



TALGO, S.A.

REGULATIONS OF THE BOARD OF DIRECTORS

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PREFACE.

Article 1. Purpose, scope and term

1. The Regulations (“**Regulations**”) of the Board of Directors of Talgo, S.A. (the “**Company**”) establish the principles governing the actions of the Board and its Committees, the basic rules of its organisation and operation, the standards of conduct of its members, and its supervision and control system, in order to achieve the greatest possible transparency, effectiveness, drive and control in its administrative and supervisory duties and its representation of the corporate interest.
2. The standards of conduct set forth in these Regulations for the Company's directors (“**Director**” or “**Directors**”) will be equally applicable to the individuals representing corporations that are Directors of the Company, insofar as they are compatible with their specific nature, and its own senior management.
3. These Regulations will enter into force on the date on which the Company's shares are officially admitted to trading on the Spanish Stock Exchanges.

Article 2. Interpretation

1. These Regulations will be interpreted according to the applicable legal and statutory regulations, the principles and recommendations of the Good Governance Code of Listed Companies approved by the Spanish Securities Market Commission (“**CNMV**”), on 18 February 2015 (the “**Good Governance Code**”), and in general, according to the principles and recommendations for good corporate governance of the official reports issued in Spain.
2. The Board of Directors of *Talgo S.A.* has the right to clarify their interpretation and application.

Article 3. Modifications

1. The Board of Directors, by agreement adopted by an absolute majority of the Directors present or represented, may amend these Regulations on the initiative of its Chairman or a third of the Directors. The proposal for amendment must be accompanied by a memorandum stating the causes and scope of the desired change. This memorandum will be drawn up by the Appointment and Remuneration Committee, unless the amendment was proposed by at least a third of the Directors, in which case, those Directors must draw up the memorandum and the Appointment and Remuneration Committee must draw up a report to be presented to the Board of Directors on the proposed modification, unless it was proposed by the Board of Directors itself.
2. The Board of Directors must be notified at least fifteen (15) days in advance of the meeting to decide on the proposed change. The notification will be accompanied by the full text of the modification proposal, the memorandum justifying it, and the report by the Appointment and Remuneration Committee, if applicable.

3. Modifications to these Regulations are also subject to the publication requirements of Article 4 below.
4. The Board of Directors will report on the agreed modifications to the Regulations at the next General Shareholders' Meeting.

Article 4. Publication

1. Directors and senior executives must understand, comply with and enforce these Regulations. Therefore, the Secretary of the Board of Directors will ensure each of them has a copy.
2. These Regulations, after the report to the General Shareholders' Meeting, will be reported to the CNMV, registered in the Companies Register in accordance with the current regulations, and available on the Company website, at its head office, and on the CNMV website, facilitating its dissemination among shareholders and investors.

CHAPTER I.
GENERAL DUTIES AND GOVERNANCE PRINCIPLES OF THE BOARD OF
DIRECTORS

Article 5. General duties of the Board of Directors

1. In accordance with the law and the Company's articles of association (the “**Articles of Association**”), the Board of Directors is the supreme governing and representative body of the Company, and is thus empowered to perform any administrative or legal action, transaction or disposal within the scope of the corporate purpose defined in the Articles of Association, except for those which the Law, the Articles of Association or the Regulations of the General Shareholders' Meeting reserve for the powers of the General Shareholders' Meeting.
2. Without prejudice to the above, the Board of Directors is a supervisory and controlling body which acts in unison, independently of management, treating all shareholders equally and guided by the interests of the Company, delegating the day-to-day management of the business to its management team and the corresponding executive bodies.
3. Within the scope of its supervisory and controlling functions, the Board of Directors will establish the Company's management strategies and guidelines; evaluate the management of the executives, monitoring whether targets are reached and the corporate purpose and interests of the Company are respected; establish the terms of the organisation of the company to ensure greater efficiency; implement and ensure compliance with appropriate procedures by which the Company provides information for shareholders and the markets in general; make suitable decisions on business and financial transactions of particular importance to the Company; approve the treasury

stocks policy, and approve the terms of its own organisation and operations in order to ensure its functions are optimally performed.

4. Without prejudice to the legal powers of this body, plenary meetings of the Board of Directors will hold exclusive powers to approve:
 - (i) The supervision of the effective functioning of its Committees and of the actions of its delegate bodies and the executives it has appointed.
 - (ii) The authorisation or waiving of obligations arising from the duty of loyalty, in accordance with the law.
 - (iii) Its own organisation and operations.
 - (iv) Drawing up the annual accounts, the management report and proposed distribution of the Company's profits, the consolidated accounts and management report, and their presentation to the General Shareholders' Meeting.
 - (v) Drawing up any type of report legally required of the governing body, provided the operation to which the report refers cannot be delegated.
 - (vi) The appointment and removal of the Company's Managing Directors.
 - (vii) The appointment and removal of executives reporting directly to the Board or one of its members, and the establishment of the basic conditions of their contracts, including their remuneration.
 - (viii) Decisions relating to the remuneration of the Directors, within the terms of the articles of association and, where applicable, the remuneration policy approved by the General Shareholders' Meeting.
 - (ix) Calling the General Shareholders' Meeting and drafting the Agenda and proposals. (x)The policy on treasury shares.
 - (xi) Any powers delegated by the General Shareholders' Meeting to the Board of Directors, unless their sub-delegation has been expressly authorised.
 - (xii) The Company's strategic or business plan, annual management and budget goals, investment and financing policy, Corporate Social Responsibility policy and dividend policy.
 - (xiii) Establishing the risk control and management policy, including fiscal risk, and supervising the internal information and control systems.

- (xiv) Establishing the corporate governance policy of the Company and the group where it is the parent company; its organisation and operations, and in particular, the approval and modification of its own regulations.
- (xv) Approving the financial report which the Company is required to publish at regular intervals.
- (xvi) Defining the structure of the group where the Company is the parent company.
- (xvii) Approving investments or transactions of any kind which, due to their high cost or special characteristics, are strategic or involve special tax risk, unless these must be approved by the General Shareholders' Meeting.
- (xviii) Approving the creation or purchase of shares in Special Purpose Vehicles or entities based in tax havens, and any other equivalent transactions or operations which due to their complexity could undermine the transparency of the Company and its group.
- (xix) Approving, after a report by the Audit Committee, the transactions of the Company or companies of its group with Directors or with shareholders who individually or as part of a group hold a significant stake, including shareholders represented on the Board of Directors of the Company or of other companies in the same group, or with people related to them. Directors who are affected, or who represent or are related to affected shareholders, must refrain from deliberating and voting on the agreement in question. Only transactions that meet the following three characteristics are exempt from this approval:
 - a) they fulfil contracts with standard conditions, applied generally to a large number of clients,
 - b) they involve generally applicable prices or rates established by the supplier of the good or service in question, and
 - c) they are not worth more than 1% of the Company's annual revenue.
- (xx) Establishing the Company's fiscal strategy

5. The above powers of the Board of Directors cannot be delegated. Without prejudice to the above, in circumstances of verifiable urgency, the Executive Committee or other bodies or delegates can make decisions concerning the matters indicated above, within the scope specified in Spanish Corporate Enterprises Act, which will then be ratified by the first meeting of the Board of Directors held after the decision.

1. The Board of Directors will operate at all times in line with the principle of promoting the interests of the Company. This principle should be understood as safeguarding the future long-term viability of the Company and maximising its value for shareholders, while also giving weight to the various legitimate public or private interests which play a part in any business activity.
2. The pursuit of the corporate interest will take into account the requirements of the law, in accordance with generally accepted ethical criteria and models of conduct, and in a framework of respect for and empowerment of the environment in which the Company operates, with special attention to fostering the Company's Corporate Social Responsibility.
3. The Board of Directors shall approve a policy of full transparency in the information provided to the markets, ensuring the Company's shares are priced correctly.
4. The Board of Directors will also ensure that the Company's executives comply with the ethical standards cited above and the principle of equal treatment of shareholders in the course of their work.

CHAPTER II. COMPOSITION OF THE BOARD

Article 7. Size

The Board of Directors will consist of a minimum of ten (10) and a maximum of fifteen (15) members, who will be appointed or ratified by the General Shareholders' Meeting, subject to the law and the requirements established in the Articles of Association and these Regulations.

Article 8. Composition

1. Directors are classified as Executive Directors and non-Executive or External Directors, according to the definitions below.
2. Executive Directors are Directors who have executive roles in the Company or its group, whatever their legal relationship with it. However, board members who are senior executives or directors of companies belonging to the group where the Company is parent are classed as Proprietary Directors.

Board members who have an executive role and are also significant shareholders, or represent a significant shareholder or one who is represented on the Board of Directors, are classed as Executive Directors.

3. All the remaining Directors of the Company are non-Executive or External Directors, who may be Proprietary, Independent or other external directors, in accordance with the definitions below:

- (i) Proprietary Directors are those holding shares at or above the level legally regarded as significant, or who have been appointed due to being shareholders although their stake may be smaller, or representatives of significant shareholders.
 - (ii) Independent Directors are those who, while not subject to any of the restrictions indicated in Section 5 below and appointed due to their personal and professional qualities, can perform their duties without the influence of a relationship with the Company or its group, its significant shareholders or its senior management.
 - (iii) Other External Directors are those who, while not executives, cannot be classified as Proprietary or Independent.
4. The Board of Directors, when exercising its powers to propose the appointment of Directors to the General Shareholders' Meeting and to co-opt replacement members, shall ensure there is a large majority of External, Proprietary and Independent Directors, and that the number of Executive Directors is the minimum needed for the Company to function effectively, taking into account, where applicable, the complexity of the group of companies and the percentage of participation by the Proprietary Directors in company equity. Within the External Directors, the ratio of Proprietary Directors to Independent Directors should reflect, as far as possible, the proportion of equity with voting rights represented by the Proprietary Directors in the Company's equity as a whole.
5. The following may not be appointed as Independent Directors:
- (i) Former employees or Executive Directors of group companies, unless 3 or 5 years, respectively, have passed since that relationship ended.
 - (ii) Those receiving any amount or benefit from the Company or its group other than their Director's remuneration, unless it is not a significant sum for the Director.

For the purposes of this section, any dividends or pension supplements the Director receives due to a former professional or employment relationship shall not be considered, provided these supplements are unconditional and therefore the Company paying them has no discretion to suspend, change or cancel their payment without breaching its obligations.

- (iii) Those who are, or have been within the last 3 years, partners of the external auditor or in charge of the auditor's report, in the auditing of the Company or any other company of its group within that period.

- (iv) Executive Directors or senior executives of a different company in which an Executive Director or senior executive of the Company is an External Director.
- (v) Those who have, or have had in the last year, a business relationship with the Company or any company of its group, in their own name or as a significant shareholder, director or senior executive of a company which has or had such a business relationship.

A supplier of goods or services, including financial services, an advisor or consultant are considered a business relationship.

- (vi) Significant shareholders, Executive Directors or senior executives of an entity which receives, or has received in the last 3 years, donations from the Company or its Group.

This does not include those who are simply trustees of a foundation that receives donations.

- (vii) Spouses, people with an equivalent relationship or relatives up to the second degree of an Executive Director or senior executive of the Company.
- (viii) Those whose appointment or renewal has not been proposed by the Appointment and Remuneration Committee.
- (ix) Those who have been Directors continuously for more than 12 years.
- (x) Those who are in one of the relationships indicated in sections (i), (v), (vi) or (vii) above with a significant shareholder or shareholder represented on the Board. In the case of the family relationship indicated in (vii), the limitation applies in relation to the shareholder and its Proprietary Directors in the investee company.

6. Proprietary Directors who lose that status due to the shareholder they represent selling their stake may be re-elected as Independent Directors if the shareholder has sold all its shares in the Company and if they meet the other requirements.
7. A Director with shares in the Company may be an Independent Director if they meet all the requirements established in this Article, and if they are not a significant shareholder according to the applicable regulations.
8. The Board of Directors shall explain the nature of each Director to the General Shareholders' Meeting which must effect or ratify their appointment, and will be maintained or modified, as applicable, each year in the annual corporate governance report after verification, in both cases, by the Appointment and Remuneration

Committee. The agreement to appoint a Director by the General Shareholders' Meeting must state the category of each Director.

9. The indications above and those established in Article 11 are mandatory for the Board of Directors, which must respect them when exercising its power to propose appointments or re-elections to the General Shareholders' Meeting and to co-opt replacement members, but are to be regarded as guidelines only for the General Shareholders' Meeting.

CHAPTER III. APPOINTMENT AND REMOVAL OF DIRECTORS.

Article 9. Selection of candidates

1. The Board of Directors - and the Appointment and Remuneration Committee within its sphere of responsibility - shall ensure that the candidates they propose to the General Shareholders' Meeting for appointment or re-election as Directors, and the appointments the Board makes directly to replace members in the exercise of its powers of co-option, are honourable people, suitable for the position and of acknowledged solvency, competence, experience, qualification, education, availability and commitment to their role. It will also ensure that the selection of candidates favours a well-balanced Board of Directors, enriches decision-making and contributes diverse points of view to the debate on matters within its sphere of responsibility.
2. In the case of legal entity Directors, the individual representing the entity in the exercise of the duties inherent in the role of Director will be subject to the same requirements indicated above. The rules on incompatibility and duties established for Directors in the Articles of Association and these Regulations will also apply.

Article 10. Appointment

1. Directors will be appointed by the General Shareholders' Meeting, or in the case of co-option, by the Board of Directors, in accordance with the law and the Articles of Association.
2. The proposed appointments and re-elections of Directors that the Board of Directors presents for consideration by the General Shareholders' Meeting and the appointment decisions of the Board of Directors, in its legally assigned powers of co-option, must be preceded by:
 - (i) the corresponding proposal by the Appointment and Remuneration Committee in the case of Independent Directors, which must be accompanied by an explanatory statement evaluating the competence, experience and merits of the proposed candidate; or

- (ii) the report of the Appointment and Remuneration Committee in the case of the remaining Directors, which must assign the new Director to one of the categories defined in these Regulations.

The provisions of this section will also be applicable to individuals appointed to represent a legal entity Director. The proposal to appoint such representatives must be subject to the report by the Appointment and Remuneration Committee.

3. The proposals and reports of the Appointment and Remuneration Committee must explicitly evaluate the honour, suitability, solvency, competence, experience, qualification, education, availability and commitment to their role of the candidates.
4. When the Board does not follow the recommendations of the Appointment and Remuneration Committee, it must explain its reasons and record them in the minutes.
5. The appointment by co-option of Directors must respect the rules on the appointment of Directors established in law, the Articles of Association and these Regulations of the Board of Directors. If the vacancy arises after the General Shareholders' Meeting is called and before it is held, the Board of Directors may appoint a Director until the next General Shareholders' Meeting.

Article 11. Incompatibility

The following may not be appointed as Directors, nor as persons representing a legal entity Director, if applicable:

- a) Spanish or foreign companies, or companies with a direct or indirect significant shareholder, that have a direct or indirect stake in a company in the railway sector or other sectors that compete with the Company; the directors or senior executives of such a company, and the people they propose in their role as shareholders, if applicable.
- b) Persons who in the two (2) years before their appointment had held senior government positions incompatible with the performance of their duties as Director of a listed company, in accordance with regional or state legislation, or positions of responsibility in a sector in which the company operates.

In any case the appointment, ratification and re-election of directors must follow the provisions of the law and the rules of the company's Corporate Governance System.

- c) Individuals or legal entities involved in any other incompatibility or prohibition governed by generally applicable regulations, including those whose interests are in any way contrary to the interests of the Company or a Group company.

Article 12. Term of the position

1. Directors will occupy their positions for four (4) years, unless the General Shareholders' Meeting decides to remove them or they resign earlier.
2. Directors may be re-elected once or more for four (4) years periods, although Independent Directors may not serve as members of the Company Board of Directors for more than twelve (12) years.
3. Vacancies that arise may be filled by the Board of Directors, in accordance with the law, the Articles of Association and these Regulations, until the next General Shareholders' Meeting, which will confirm the appointments or elect the persons who will replace the non-ratified Directors, unless it decides to eliminate the positions.

Article 13. Re-election

1. Proposals for re-electing Directors that the Board of Directors decides to submit to the General Shareholders' Meeting must undergo a drafting process which must include a proposal (in the case of Independent Directors) or a report (in the case of other Directors) issued by the Appointment and Remuneration Committee, evaluating the quality of the work and the dedication to their position of the proposed Directors during their previous mandate, and expressly assess their honour, suitability, solvency, competence, availability and commitment to their duties.
2. For these purposes, Directors who form part of the Appointment and Remuneration Committee will be assessed by that Committee, using the internal and external means it considers suitable, and must leave the meeting during deliberations and votes which affect them.
3. The Chairman, Vice-Chairs (if applicable), Independent Directors with special powers, and, if they are Directors, the Secretary and Deputy Secretaries (if applicable) of the Board of Directors who are re-elected as members of the Board of Directors by agreement of the General Shareholders' Meeting will continue to occupy their positions on the Board of Directors, without the need for re-appointment, and without prejudice to the power of the Board of Directors to revoke those positions.

Article 14. Resignation, removal and dismissal

1. Directors will leave the position at the end of the term for which they were appointed, or when decided by the General Shareholders' Meeting in the exercise of its powers.
2. The Board of Directors will not propose the removal of any Independent Director before the end of the term for which they were appointed, unless the Board of Directors deems there is a just cause, subject to a report by the Appointment and Remuneration Committee.

3. Directors must offer their resignation to the Board of Directors and proceed with the pertinent resignation in the following cases:
 - (i) When affected by any of the situations of incompatibility or prohibition envisaged by law, the Articles of Association or these Regulations.
 - (ii) When acts or conduct that can be attributed to the Director have caused serious damage to the Company's assets or reputation, or involve the Company in a risk of criminal liability.
 - (iii) When they lose the honour, suitability, solvency, competence, availability or commitment to their duties required to be a Director of the Company.
 - (iv) When their presence on the Board of Directors may directly, indirectly or through the people related to them (as this term is defined in these Regulations) jeopardise in any way the faithful and diligent performance of their duties, in accordance with the corporate interest.
 - (v) When the reasons for their appointment no longer apply, particularly in the case of the Proprietary Directors, when the shareholder they represent sells all or part of its shares in the Company, and is thus no longer a significant shareholder or with a sufficiently large stake to justify the appointment. The number of Proprietary Directors proposed by a shareholder must be reduced in proportion to the reduction of its stake in the Company's equity.
 - (vi) When an Independent Director suddenly finds himself in one of the disqualifying situations described in Article 8.5 of these Regulations.
 - (vii) When the Director reaches the age of 73.
4. In any of the cases indicated in the previous section, the Board of Directors will require the Director to resign and, if applicable, will propose their replacement to the General Shareholders' Meeting.
5. As an exception, the cases of removal indicated in sections (v) and (vi) above will not apply when the Board of Directors deems there are causes justifying the Director remaining, after a report by the Appointment and Remuneration Committee, without prejudice to the influence the new circumstances may have on the category of the Director.
6. If an individual representing a legal entity Director should fall within any of the cases above they will be disqualified from such representation.
7. If a Director resigns before the end of the term of their appointment, the Director must explain the reasons for this resignation to all the members of the Board of Directors. In

any case, the reason for the resignation must be included in the Company's annual corporate governance report.

Article 15. Deliberations and votes on the appointment and removal of Directors

1. Directors affected by appointment, re-election or removal proposals shall refrain from taking part in deliberations and votes dealing with the proposals.
2. All the votes of the Board of Directors regarding the appointment, re-election or removal of Directors will be secret, without prejudice to the right of any Director to record how they voted.

CHAPTER IV. STRUCTURE OF THE BOARD OF DIRECTORS

Article 16. The Chairman of the Board of Directors

1. The Chairman of the Board of Directors will be chosen from among its members, after a report by the Appointment and Remuneration Committee, and will chair the Executive Committee, with the responsibility of executing the agreements of the Board of Directors.
2. The Chairman of the Board of Directors will be subject to the limitations of Law 5/2006, of 10 April, regulating the conflicts of interest of members of the government and senior civil servants.
3. The Chairman is responsible for the effective functioning of the Board of Directors, and as such, without prejudice to the powers granted by the law, the Articles of Association and/or these Regulations, must (i) call and chair the meetings of the Board of Directors, setting the Agenda of the meetings and directing the discussions and deliberations, (ii) unless otherwise indicated in the Articles of Association, chair the General Shareholders' Meeting, (iii) ensure the Directors receive sufficient information before each meeting of the Board of Directors, (iv) encourage debate and active participation by the Directors during the meetings of the Board of Directors, safeguarding their freedom to take a position and to express their opinions, and (v) organise and coordinate the regular assessment of the Board of Directors with the Chairs of the relevant Committees.
4. If the Chairman of the Board of Directors is also the Chief Executive Officer of the Company, the Board of Directors, with the Executive Directors abstaining, will appoint a Coordinating Director from among the Independent Directors at the proposal of the Appointment and Remuneration Committee, who will have special powers to request a meeting of the Board of Directors or include new points on the Agenda of an existing

Board meeting, coordinate and call meetings of non-Executive Directors and, if applicable, direct the regular assessment of the Chairman of the Board of Directors.

Article 17. The Vice-Chairman of the Board of Directors

1. The Board of Directors, after a report by the Appointment and Remuneration Committee, may choose one or more Vice-Chairs from among its Independent Directors to substitute the Chairman by delegation or if absent or ill, and in general act in all the cases, duties or responsibilities the Board of Directors or the Chairman consider appropriate.
2. Unless otherwise stipulated in the Articles of Association or ruled in each case by the Chairman, if there is more than one Vice-Chairman, one who does not have executive duties will substitute the Chairman, or if this is not possible, the oldest Vice-Chairman will do so.
3. If more than one Vice-Chair attends a meeting, the meeting will be chaired by the one with numerical priority.

Article 18. The Managing Director

1. The Managing Director will be appointed by the Board of Directors with a vote in favour by two thirds of its members.
2. The Managing Director will have all the powers that can be delegated to him according to the law and articles of association or, if applicable, those determined by the Board of Directors of the Company.

Article 19. The Secretary of the Board of Directors

1. The Board of Directors, after a report by the Appointment and Remuneration Committee, will appoint a Secretary and, if applicable, one or more Deputy Secretaries.
2. The Secretary of the Board of Directors need not be a Director.
3. As well as the duties assigned to him by the law and the Articles of Association, the Secretary must:
 - (i) Conserve the documentation of the Board of Directors, record its meetings in the minutes book, and bear witness to their content and the resolutions adopted.

- (ii) Ensure the actions of the Board of Directors follow the applicable regulations, the Articles of Association and other internal rules.
 - (iii) Assist the Chairman in providing the relevant information to the Directors with sufficient notice and in the appropriate format.
4. The Secretary of the Board of Directors will particularly ensure that the actions of the Board of Directors:
- (i) are in line with the wording and the spirit of the law and regulations, including those approved by the regulators;
 - (ii) comply with the Company's Articles of Association, the Regulations of the General Shareholders' Meeting and the Board of Directors, and any other regulations accepted by the Company; and
 - (iii) take into account the recommendations on good governance the Company has decided to apply.
5. In order to safeguard the independence, impartiality and professionalism of the Secretary of the Board of Directors, their appointment and removal must be reported by the Appointment and Remuneration Committee and approved by the plenary Board of Directors.

Article 20. The Deputy Secretary of the Board of Directors

1. The Board of Directors may appoint a Deputy Secretary, who need not be a Director, to assist the Secretary of the Board of Directors or substitute him if absent or unable to attend.
2. Unless the Board of Directors decides otherwise, the Deputy Secretary may attend its meetings in order to help the Secretary draft the minutes of the meeting.

CHAPTER V. DUTIES OF THE BOARD OF DIRECTORS

Article 21. Board Meetings

1. The meetings of the Board of Directors will be called by the Chairman, who must call a Board meeting when requested by a third of the Directors.

The Directors making up at least a third of the members of the Board of Directors may call a meeting, indicating the Agenda, to be held in the town where the Company has its head office, if the Chairman fails to call a meeting within one month of such a request without justified cause.

2. Except for emergency Board meetings, Directors must be provided with the information they need for deliberation and the adoption of agreements on the matters on the agenda with sufficient notice.
3. The Board of Directors will meet as often as determined by the action plan approved by the Board of Directors itself for the year in question, as referred to in Section 8 below. There must be at least eight (8) Board meetings a year. The schedule of meetings may be modified by agreement of the Board of Directors.
4. Ordinary meetings will be called by letter, email, or other electronic media, with sufficient notice for the Directors to have access to them, and no later than three days before the Board meeting. The call will include the Agenda and written information of relevance for the decisions.
5. When required by exceptional circumstances, in the judgement of the Chairman, Board meetings may be called by telephone, fax or email without the notice period and information specified above, informing the Directors they may examine the information at the head office.
6. Any Director may propose other points of the Agenda not initially planned before the Board meeting is held by informing the Chairman. The Chairman must include them if the request was made at least two (2) days before the date set for the meeting.
7. If the Chairman of the Board of Directors is also the Chief Executive Officer of the Company, the Coordinating Director may request a Board meeting be called or new points to be included on the Agenda of a scheduled Board meeting, and coordinate and call the External Directors. The Coordinating Director will also chair the Board of Directors in the Chairman's and Vice-Chairs' absence; convey the concerns of non-Executive Directors; maintain contact with investors and shareholders in order to get their points of view and form an opinion as to their concerns, particularly in relation to the corporate governance of the company; and coordinate the Chairman's plan of succession, if applicable.
8. The Board of Directors will draft an annual action plan for the following year, determining the ordinary meetings to be held and establishing the scheduled actions of the Board of Directors, in a systematic and orderly fashion, in accordance with its powers and duties. This action plan will include the annual assessment by the Board of Directors of its own operation and the quality and efficiency of its work and that of the different Committees, based on its result, it will propose an action plan to correct any deficiencies found, recording the result of the assessment in the minutes of the meeting or appending it; and, based on the previous report by the Appointment and Remuneration Committee, an annual review and assessment of the work of the Chairman of the Board of Directors in that role, and if applicable as Chief Executive Officer and Managing Director of the Company, and of the different committees. The Chairman may not be

present during discussions by the Board of Directors on the work of the Chairman in that role and, if applicable, as Chief Executive Officer and Managing Director of the Company. In accordance with these Regulations, the debate must be directed by the Vice-Chairman of the Board or, if this is not possible, the Director appointed for the purpose by the Board.

9. Directors must only be absent when absolutely unavoidable, and their absences will be noted in the annual corporate governance report.
10. Board of Directors meetings will be held at the Company head office or at the place indicated in the call.
11. Board meetings may be held at various locations connected by systems permitting the recognition and identification of the attendees, permanent communication among attendees wherever they are, their intervention and vote, and all in real time (including video-conferencing systems or any similar systems). The Directors attending at any of the interconnected locations will be considered attendees of the same single meeting of the Board of Directors. The meeting will be understood to be held at the place where the most directors are located and, if there is a draw, the location of the Chairman of the Board or whoever is chairing the meeting in their absence.

Article 22. The conduct of Board meetings

1. The Board of Directors shall be understood to be validly constituted when more than half of its members are present or represented at the meeting.

Without prejudice to the above, the Board of Directors shall be understood to be validly constituted, without the need for a call, when all its members are present and unanimously accept to hold the meeting and the points on the Agenda.

2. Directors must attend Board meetings in person, and if they cannot, must transfer their representation to another member of the Board of Directors in the same category, with as precise instructions as possible. External Directors may only delegate their representation to another External Director. The representation must be conferred in writing specifically for each meeting.
3. The Chairman shall organise the debate, ensuring and encouraging the participation of all Directors in the deliberations.
4. The Chairman of the Board of Directors may also, when justified by the circumstances, adopt the necessary measures to guarantee the confidentiality of the deliberations and of the agreements adopted during the meetings of the Board of Directors.
5. The Chairman may invite anyone who may contribute to improving the information of the Directors to the Board meetings.

6. Agreements will be adopted by an absolute majority of the votes present and represented, except when they concern the permanent granting of powers and the appointment of the Directors who will exercise them, including the Chairman, if an Executive Director, in which case they require the vote in favour of at least two thirds of the directors.
7. The Board of Directors may vote in writing and without meeting as long as no Director objects. In this case, the Directors may send the Secretary of the Board of Directors, acting on behalf of the Chairman, their votes and the considerations they want recorded in the minutes by the same means as in Article 21.4 above. The agreements adopted by this procedure will be recorded in minutes kept as established by law.
8. When the Directors or the Secretary express concern about a proposal, or in the case of the Directors, about the progress of the Company, and these concerns are not settled in the meeting held for that purpose, at the request of the person expressing them, this will be recorded in the minutes.

CHAPTER VI. BOARD COMMITTEES

Article 23. General provisions

1. The Board of Directors must create and maintain a permanent Executive Committee, with the composition and duties described in Law, in the Articles of Association and in these Regulations.
2. The Board of Directors must also create an Audit Committee and an Appointment and Remuneration Committee. These committees will have the composition and duties described in Law, in the Articles of Association and in these Regulations.
3. The Board of Directors may also form other Committees of purely internal scope with the responsibilities determined by the Board of Directors. The Chairman and other members of such Committees, and their Secretaries, will be appointed by the Board of Directors by absolute majority.
4. The Committees will be governed by their specific rules, if they have any, which must be approved by the Board of Directors, and additionally, if not incompatible with their nature, by the provisions of these Regulations regarding their operations, particularly regarding calling their meetings, delegation of representation to other members of the committee in question, constitution, uncalled meetings, how meetings are held, how agreements are adopted, voting in writing and without meeting, and approval of the minutes of the meetings. In any case, the minutes of the Committees must be available to all the members of the Board of Directors.

5. As far as possible, the Committees will consist of Directors in the same proportion and respecting the same representativeness as the Board of Directors, without prejudice to the recommendations on corporate governance and the laws applicable in each case.
6. The Advisory Committees of the Board of Directors will act with due coordination in defence of the corporate interest, contributing to the good corporate governance of the Company, in accordance with the Articles of Association and these Regulations.
7. In this regard, the Secretary of the Board of Directors, delegated by the Chairman of the Board of Directors, will facilitate this coordination, receiving and processing communications between the committees, and organising the flows of information. He will also ensure the Advisory Committees have suitable material and human resources, whether internal or external, which are reasonably necessary to exercise their powers and responsibilities, sending any requests of this nature to the appropriate areas of the organisation.

Article 24. Executive Committee

(i) Composition

1. The Board of Directors may appoint a permanent Executive Committee of [five (5)] members, at the proposal of the Appointment and Remuneration Committee.
2. The Board of Directors will appoint members of the Executive Committee and delegate powers to them by the decision of a majority of two thirds of its members. They will be renewed as, when and in the number the Board of Directors of the Company decides.

The structure of participation of the different categories of directors in the Executive Committee will be similar to that of the Board of Directors.

3. The Secretary of the Executive Committee will be the Secretary or Deputy Secretary of the Board of Directors. In the latter case, the Secretary need not be a member of the Executive Committee.

(ii) Powers

1. Without prejudice to the delegation of powers to the Chairman of the Board of Directors and, if applicable, to the Managing Director or the Vice-Chairman of the Board of Directors, the Executive Committee will have general decision-making powers, and thus all the powers of the Board of Directors will be delegated to it, except those considered to be non-delegable according to the law, the applicable corporate governance regulations, the Articles of Association and these Regulations.

(iii) Operation

2. The Executive Committee will meet when called by its Chairman, with ordinary meetings held every fifteen (15) days.
3. The Executive Committee shall be understood to be validly constituted when more than half of its members are present or represented at the meeting.
4. Agreements will be adopted by an absolute majority of the Directors voting (in person or represented) at the meeting, with the vote of the Chairman breaking any tie.

(iv) Relations with the Board of Directors

1. The Board of Directors will be informed of the matters discussed and the decisions adopted by the Executive Committee and all its members will receive a copy of the Executive Committee meeting minutes.

Article 25. Audit Committee

(i) Composition

1. The Board of Directors will create a permanent Audit Committee of three (3) to five (5) members, who must be External Directors.
2. The Audit Committee will be an internal informative and consultative body, without executive functions, empowered to inform, advise and propose within its scope.
3. At least two (2) Independent Directors will form part of the Audit Committee, at least one of whom will be appointed taking into account their knowledge and experience of accounting, auditing or both.
4. The Chairman of the Audit Committee will be appointed from among the
2. Independent Directors sitting on the committee.
5. The Board of Directors will appoint members of the Audit Committee, its Chairman and Secretary by absolute majority. They will be renewed as, when and in the number the Board of Directors of the Company decides.
6. The Secretary of the Audit Committee may be one of its members or the Secretary or Deputy Secretary of the Board of Directors. In the latter case, the Secretary need not be a member of the Audit Committee.

(ii) Powers

1. Without prejudice to any other remit assigned by the Board of Directors or established in these Regulations, the main function of the Audit Committee will be to support the Board of Directors in its supervisory duties, and specifically, it will at least have the power to report to the General Shareholders' Meeting on matters relating to the competency of the Audit Committee.
2. In relation to information systems and internal control, the Audit Committee will be responsible for:
 - (a) Directing a unit or department of the Company which will perform internal audits and ensure the internal information and control systems work correctly (this department will report to the Chairman of the Audit Committee).
 - (b) Supervising the drafting, presentation and integrity of the mandatory financial report relating to the Company and, if applicable, to the group, reviewing compliance with regulatory requirements, the correct definition of the scope of consolidation and the correct application of accounting standards.
 - (c) Regularly reviewing the internal control and risk management systems so the main risks can be identified, managed and reported appropriately.
 - (c) Supervising the effectiveness of the Company's internal control, internal auditing and risk management systems, including fiscal risk, and discussing with the auditor the significant weaknesses found in the internal control system in the course of the audit.
 - (d) Setting up and supervising a mechanism that enables employees to communicate any potentially significant irregularities, especially those of a financial and accounting nature, confidentially and, if necessary, anonymously.
 - (e) Ensuring the Board of Directors endeavours to present the accounts to the General Shareholders' Meeting without reservations or qualifications in the Auditor's report and, if there should be any qualifications, that both the Chairman of the Audit Committee and the auditors clearly explain the content and scope of the reservations or qualifications to the shareholders.
3. Regarding External Auditors:
 - (a) Present proposals for the selection, appointment, re-election and substitution of External Auditors and the conditions of their contracts to the Board of Directors, for presentation to the General Shareholders' Meeting.
 - (b) Regularly receive information from the External Auditor on the auditing plan and the results of its execution, and check that senior management takes its recommendations into account.

(c) Ensure the independence of the External Auditor and, for this purpose:

- Ensure the payment for the work of the External Auditor does not compromise their quality or independence.
- Ensure the Company reports changes of External Auditor as price-sensitive information to the Spanish Securities Market Commission, accompanied by a statement on whether it had any disagreements with the outgoing auditor and, if so, on their content.
- Ensure the Company and the External Auditor respect the relevant regulations on the provision of services other than auditing, the limits on the concentration of the External Auditor's business, and in general the other regulations established to ensure the independence of auditors.
- If the External Auditor resigns, examine the circumstances which might have caused this.

(d) Liaise with auditors or auditing firms to receive information on any issues that could jeopardise their independence, for examination by the Audit Committee, and any other matters relating to the progress of account auditing, as well as other communications as established in account auditing legislation and auditing standards. In any case, it must receive an annual statement from the External Auditors of their independence from the Company or companies directly or indirectly linked to it, information on the additional services of any kind provided, and the fees received from these companies by the External Auditor or associated individuals or entities, in accordance with account auditing legislation. Ensure the External Auditor meets at least once a year with the plenary Board of Directors to report on the work done and any changes to the accounting position and risk exposure of the Company.

(e) Before the Auditor's report, issue an annual report giving the Committee's opinion on the independence of the auditors or auditing firms. In any case, this report must give an opinion on the provision of additional services referred to above, individually and as a whole, and in relation to the independence or to auditing regulations.

(f) If applicable, encourage the group's auditor to take responsibility for auditing the group companies.

4. Report to the Board of Directors, before it makes decisions within its exclusive scope, on the following subjects:

- (a) The financial report which, as a listed company, the Company must publish regularly. The Audit Committee must ensure interim statements are drawn up according to the same accounting standards as annual accounts, and will therefore consider the desirability of a partial review by the External Auditor.
- (b) The prospectuses of share issues or admissions and related documents.
- (c) The creation or purchase of shares in Special Purpose Vehicles or entities based in tax havens, and any other equivalent transactions or operations which due to their complexity could undermine the transparency of the Company and its group.
- (d) Related-party transactions, unless under the terms of these Regulations or subsequent decisions by the Board of Directors, are the responsibility of another committee.

5. Internal auditing:

- (a) The Company will have an internal audit function, supervised by the Audit Committee, which will ensure the information and internal control systems operate correctly.
- (b) The head of the internal audit function will present its annual work plan to the Audit Committee, report directly to it on any incidents, and submit a report on its activities at the end of each year.
- (c) The Audit Committee will ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the budget of the service; receive regular reports on its activities; and check that senior management takes the conclusions and recommendations of its reports into account.

6. Regarding the risk control and management policy, the Audit Committee must identify:

- (a) The various types of risk (operational, technological, financial, legal, reputation, etc.) facing the Company, including contingent liabilities and other off-balance sheet risks with the financial or economic risks.
- (b) The level of risk deemed acceptable by the Company.
- (c) The measures established for reducing the impact of the identified risks, should they occur.

- (d) The information and internal control systems used to control and manage these risks, including contingent liabilities and off-balance sheet risks.

(iii) Operation

1. The Audit Committee will meet at least once per quarter and whenever necessary, at the call of its Chairman, by their own decision or in response to the request of two (2) of its members, the Chairman of the Board of Directors, the Executive Committee or, if applicable, the Managing Director.
2. Notwithstanding the above, the Audit Committee will meet whenever the Board of Directors requests a report or the approval of proposals within the scope of its powers, and whenever, in the judgement of the Chairman of this committee, it is advisable to meet its purpose.
3. The Audit Committee shall be understood to be validly constituted when more than half of its members are present or represented at the meeting.
4. Agreements will be adopted by an absolute majority of the Directors voting (in person or represented) at the meeting, with the vote of the Chairman breaking any tie.
5. The Audit Committee may require the attendance of the Company's auditor and the head of internal auditing at its meetings. The Audit Committee may also call on any Company employee or executive and even require them to appear without the presence of any executive.
6. The Audit Committee will issue an annual report on its activities.

(iv) Relations with the Board of Directors

1. The Board of Directors will be informed of the matters discussed and the decisions adopted by the Audit Committee and all its members will receive a copy of the Audit Committee meeting minutes.
2. The Audit Committee may contract the services of external advisers when it deems advisable, with costs to be borne by the Company.

Article 26. Appointment and Remuneration Committee

(i) Composition

1. The Board of Directors will create a permanent Appointment and Remuneration Committee of three (3) to five (5) members, who must be External Directors.
2. The Appointment and Remuneration Committee will be an internal body empowered to assess and monitor the Company's corporate governance.

3. The Appointment and Remuneration Committee must include at least two (2) Independent Directors.
4. The Chairman of the Appointment and Remuneration Committee will be appointed from among the Independent Directors sitting on the committee.
5. The Board of Directors will appoint members of the Appointment and Remuneration Committee and its Chairman and Secretary by absolute majority. They will be renewed as, when and in the number the Board of Directors of the Company decides.
6. The Secretary of the Audit Committee may be one of its members or the Secretary or Deputy Secretary of the Board of Directors. In the latter case, the Secretary need not be a member of the Appointment and Remuneration Committee.

(ii) Powers

1. Without prejudice to any other remit assigned to it by the Board of Directors, the Appointment and Remuneration Committee will have the following powers:
 - (a) Evaluate the competencies, expertise and experience needed in the Board of Directors, and therefore to define the functions and aptitudes needed in the candidates for each vacancy, and assess the time and dedication needed for them to perform their roles correctly.
 - (b) Set a target for the proportion of the under-represented gender on the Board of Directors, draw up guidelines on how to reach it, and report to the Board on gender diversity.
 - (c) Propose appointments of Independent Directors to the Board of Directors for appointment by co-option or for the decision of the General Shareholders' Meeting, and propose re-elections or removals of Independent Directors to the General Shareholders' Meeting.
 - (d) Report proposals for the appointment of other Directors by co-option or for the decision of the General Shareholders' Meeting, and proposals for their re-election or removal to the General Shareholders' Meeting.
 - (e) Report proposals for appointment and removal of senior management and the basic conditions of their contracts.
 - (f) Examine and organise the succession of the Chairman of the Board of Directors and the Chief Executive Officer of the Company and, if applicable, draft proposals to the Board of Directors for succession in an orderly, planned manner.

- (g) Propose to the Board of Directors the remuneration policy for Directors and general managers or those in senior management roles reporting directly to the Board of Directors, for the Executive Committee or Managing Directors, as well as the individual remuneration and other contractual conditions of Executive Directors, ensuring this is followed.
- (h) Consult the Chairman and Chief Executive Officer of the Company, especially on matters relating to executive directors and senior management.
- (i) Ensure compliance with the Company's remuneration policy.
- (j) Report on incentive plans.
- (k) Perform an annual examination of the remuneration policy for Directors and senior management.
- (l) Draft the annual corporate governance report and the annual Directors' remuneration report.
- (m) Propose changes to these Regulations to the Board of Directors when necessary.
- (n) Examine compliance with internal regulations and rules of corporate governance and make the proposals needed for improvement.
- (o) In relation to transactions with related parties or which involve, or could involve, conflicts of interest, report and make decisions to approve or deny them, and request the reports of independent experts which might help to evaluate them.
- (p) On the appointment, ratification or re-election of Directors, draw up a report describing the result of the previous analysis of the needs of the Board of Directors, which will be published with the call for the General Shareholders' Meeting that will decide on the ratification, appointment or re-election of each director.
- (q) Ensure that non-executive directors have enough time to perform their duties correctly.

(iii) Operation

1. The Appointment and Remuneration Committee will meet as often as necessary, in the judgement of its Chairman, to exercise its powers. It will also meet when requested by at least two (2) of its members. The Chairman of the Board of Directors and the Managing Director may exceptionally request briefing meetings of the Appointment and Remuneration Committee.

2. Notwithstanding the above, the Appointment and Remuneration Committee will meet whenever the Board of Directors requests a report or the approval of proposals within the scope of its powers, and whenever, in the judgement of the Chairman of this committee, it is advisable to meet its purpose.
3. The Appointment and Remuneration Committee shall be understood to be validly constituted when more than half of its members are present or represented at the meeting.
4. Agreements will be adopted by an absolute majority of the Directors voting (in person or represented) at the meeting, with the vote of the Chairman breaking any tie.
5. Also, any Director of the Company may ask the Appointment and Remuneration Committee to consider potential candidates for vacant Directors positions.

(iv) Relations with the Board of Directors

1. The Board of Directors will be informed of the matters discussed and the decisions adopted by the Appointment and Remuneration Committee and all its members will receive a copy the Appointment and Remuneration Committee meeting minutes.
2. The Appointment and Remuneration Committee may contract the services of external advisers when it deems advisable, with costs to be borne by the Company.

CHAPTER VII.
RIGHTS AND DUTIES OF THE DIRECTORS

Article 27. Right and duty of information. Expert advice

1. The Directors must report diligently on the Company's progress, gathering the necessary information for the conscientious performance of their roles.

For this purpose, the Directors are given the widest possible powers for obtaining information on any aspect of the Company, to examine its books, registers, documents and other records. The right to information also applies to any subsidiaries of the Company.

So as not to disturb the normal management of the Company, the right to information will be exercised through the Chairman or the Secretary of the Board of Directors, who will attend to the Directors' requests, providing the information directly or offering appropriate intermediaries at the relevant level of the organisation.

2. External Directors may ask for advisers and experts to be hired to assist them in their duties, with the costs borne by the Company. Their assignments must involve specific problems of a certain prominence or complexity.

The decision to contract such services must be reported to the Chairman and will be arranged through the Secretary of the Board of Directors, unless the Board of Directors considers such contracts to be unnecessary or inadvisable.

The Company will establish an orientation programme to quickly give new Directors a sufficient understanding of the Company and its rules of corporate governance. It will also offer the Directors refresher courses when required by circumstances.

Article 28. Duty of care

1. The Directors must act with the proper care of a dedicated professional and loyal representative, taking into account the nature of the position and its duties and, in particular, must:
 - (i) Ensure they are well-informed on the Company's progress and well-prepared for the meetings of the Board of Directors and the committees to which they belong.
 - (ii) Attend the meetings of the bodies they are a part of and participate actively in their deliberations, so their opinions may contribute to effective decisions and they may share responsibility for them.
 - (iii) Carry out any specific task assigned by the Board of Directors which is reasonably within the sphere of their duties.
 - (iv) Promote the investigation of any irregularity in the management of the Company which comes to their notice and work to ensure suitable measures are adopted to control any risk situation.
 - (v) Request a meeting of the Board of Directors when they deem it necessary, or the inclusion on the Agenda of any items they consider advisable.
 - (vi) Clearly express their opposition when they consider a decision proposed to the Board of Directors to be against the law, the Articles of Association, these Regulations or the corporate interest, and request their opposition be noted in the minutes. Particularly, Independent Directors and other Directors not affected by the potential conflict of interest must also express their opposition in the case of decisions which could be detrimental to shareholders not represented on the Board of Directors.
2. When the Board of Directors makes significant or repeated decisions on which the Director has serious reservations, the Director must draw the appropriate conclusions and, if they choose to resign, must explain their reasons in a letter to the Board of Directors. This obligation also applies to the Secretary of the Board of Directors, even if not a Director.

3. The Directors must dedicate the necessary time and effort to perform their duties, and must report to the Appointment and Remuneration Committee their other professional obligations which might interfere in their roles as Directors.

Article 29. Duty of fidelity

The Directors must comply with the obligations of law, the Articles of Association and these Regulations with fidelity to the corporate interest, understood as the interest of the Company.

Article 30. Duty of secrecy

1. The Directors, even after they no longer hold that position, must keep any confidential information secret, and not disclose the information, data and reports they access due to their position to any third parties or to the public if this could have negative consequences for the corporate interest.

This duty does not apply in cases where the law permits the communication or disclosure of the information to third parties, or if they are legally required to provide the information to the authorities, in which case the disclosure of information must adhere to the law.

1. All the documentation and information to which the Directors have access due to their position is confidential and may not be disclosed unless expressly specified by an agreement of the Board of Directors.
2. When the Director is a legal entity, the duty of secrecy falls upon its representative, without prejudice to their compliance with the obligation to inform the legal entity.

Article 31. Duty of loyalty. Duty of non-competition

1. The Directors must perform their roles with the loyalty of a faithful representative, acting in good faith and in the best interests of the Company. Therefore, the Directors must fulfil all legal obligations and, in particular, the following obligations and prohibitions:
 - (i) Directors may not exercise their powers for purposes other than those for which they were granted.
 - (ii) Directors may not use the name of the Company or refer to their membership of the Board of Directors in order to carry out or unduly influence transactions in their own name or by related parties.
 - (iii) Directors may not carry out transactions with the Company, except for ordinary transactions with the standard conditions applied to clients, and of little importance. These are understood to be transactions that need not be reported in order to convey an accurate image of the assets, the financial situation and the results of the entity.

- (iv) Directors may not, for their own profit or that of related parties, make investments or carry out transactions linked to the assets of the Company of which they have knowledge in the course of their duties, when such transactions were offered to the Company, or make use of corporate assets, including the Company's confidential information, for private purposes, nor may they take advantage of the Company's business opportunities.
- (v) Directors or related parties may not gain advantages or receive payments associated with performing the duties of their position from third parties outside the Company and its group, except for courtesy gifts.
- (vi) Directors or related parties may not engage in self-employed or employed work which effectively competes, or could compete, with the Company, or which places them in permanent conflict with the interests of the Company.

Furthermore, Directors may not hold positions or provide services in entities which compete with the Company or its subsidiaries, or whose corporate purpose is the same, an equivalent or a complementary activity, without the express authorisation of the Company in the form of an agreement by the General Shareholders' Meeting.

- (vii) Directors must refrain from participating in the deliberation and voting on agreements or decisions in which they or related parties have a direct or indirect conflict of interest, except for agreements or decisions affecting them as administrators, such as their appointment to or removal from positions on the Board of Directors or similar.
- (viii) Directors must perform their duties according to the principle of personal responsibility with freedom of judgement and independence regarding instructions or connections to third parties.
- (ix) No Director or related party may directly or indirectly carry out professional or commercial transactions with the Company or any of its group companies when such transactions do not also fulfil the conditions established in Article 40 regarding related-party transactions, unless the Board of Directors is informed in advance and approves the transaction, in accordance with the aforementioned Article 40.
- (x) Directors must report to the Board of Directors any situation of direct or indirect conflict they might have with the interest of the company. In case of conflict, the affected Director must refrain from taking part in the transaction to which the conflict refers.

- (xi) The Directors must inform the Company, through the Appointment and Remuneration Committee, of all the positions they hold and the work they do in other companies or entities, of significant changes in their professional situation, of any legal or administrative claims or claims of any other nature of sufficient importance that could seriously affect the Company's reputation, and in general, any event or situation that could be relevant to their actions as administrators of the Company.
 - (xii) Unless expressly authorised by the Board of Directors after a report by the Appointment and Remuneration Committee, Directors may not form part of more than five (5) Boards of Directors, excluding (i) the Boards of Directors of companies forming part of the same group as the Company; (ii) the Boards of Directors of family companies or estates of the Directors or their families; and (iii) the Boards of which they are members through a professional relationship.
2. For the purposes of the previous section, related parties are understood to be the persons referred to in Article 231 of the Consolidated Text of the Spanish Corporate Enterprises Act.
 3. Notwithstanding the above, the Company may waive the above prohibitions in unique cases, authorising a Director or related party to carry out a certain transaction with the Company, use certain company assets, take advantage of a specific business opportunity, or obtain an advantage or payment from a third party. The authorisation is subject to the agreement of the General Shareholders' Meeting if it concerns waiving the prohibition on obtaining an advantage or payment from a third party, or if it affects a transaction worth more than ten percent (10%) of company assets. In other cases, the authorisation may also be granted by the Board of Directors, provided the independence of the Directors granting it from the beneficiary Director is guaranteed, and it must be ensured that the authorised operation cannot be detrimental to the company's equity or, if applicable, that it is performed in market conditions and the process is transparent.
 4. The obligation of non-competition with the Company may only be waived if no detriment to the Company can be expected, or if it is expected to be offset by the benefits gained from the waiver. This waiver will be granted by a specific, separate agreement by the General Shareholders' Meeting.

Article 32. Specific duties arising from the Company's listed status

1. Directors must inform the Company if they hold any of its shares, directly or indirectly, in the terms established in Securities Market legislation and in the Company's internal regulations relating to securities markets.
2. Directors must also report to the Company any information about themselves which the Company should make public, in compliance with the relevant obligations or recommendations of Good Corporate Governance.

3. Directors may not carry out or suggest to others any transactions involving shares in the Company or, if applicable, the group companies, on which they have insider or non-public information due to their position.
4. Directors may not use the Company's non-public information for private purposes, unless the following conditions are met:
 - (i) the use of such information does not infringe Securities Market regulations;
 - (ii) its use will not be detrimental to the Company; and
 - (iii) the Company does not have an exclusive right or equivalent legal position regarding the information to be used, unless there is an express authorisation by the Board.
5. Without prejudice to the above sections, Directors must adhere at all times to the standards of conduct established in Securities Market legislation, and especially to the Company's internal regulations relating to securities markets.

Article 33. Directors' responsibilities

1. Directors will be liable to the Company, the shareholders and the company's creditors for any loss or damages caused by acts or omissions contrary to the law or the Articles of Association, or by actions in breach of the inherent duties of their position, provided there is fraud or fault in the legally established terms and conditions.
2. The individual appointed to act as the permanent representative and exercise the duties of a legal entity Director must meet the legal requirements established for Directors, shall be subject to the same duties, and be jointly liable with the legal entity Director.

Article 34. Directors' remuneration

1. Directors will have the right to obtain the remuneration set by the General Shareholders' Meeting in accordance with the Articles of Association, supplemented by these Regulations.
2. Directors' remuneration for their role may consist of the following items:
 - (i) a fixed payment,
 - (ii) allowances for attending meetings,
 - (iii) share in profits,
 - (iv) variable pay based on general indicators or parameters,
 - (v) payment in shares or linked to their price,

- (vi) exit packages (where their exit is not due to a breach of their duties as directors), and
 - (vii) the savings or pension plans are considered appropriate.
3. Directors' share in profits may not exceed two percent (2%) and may only be based on net profits, after covering the legal reserve and the reserve set in the Articles of Association, as well as issuing a dividend of four percent (4%) of the par value of their shares to shareholders.
 4. Remuneration related to the Company's results must take into account any qualifications that may be included in the External Auditor's report. Variable remuneration linked to the Company's profits and personal performance applies only to executive directors.
 5. The agreement of the General Shareholders' Meeting approving issuing Company shares to directors as remuneration must include the maximum number of shares that may be assigned each year to this remuneration system, the exercise price or the system for calculating the exercise price of stock options, the value of the reference shares, if applicable, and the duration of the plan.

Remuneration consisting of shares in the Company or its group companies, stock options or instruments based on share price, variable remuneration linked to the Company's profits or pension plans will generally be reserved for Executive Directors, although External Directors may participate in remuneration systems involving shares when this requires them to retain ownership of the shares as long as they hold the position of Director.

6. The Board of Directors and the Appointment and Remuneration Committee will take all the measures available to them to ensure the level of remuneration of the External Directors is high enough to reward the dedication, qualifications and responsibility the position demands, but not so high as to compromise their independence.

The remuneration policies must include technical measures to ensure the remuneration is linked to the professional performance of the beneficiaries and does not simply derive from the general fluctuations of the markets, the Company's industry or similar circumstances.

7. Directors' remuneration must in any case be reasonably proportional to the size of the Company, its economic situation at the time, and the market standards of comparable companies. The established remuneration system must be designed to promote the company's long-term profitability and sustainability, and include safeguards to avoid excessive risk-taking and rewarding unfavourable results.
8. Remuneration for a position on the Board of Directors will be compatible with the other professional or employment remuneration Directors receive for any other executive or advisory duties performed at the Company regardless of their directorship.

9. The aggregate amount of the remuneration the Company can pay annually to its directors as a whole for all the items covered in this Article may not exceed the amount determined for this purpose by the General Shareholders' Meeting. The amount thus set will be maintained until modified by a new agreement by the General Shareholders' Meeting, and updated each year in line with the Consumer Price Index.

CHAPTER VIII.
REPORTING TOOLS AND RELATIONS OF THE BOARD OF DIRECTORS

Article 35. Annual corporate governance report

1. The Company must publish a corporate governance report each year.
2. The annual corporate governance report will be reported to the Spanish Securities Market Commission, with a copy of the document containing this report.
3. The report will be published as price-sensitive information.
4. The corporate governance report must offer a detailed explanation of the structure of the Company's system of government and how it works in practice. The content of the corporate governance report will follow the requirements of the current regulations, and will contain at least:
 - (i) The Company's ownership structure, which must include:
 - a. information on significant shareholders, indicating the stake percentages and any family, commercial, contractual or corporate relationship that may exist, as well as their representation on the Board;
 - b. information on the shareholdings of the members of the Board of Directors which they must report to the Company, and on the existence of shareholders' agreements reported to the Company itself and to the Spanish Securities Market Commission and, if applicable, recorded in the Companies Register;
 - c. information on securities that are not being traded on a regulated EU market indicating, if applicable, the different classes of share, the rights and obligations conferred by each class, the percentage of equity represented by the Company's treasury stock and any significant changes;
 - d. information on the regulations applicable to changes in the Company's Articles of Association.

- (ii) Any restriction on the transferability of securities and any restriction on the right to vote.
- (iii) The management structure of the Company, which must include:
 - a. information on the composition, rules of organisation and operations of the Board of Directors and its Committees;
 - b. the identity and remuneration of its members, their duties and positions within the company, their relations with significant shareholders, indicating the existence of proprietary directors and the selection, removal and re-election procedures;
 - c. information on the powers of the members of the Board of Directors, particularly those relating to issuing or buying back shares;
 - d. information of the Company's significant agreements that will take effect, be amended or terminate upon a change of control of the Company following a takeover bid, and their effects, except when their disclosure could be seriously detrimental to the Company. This exception will not apply when the Company is legally obliged to publish this information;
 - e. information on the agreements between the Company and its directors or employees providing compensation for resignation or unfair dismissal, or for redundancies following a takeover bid.
- (iv) Related party transactions between the Company and its shareholders, its directors and managers, and within the group.
- (v) Risk control systems.
- (vi) General Shareholders' Meeting operations, with information on how the meetings are conducted.
- (vii) Level of compliance with corporate governance recommendations or, if applicable, an explanation for the lack of compliance with the recommendations.
- (viii) A description of the main characteristics of the internal control and risk management systems regarding the financial reporting process.

Article 36. Annual Directors' remuneration report

1. The Company's Board of Directors must draw up and publish a report on the remuneration of Directors each year, including the remuneration they receive or should receive for their directorships and, if applicable, for their executive duties.
2. The annual Directors' remuneration report must include complete, clear and understandable information on the remuneration policy for Directors applicable in the current year. It will also include an overview of the application of the remuneration policy during the previous year, and details of the individual remuneration items accrued by each Director that year. In any case, the annual Directors' remuneration report will include the content required by applicable regulations.
3. The Company will publish the annual Directors' remuneration report as price-sensitive information at the same time as the annual corporate governance report.
4. The annual Directors' remuneration report will be submitted for an advisory vote and as a separate point on the agenda at the General Shareholders' Meeting.

Article 37. Public information on the members of the Board of Directors

The Company must publish on its website, and keep updated, the following information on its Directors:

- (i) their professional and biographical profile;
- (ii) other Boards of Directors to which they belong, which may or may not be in listed companies;
- (iii) indication of the category of Director to which they belong and, in the case of Proprietary Directors, the shareholder they represent or to whom they are linked;
- (iv) date of their first appointment as Director in the Company, and later appointments; and
- (v) Company shares and stock options which they own.

Article 38. Relations with Company shareholders

1. The Board of Directors, in its role as the intermediary between owners and management, shall provide appropriate channels for hearing shareholders' proposals on the management of the Company. In particular, the Board of Directors will facilitate the regular exchange of information with shareholder committees or groups, without conferring any privileges to the shareholders in such committees.
2. The Board of Directors, through any of its members and with the collaboration of senior management as necessary, may organise informational meetings on the progress of the

Company with its shareholders based in the key financial centres in Spain and other countries.

3. In its relations with the shareholders, the Board of Directors will ensure equal treatment for all.
4. The Board of Directors will foster the informed participation of the shareholders in the General Shareholders' Meetings and will take all appropriate measures to allow the General Shareholders' Meeting to effectively exercise its powers in accordance with the law, the Articles of Association and the Regulations of the General Shareholders' Meeting.

Article 39.- Relations with institutional shareholders

1. The Board of Directors will also establish suitable mechanisms for the regular exchange of information with the institutional investors that form part of the Company's shareholders. In particular, this information will include investment strategies, the assessment of results, the composition of the Board of Directors and management efficiency.
2. Relations between the Board of Directors and institutional shareholders must never lead to giving them information that could give them an advantage over other shareholders.

Article 40. Related-party transactions

1. The Board of Directors will keep informed on the Company's direct or indirect transactions with directors, significant shareholders, shareholders represented on the Board or related parties. Such transactions will require the authorisation of the Board of Directors, after a favourable report by the Appointment and Remuneration Committee, which must be approved with a vote in favour of at least eighty percent (80%) of the Directors present or represented at the Board meeting.

The Directors affected by these transactions, in addition to refraining from using or delegating their right to vote, must leave the meeting room while the Board of Directors deliberates and votes on them.

2. However, the authorisation described in the previous section will not be necessary when referring to operations that meet all three of the following conditions:
 - (i) They involve contracts with basically standard conditions as normally applied to clients contracting the type of product or service in question.
 - (ii) They involve the prices or rates established for the general public by the supplier of the good or service, or, when the transactions refer to goods or

services without established rates, in normal market conditions similar to those applied in commercial relationships with clients of similar characteristics.

- (iii) they are not worth more than one percent (1%) of the Company's annual revenue.

If these conditions are met, the affected Directors will not be obliged to report the transactions or secure previous authorisation from the Board.

3. These transactions will be evaluated from the point of view of equal treatment and market conditions, and will be included in the annual corporate governance report and in the regularly published information, in the terms of applicable regulations.
4. Occasionally, for reasons of urgency, related-party transactions may be authorised by the Executive Committee, and later ratified by the Board of Directors.

Article 41. Relations with the markets

1. The Board of Directors will perform the duties required by the Company's status as an issuer of publicly traded securities.
2. In particular, the Board of Directors will perform the following specific duties, as set forth in these Regulations, in relation with the Securities Market:
 - (i) Supervision and approval of the regular financial reports.
 - (ii) All the actions and measures needed to ensure the Company's transparency to the financial markets, particularly reporting any price-sensitive information, decisions or circumstances which may affect share prices.
 - (iii) All the actions and measures needed to ensure orderly pricing of the Company's shares and, if applicable, those of its subsidiaries whose shares are traded on the securities markets, particularly avoiding price-fixing and the abuse of inside information.
3. The Board of Directors shall take the measures necessary to ensure that any financial information that must be published, and any other which, as required by the principle of prudence, must be put at the market's disposal, is drawn up in accordance with the same principles, criteria and professional practices as the annual accounts, and is as reliable. Therefore, this information will be reviewed by the Audit Committee.
4. The Board of Directors will ensure that suitable safeguards are in place at all times to protect information relating to the financial instruments issued by the Company, without prejudice to its duty to inform and collaborate with the judicial or administrative authorities, not allowing such information to be used abusively or unfairly, reporting

any cases in which this takes place, and immediately taking the necessary measures available to prevent, avoid and, if applicable, correct the consequences that might arise from this.

Article 42. Relations with the auditor

1. The Board of Directors will establish, through the Audit Committee, a stable professional relationship with the auditor of the Company's accounts, while strictly respecting their independence.
2. The Board of Directors shall endeavour to prepare the Company's annual accounts in such a way that the auditor has no need to note any reservations. However, if the Board of Directors considers that it must uphold its position, it will explain publicly, through the Chairman of the Audit Committee, the content and scope of the discrepancy, and will ensure that the auditor is also fully aware of its opinion on the matter.
3. No other, non-audit services will be contracted from the auditor that might jeopardise the independence of their audits.
4. The Board of Directors will report the overall fees paid by the Company to the auditor firm for services other than auditing.

Article 43. Relations with the Company's senior management

The relationship between the Board of Directors and the senior management of the Company, as established in these Regulations, must be directed through the Chairman of the Board of Directors and, if this is not possible, through the Secretary of the Board of Directors.