power to request the calling of Board meetings or the inclusion of new items on the agenda, organise meetings to coordinate non-executive directors and direct the regular assessment of the Chairman. ~~If no Vice-Chairman is appointed, the Board shall authorise an independent director to perform these duties.~~

This notwithstanding, if the Chairman of the Board is also an executive director, the Board shall appoint one of the independent directors to the position of Lead Independent Director, with the power to request the calling of Board meetings or the inclusion of new items on the agenda, coordinate and organise meetings of non-executive directors and, if appropriate, direct the regular assessment of the Chairman. Executive directors shall abstain in the election of the Lead Independent Director.

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.



The Board shall also elect a Secretary, subject to a report by the Nomination and Remuneration Committee, who may or may not be a director. It may also appoint a Vice-Secretary, subject to a report by the Nomination and Remuneration Committee, to assist the Secretary and substitute ~~the latter~~him in the event of vacancy, absence or illness; ~~in~~. The Vice-Secretary, too, may or may not be a director. In the absence of the Secretary and the Vice-Secretary, the youngest director attending the meeting shall stand in as secretary.

#### **Article 26: Discussion and adoption of resolutions**

The Board shall debate the issues included on the agenda and such others as the Chairman may bring up or as may be proposed by the majority of members present or represented, even though they may not be included on the agenda.

Resolutions shall be carried by the absolute majority of directors present or represented at each meeting, except where the law stipulates mandatory special majorities, in which case those special majorities must be respected.

The resolutions of the Board shall be set down in minutes, which shall be issued or transcribed in the corresponding minute book, indicating the details required by prevailing legislation.

The minutes shall be approved by the directors at the end of the meeting or at a subsequent meeting. The Board may authorise the Chairman and one Director to jointly approve the minutes of the meeting.

#### **Article 27: Delegation of powers**

The Board of Directors may appoint some of its members to sit on an Executive Committee and one or several Managing Directors, delegating to them all or part of the duties of the Board, save any which, by law, may not be delegated.

The rules indicating how the Managing Director(s) is/are to act shall determine his/their powers of attorney. The scope of the powers of attorney of the delegated bodies shall at all times be as specified for directors in the applicable ~~legal provisions~~laws and regulations.

Resolutions on the permanent delegation of powers of the Board to the Executive Committee or Managing Director(s) and the appointment of directors who are to hold these positions shall be ~~validly~~ carried with the votes in favour of two-thirds of the Board members and ~~shall~~will not be effective until entered in the Trade Register.

When a Board member is appointed managing director or is assigned executive duties by virtue of any other title, a contract shall be signed between that director and the company, which must be previously approved by the Board with the votes in favour of two-thirds of the Board members. The director in question shall abstain from the discussion and voting on this matter.

#### **Article 28: Executive Committee, Audit and Compliance Committee, Nomination and Remuneration Committee and other Committees**

1. The Executive Committee shall have no fewer than three nor more than seven ~~directors~~members, including the Chairman.

The Executive Committee shall be presided by the Chairman of the Board, assisted by the Secretary of the Board. The rules of substitution established for the Board shall also be applicable to the Chairman and Secretary of the Executive Committee.

2. An Audit and Compliance Committee shall be set up within the Board, with no fewer than three nor more than five ~~directors~~members appointed by the Board. All the members of this Committee shall be non-executive directors and at least ~~one~~two of them shall be ~~an~~ independent ~~director, who shall~~directors, one of whom will be appointed on the basis of his experience and expertise in accounting, auditing or both.

The Board shall appoint ~~the Chairman~~one of the independent directors on the Audit and Compliance Committee ~~from among its members to chair that committee~~. The Committee Chairman shall be replaced every four years and will become eligible for re-election one year after his retirement as such. In the event of absence or temporary unavailability of the Chairman, he shall be substituted by a member of the Committee provisionally so nominated by the Board, or otherwise by the oldest Committee member.

The Audit and Compliance Committee shall meet with the frequency stipulated in the Regulations of the Board and as and when called by its Chairman, whenever so decided by at least two of its members or at the request of the Board. Committee meetings shall be held at the registered office or wheresoever else may be decided 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 its members. Resolutions shall be carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting Chairman, shall have the casting vote. The Secretary of the Committee shall be appointed by the Board and shall issue minutes of the resolutions adopted, which shall be reported to the Board.

The Audit and Compliance Committee shall have the powers assigned to it by law, the Articles of Association and the Regulations of the Board. The Regulations of the Board may develop and complete the Committee's powers and the rules for its organisation and procedure, in accordance with the relevant provisions of law and the Articles of Association.

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

The Board shall appoint one of the independent directors on the Nomination and Remuneration to chair that committee. In the event of absence or temporary unavailability of the Chairman, he shall be substituted by a member of the Committee provisionally so nominated by the Board, or otherwise by the Committee member designated by the Committee for the specific meeting.

The Nomination and Remuneration Committee shall meet with the frequency stipulated in the Regulations of the Board and as and when called by its Chairman, whenever so decided by at least two of its members or at the request of the Board. Committee meetings shall be held at the registered office or wheresoever else may be decided 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 its members. Resolutions shall be carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting Chairman, shall have the casting vote. The Secretary of the Committee shall be appointed by the Board and shall issue minutes of the resolutions adopted, which shall be reported to the Board.

The Audit~~Nomination~~ and Compliance~~Remuneration~~ Committee shall have the following powers:

- ~~— Report, through its Chairman, assigned to the General Meeting on any issues raised by shareholders concerning matters within its competence.~~
- ~~— Propose to law, the Articles of Association and the Board, for submission to the General Meeting, the appointment of the external auditors and, where appropriate, their terms of contract, the scope of their commission and the renewal or revocation of their engagement.~~
- ~~— Supervise the effectiveness of internal control of the company, internal auditing and risk management systems, if any, and discuss with the external auditors any significant weaknesses in the internal control system detected in audits.~~
- ~~— Oversee the financial reporting process and internal control systems of the Company.~~
- ~~— Have contacts with the external auditors to receive information on any issues that may jeopardise their independence, for study by the Audit Committee, and any other issues relating to the auditing of accounts, and receive information from and exchange communications with the External Auditors in accordance with prevailing auditing standards and legislation.~~
- ~~— Issue an annual report, prior to the issuance of the auditors' report, expressing an opinion on the independence of the external auditors. This report shall necessarily refer to the provision of the additional services contemplated in the preceding paragraph.~~
- ~~— Ensure that all transactions between the Company and its subsidiaries or associated companies or between those companies and the directors and controlling shareholders are effected on arm's length terms, respecting the principle of equal treatment and controlling any conflicts of interest that may arise in intercompany transactions.~~

~~These duties shall be deemed without prejudice to any others that may be commissioned by the Board.~~

~~The Regulations of the Board-~~ The Regulations of the Board may develop and complete the Committee's powers ~~of this Committee~~ and ~~its~~ the rules ~~of for its~~ organisation and procedure, in accordance with the relevant provisions of law and the Articles of Association.

~~34.~~ The Regulations of the Board shall also contemplate the existence of a Nomination and Remuneration Committee, consisting exclusively of non-executive directors, which shall oversee the preparation of the annual report on directors' remuneration, and a Strategy and Investment Committee, on which any director may sit.

#### **Article 34: Approval of the Accounts. Application of Profit**

The annual accounts shall be approved by the General Meeting of Shareholders.

Once the general meeting has been called, any shareholder may obtain from the company, forthwith and free of charge, a copy of the documents that are to be laid before the general meeting for approval, and of the directors' report and auditors' report, if appropriate. This right shall be stated in the notice of call.

The general meeting shall resolve on the application of the profit for the year, as shown on the approved balance sheet and in pursuance of prevailing legislation. The general meeting may decide on the distribution in cash or in kind of dividends against profits or, as the case may be, against the share premium, ~~if any, provided that, in or other unrestricted reserves.~~ In the event of a distribution in kind, the assets or securities to be distributed shall be homogenous and have adequate liquidity. This regulation will also be applicable to the refund of contributions in a reduction of capital.

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