



**TECNICAS REUNIDAS**

**SUPPORTING REPORT FROM THE TÉCNICAS REUNIDAS,  
S.A. BOARD OF DIRECTORS CONCERNING THE  
AMENDMENT OF THE BOARD OF DIRECTORS  
REGULATIONS AGREED AT ITS MEETING ON JUNE 29,  
2021**

**May 24, 2022**

# **SUPPORTING REPORT FROM THE TÉCNICAS REUNIDAS, S.A. BOARD OF DIRECTORS CONCERNING THE AMENDMENT OF THE BOARD OF DIRECTORS REGULATIONS AGREED AT ITS MEETING ON JUNE 29, 2021**

## **I. INTRODUCTION AND PURPOSE OF THE REPORT**

Pursuant to the provisions of article 518.d) of the recast text of the Spanish Corporate Enterprises Act approved by Spanish Royal Legislative Decree 1/2010, of 2 July (“LSC”), which requires companies to publish a report from the competent bodies related to merely informational items on their websites uninterruptedly from the date of the publication of the announcement to meet until the General Meeting of Shareholders is held, as well as article 528 LSC which requires the Board of Directors inform the General Meeting of Shareholders of any amendments made to the Board of Directors Regulations, this report has been prepared by the Board of Directors of TÉCNICAS REUNIDAS, S.A. (hereinafter, “**Técnicas Reunidas**” or the “**Company**”) for the purpose of explaining the amendments to the Board of Directors Regulations agreed at its meeting on June 29, 2021, and which will be reported to the Company’s Ordinary General Meeting of Shareholders scheduled for June 28, 2022 in a first call and on the following day, June 29th, in a second call.

## **II. JUSTIFICATION FOR THE AMENDMENT**

After submitting the proposed reform of the 2015 CNMV Good Governance Code for Listed Companies to public consultation between January 15 and February 14, 2020, on June 26, 2020, the CNMV published the **partial reform of the June 2020 CNMV Good Governance Code** (the “**GGC**”), which updates and adapts several Recommendations in the GGC to various legal amendments approved since its publication and clarifies the scope of others. Likewise, it includes relevant additions in areas such as diversity in Boards of Directors, non-financial information and risks, draws attention to sustainability aspects as regards environmental, social and corporate governance matters and clarifies issues concerning remuneration of directors, among others.

At the same time, Spanish National Securities Market Commission **Circular 1/2020, of 6 October**, was published in the Official Spanish Gazette on October 12, 2020, modifying the model forms for the Annual Corporate Governance Report (“**IAGC**”) and the Annual Report on the Remuneration of Directors, the **transitory provision** of which sets forth the need for formal adaptation of corporate texts and/or policies affected in relation to the GGC Recommendations modified in June.

On the other hand, the LSC was modified by Law 5/2021, of 12 April, modifying the recast text of the LSC, and other financial rules with respect to fostering long-term implication of shareholders in listed companies (“**Law 5/2021**”) and, among others,

matters were amended such as the identification of shareholders and exercise of voting rights, capital increases and preferential subscription rights, holding meetings exclusively by electronic means, the related party transactions system, the composition of the Board and remuneration for directors.

In accordance with the foregoing and considering article 3.4 of the Company's Board of Directors Regulations which set forth that the Regulations must always be updated when necessary to adapt their content to the applicable regulations in effect, the Técnicas Reunidas Board of Directors agreed at its meeting on June 29, 2021, to approve the amendments to the Board of Directors Regulations for the purposes of **adapting it**, on the one hand, **to the GGC Recommendations modified in June 2020** with which the Company is currently compliant and, on the other hand, **to the aforementioned reform of the LSC by Law 5/2021**.

The amendments made to the Board of Directors Regulations are detailed below:

- **Amendment of article 5 (“General Board Functioning”).**

The **powers of the Board** were completed in Article 5 with the approval of: (i) the policy of communication, contacts and involvement with shareholders, institutional investors and voting advisors, including the policy of communication of economic and financial, non-financial and corporate information, in accordance with Recommendation 4 of the GGC and (ii) the policy for the appointment of directors and diversity in the Board of Directors, in accordance with Recommendation 14 of the CGG.

Moreover, the power stated in Section (xii) was adapted regarding the approval of related-party transactions according to the new regime set forth in LSC, as stated in Law 5/2021.

It was also proposed to include the term “*sustainability*” in the Corporate Social Responsibility Policy (Section (x).e) of Section 1) as these policies are referred to in Recommendations 53 and 55 of the GGC.

Finally, the power of the Board was specifically included as regards “*changes to or transfer of the Company's website*”, as set forth in Article 27.j) of the Bylaws.

- **Amendment of article 6 (“Qualitative Composition”).**

Section 4 was adapted to Article 529 bis.1 LSC, as stated in Law 5/2021, which sets forth the obligation of **Boards of Directors** of listed companies to **be exclusively comprised of natural persons**.

- **Amendment of article 13 (“Audit and Control Commission. Composition, Powers and Functioning”).**

On the one hand, the provisions regarding the **composition** of the Commission were completed with Recommendation 39 of the GGC, which states that its members be appointed taking into account “*the totality*” of their knowledge of, among others, “*both financial and non-financial*” risk assessment (Article 13.1.c) of the Regulations.

On the other hand, as regards their **duties**:

- Their duties were adapted to Recommendations 8, 41, 42 and 54 of the GGC, with regard to the supervision of financial and non-financial information, internal control and the internal audit, management and control of risks and corporate governance, internal codes of conduct and sustainability. A technical specification was also added;
- Several duties of the “Other Duties” section were added and completed, including a new Section y) to article 13.2 on the Commissions’ duty to “*report on party-related transactions and supervision of the internal procedure established by the Company concerning these transactions, the approval of which is delegated in accordance with applicable regulations, prior to approval by the General Meeting or the Board of Directors*”. In addition, letter c) was eliminated from Section z) of this article 13.2, in accordance with article 529 quaterdecies.4, letters g) and h) LSC, as stated in Law 5/2021 and letter a) of Section z) was completed with regard to the “*management report, which shall include, when necessary, mandatory non-financial information*”, in accordance with Article 529 quaterdecies.4.h) 1 LSC, as stated in Law 5/2021.

- **Amendment of article 14 (“Appointments and Remunerations Commission. Composition, Powers and Functioning”).**

As regards the **duties** of the Appointments and Remuneration Commission, these are adapted to Recommendation 14 of the GGC, regarding the policy for the selection of directors and diversity of the Board of Directors, sections 2.b) and 2.f) of the Regulations.

In addition, the duty to “*report the proposals for the appointment of physical persons to represent a Director who is a legal entity*” was eliminated in accordance with Article 529 bis.1 LSC, as stated in Law 5/2021, which sets forth the obligation of Boards of Directors of listed companies to consist exclusively of natural persons.

Lastly, a new letter q) was included intended to “*inform the Board of Directors previously of the individual amount of remuneration for each Director as such within the statutory framework and remuneration policy, as well as for the performance of the executive duties attributed to them within the framework of the remuneration policy and in accordance with the provisions in their contract*” as set forth in the provisions in Articles 529 septdecies.3 and 529 octodecies.3 LSC as stated in Law 5/2021.

- **Amendment of Article 18 (“Appointment of Directors”).**

The provision stating “*the proposal of appointment or re-election of any non-independent director must also be preceded by a report by the “Appointments and Remuneration Commission*” was moved to letter b) of article 18 “Appointment of Directors”) given that it can be applied to the proposals of any director and not only to those referring to non-independent directors, as stated in Article 529 decies.5 LSC.

- **Amendment of Article 22 (“Dismissal of Directors”).**

Section 3 of this article 22 was amended and adapted to the new version of Recommendation 22 of the GGC, as well as Section 4 to adapt it to Recommendation 24 of the GGC.

- **Amendment of article 26 (“Remuneration of Directors and Members of Board Commissions”).**

Section 2 was adapted to Article 529 septdecies.3 LSC, as set forth in Law 5/2021, which states that after receiving the corresponding report from the Appointments and Remuneration Commission, the Board has the authority to set the individual remuneration of each Director according to the corresponding items and within the statutory framework and the remuneration policy.

The second paragraph of Section 6 was completed, as regards the minimum contents of the directors’ remuneration policy, including a reference to “*the need to set the fixed annual amount of remuneration of Directors with executive functions and other legally established provisions*”, as set forth in Article 529 octodecies.2 LSC, as stated in Law 5/2021.

- **Amendment of article 27 (“General Obligations for Directors”).**

Article 27 was completed to include a reference to the fact that directors must “*subject their individual interests to those of the Company*”, as set forth in Article 225 LSC, as stated in Law 5/2021.

- **Amendment of Article 30 (“Conflicts of Interest”).**

As regards persons associated with directors, Article 30 was adapted to Article 231 LSC, as stated in Law 5/2021. Section 1 was adapted as regards persons associated with directors who are physical persons and eliminating the provisions referring to persons associated with directors who are legal persons, provided that the directors of listed companies must be physical persons, as set forth in Article 529 bis.1 LSC, as stated in Law 5/2021.

- **Amendment of article 36 (“Transactions with Significant Shareholders”).**

Article 36 was adapted, now entitled “Related-Party Transactions”, to the basic regime applicable to the approval and publication of related-party transactions set forth in LSC, as stated in Law 5/2021.

- **Amendment of article 37 (“Relations with Shareholders”).**

A new Section 5 was added, expressly including reference to the policy of communication, contact and involvement with shareholders, institutional investors and voting advisors, which will respect in full all rules governing market abuse and deal fairly with shareholders in the same position and “*will be published on its website, including information regarding how it has been put into practice and identifying the intermediaries or persons responsible for the undertaking*”, in accordance with Recommendation 4 of the GGC.

- **Amendment of Article 39 (“Relations with the Markets”).**

A new Section 3 was added, making reference to a policy for the communication of economic and financial information, non-financial and corporate information that contributes to maximize the dissemination and quality of the information at the disposal of the market, investors and other stakeholders, in accordance with Recommendation 4 of the GGC.

Moreover, the reference to “*quarterly*” information was removed from section 2, since it is no longer mandatory given that article 120 of the Spanish Securities Market Act has been removed, notwithstanding the right of Técnicas Reunidas to prepare it and publish it voluntarily; “*prudence*” was also replaced with “*Law*”.

Moreover, “*relevant facts*” was removed and “*relevant information*” was replaced with “*privileged information and other relevant information*” in section 1 of article 39, pursuant to articles 226 and 227 of the recast text of the Spanish Securities Market Act and the issuer communication procedure allowed by the CNMV since February 8, 2020.

- **Amendment of article 41 (“Annual Corporate Governance Report”).**

In section 4, “*relevant fact*” was replaced with “*other relevant information*” to adapt it to article 227 of the recast text of the Spanish Securities Market Act and the issuer communication procedure allowed by the CNMV since February 8, 2020.

- **Amendment of article 42 (“Annual Report on the Remuneration of Directors”).**

Article 42 was adapted and completed, now entitled “Annual Report on the Remuneration of Directors”, pursuant to the provisions of Articles 538 and 541 LSC, as stated in Law 5/2021.

- **Other technical modifications.**

Details were added about coordination regarding the references to other articles of the Regulations in articles 20, 23, 33, 34, and 35 of the Board of Directors Regulations.

### **III. ANNEX**

Attached as an **Annex** to this Report is the current text of the Board of Directors Regulations, highlighting the amendments made as a result of the modification thereof agreed by the Board at its meeting on June 29, 2021.

## ANNEX

### TÉCNICAS REUNIDAS, S.A. BOARD OF DIRECTORS REGULATIONS

#### CHAPTER I

#### PRELIMINARY PROVISIONS

##### **Article 1.- Purpose**

1. These Regulations set forth the principles of action for the Board of Directors of “Técnicas Reunidas, S.A.” (hereinafter, the “**Company**”), the basic rules of its organization and functioning and the rules of conduct for its members in order to be as efficient and transparent in its management as possible.
2. The rules of conduct established in these Regulations for the Company’s Directors shall also be applicable to the Company’s senior management to the extent they are compatible with the specific nature thereof and their inspiring principles shall be projected to the extent possible to all governing bodies of subsidiary companies.

##### **Article 2.- Interpretation**

1. These Regulations shall be interpreted in compliance with the legal and statutory rules that are applicable and with the principles and recommendations on corporate governance of listed companies approved or issued by the Spanish authorities and authorities of other countries in effect at any given time.
2. The Board of Directors must resolve any questions that arise concerning the application and interpretation of these Regulations pursuant to general criteria for interpretation of the law.

##### **Article 3.- Modification**

1. These Regulations may only be modified at the request of the President or one-third of the directors or the Audit and Control Commission, accompanying the proposed amendments with a supporting report.
2. The text of the proposed amendments and supporting reports from the authors thereof must be attached to the corresponding notice of the Board meeting during which they shall be discussed. The notice must be sent out at minimum of seven days in advance.
3. An amendment to the Regulations requires the corresponding resolution be passed by absolute majority of the directors present or represented at the meeting.

4. These Regulations must always be updated when necessary to adjust them to any applicable laws in effect.

#### **Article 4.- Dissemination**

1. The Directors and senior management are required to know, comply with and enforce these Regulations. For such purpose, the Secretary of the Board will provide all of them with a copy thereof upon accepting their respective appointments or signing their contract, as applicable. They must provide the Secretary with a sworn statement pursuant to Annex I of these Regulations declaring they are aware of and agree to the content of these Regulations, undertaking to comply with all of their obligations in virtue thereof.
2. The Company's Board of Directors shall take the appropriate measures to ensure the Regulations are disseminated among the shareholders and investing public in general. In particular, the text of the Regulations in effect shall be communicated to the Spanish National Securities Market Commission and registered with the Trade Register. They will also be available on the Company's corporate website pursuant to the provisions of these Regulations.

### **CHAPTER II**

#### **BOARD FUNCTIONING**

#### **Article 5.- General Board Functioning**

1. Except in matters reserved to the competence of the General Meeting, the Board of Directors is the highest decision-making body of the Company, and shall assume the powers legally reserved to its direct knowledge, as well as any others required for a responsible exercise of the general supervisory function, including but not limited to the duties assigned to it by the Spanish Corporate Enterprises Act and, in particular, the following duties assigned on a non-delegable basis:
  - (i) drawing up the annual accounts, the management report and the proposal for the application of the Company's profits or losses as well as the consolidated accounts and management report and submitting them to the General Meeting of Shareholders for approval;
  - (ii) the approval of the financial and non-financial information that, given that it is a listed company, the Company is obliged to make public periodically, as well as supervising the process preparing and presenting the financial information and the management report;



- (iii) calling General Meetings of Shareholders as well as ensuring the publication of related announcements and preparing the agenda, making adequate proposals in consideration of the nature of each General Meeting;
- (iv) the appointment of directors by cooptation and submission of proposals to the General Meeting related to the appointment, ratification, re-election or dismissal of directors;
- (v) the designation and renewal of internal offices on the Board of Directors and members of Commissions;
- (vi) the distribution among members of director remuneration as proposed by the Appointments and Remuneration Commission;
- (vii) issuing opinions on any public offer of acquisition formulated with regard to securities issued by the Company;
- (viii) the authorization or release of obligations deriving from duties of loyalty when legally corresponds to the Board and in accordance with the law;
- (ix) its own organization and functioning;
- (x) establishing and approving general Company policies and strategies. In particular, the following will be considered:
  - (a) the strategic or business plan as well as the management goals and annual budget;
  - (b) the investment and financing policy;
  - (c) the definition of the corporate group structure of which the Company is the parent company;
  - (d) the Company's and its group's corporate governance policy, the organization and functioning thereof and, in particular, the approval and modification of its own Regulations;
  - (e) the corporate social responsibility and sustainability policy;
  - (f) the dividends policy;
  - (g) the senior management remuneration and performance evaluation policy;

- (h) the risk management and control policy, including tax risks as well as the periodic monitoring of internal information and control systems;
  - (i) the treasury stock policy and, in particular, the limitations thereof;
  - (j) the policy of communication, contacts and involvement with shareholders, institutional investors and voting advisors, including the policy of communication of economic and financial, non-financial and corporate information;
  - (k) the policy on the selection of directors and diversity for the Board of Directors; and
  - (l) the establishment of the Company's tax strategy.
- (xi) the approval of the following operational decisions:
- (a) the appointment and dismissal of the Company's delegated directors as well as the establishment of the conditions of contracting;
  - (b) the appointment and dismissal of senior management directly reporting to the Board or any of its members as well as the establishment of the basic conditions of their contracts, including their remuneration;
  - (c) decisions relating to remuneration for directors under the statutory framework and, as appropriate, the remuneration policy approved by the General Meeting;
  - (d) investments, including investments in subsidiaries or stakes in companies in Spain and abroad as well as transactions of any kind when, due to a high sum or special characteristics, they are considered strategic or of particular fiscal risk unless the approval thereof corresponds to the General Meeting;
  - (e) the creation or acquisition of stakes in special purpose entities or entities domiciled in countries or territories considered tax havens as well as any other transaction or operation of a similar nature which, due to the complexity thereof, may undermine the Company's and the group's transparency;
- (xii) the approval, after submission of a report by the Audit and Control Commission, of transactions between the Company or companies in its Group and directors, management or shareholders, whether individually or in concert with others, of at least 10% of the voting rights or represented on the Company's

Board of Directors or which are considered related parties according to the Law (“Related Party Transactions”), unless they require approval by the General Meeting and notwithstanding the power of delegation stated in the paragraph below.

The Board of Directors may delegate to delegated bodies or members of senior management the approval of Related-Party Transactions with Group companies that are carried out during routine management activities and in market conditions, as well as Related-Party Transactions agreed to under contracts with standard conditions applied in bulk to a large number of clients, made at general prices or fees by the supplier of the good or service and when the amount does not exceed 0.5% of the net amount of the Company’s turnover.

The transactions between the Company and its directly or indirectly held companies, contracts entered into with executive directors or senior managers and transactions with subsidiary or affiliated companies shall not be considered Related-Party Transactions, providing that no other related party associated with the Company has an interest in those companies.

- (xiii) the modification or transfer the Company’s website;
  - (xiv) the supervision of the effective functioning of Commissions as well as the supervision of the effective functioning of actions by delegated bodies and any management designated;
  - (xv) the formulation of all types of reports by the Board of Directors as required by law whenever the transaction referred to in the report cannot be delegated;
  - (xvi) the powers that the General Meeting has delegated unless expressly authorized to sub-delegate them;
  - (xvii) any other matter reserved to the knowledge of the full body by the Board of Directors Regulations or bylaws.
2. When there are duly justified circumstances of urgency, the decisions corresponding to the foregoing matters may be made by the delegated bodies or people and then ratified at the first Board of Directors meeting held after the decision is made.
  3. Without prejudice to the foregoing, the Board policy is to delegate the ordinary management of the Company to the management team and

concentrate on the general duty of supervision and making the decisions most relevant to the Company's management.

4. The Board of Directors shall ensure compliance by the Company with its ethical obligations and duties of good faith action.
5. The Board of Directors will also ensure that no shareholder receives privileged treatment in comparison to the others.
6. The Board of Directors must conduct an annual evaluation of its functioning (based on the report submitted by the Appointments and Remuneration Commission) and that of its commissions, as well as that of their presidents, and shall propose action plans to correct any deficiencies detected based on the results thereof. The result of these evaluations shall be included in the meeting minutes or added as an annex.

### **CHAPTER III**

#### **BOARD COMPOSITION**

##### **Article 6.- Qualitative Composition**

1. In the exercise of its powers of proposals to the General Meeting and cooptation to cover vacancies, the Board of Directors shall to the extent possible ensure that independent directors, external or non-executive directors represent a broad majority over the executive directors in its composition.

For such purposes, directors who perform management duties within the Company or have any legal ties with it shall be considered executive.

When a director performs management duties and, at the same time, is or represents a significant shareholder or is represented on the Board of Directors, said director will be considered executive.

As a result, all remaining Company directors will be considered external or non-executive directors - they may be proprietary, independent or another type of external director.

2. The Board will also ensure there are proprietary and independent directors among the majority group of non-executive directors. The foregoing definitions for director classification shall be interpreted in accordance with the standards or recommendations of good corporate governance in effect at any given time. Likewise, the Board shall ensure that percentage of proprietary directors out of the total number of non-executive directors reflects the proportion between the capital of the Company represented by such proprietary directors and the rest of the

capital. In any case, the number of independent directors should be at least one-third of the total number of directors.

3. The Board of Directors shall ensure that the procedures for the selection of its members favor diversity regarding issues such as age, gender, disability or professional training and experience, and do not suffer from implicit biases that could imply any discrimination and, in particular, that they facilitate the selection of female Board members.
4. The people appointed as Directors must be natural persons of recognized commercial and professional honorability and must have the knowledge and experience necessary to perform their duties and be willing to engage in good governance practices. Likewise, in addition to the conditions required by Law and the Bylaws, they must also meet the conditions set forth in these Regulations, formally undertaking at the time of taking office to comply with the obligations and duties set forth herein. Shareholder status is not required in order to be designated a member of the Board.

#### **Article 7.- Quantitative Composition**

1. The Board of Directors shall be formed by no less than seven (7) and no more than fifteen (15) members. This number shall be determined by the General Meeting.
2. The Board may propose to the General Meeting the number which, in accordance with the Company's changing circumstances and within the statutory limits, it deems is most appropriate for ensuring due representation and its effective functioning.

### **CHAPTER IV**

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

#### **Article 8.- The President of the Board**

1. The President of the Board of Directors shall be elected following a report from the Appointments and Remuneration Commission from among the members of the Board of Directors pursuant to the provisions of the Company's Bylaws.
2. The President is the person with the greatest of responsibility for the Board's management and effectiveness of its functioning, driving the development of its competencies and coordination of its Commissions for proper performance of their duties. In any case and without prejudice to the powers granted by the law, these Bylaws and these Regulations, he/she will have the following powers:

- a) Convening and chairing meetings of the Board of Directors, setting the agenda for the meetings and leading its discussions and deliberations.
  - b) Preparing and submitting a calendar of dates and matters to be discussed to the Board of Directors.
  - c) Presiding the General Meeting of Shareholders unless expressly decided otherwise.
  - d) Ensuring directors receive information well enough in advance to deliberate on the items on the agenda.
  - e) Stimulating the directors' debates and active participation during meetings, safeguarding their freedom to take positions and ensuring enough time is dedicated to the discussion of strategic matters.
  - f) Organizing and coordinating the periodic Board evaluation as well as evaluations of the Company's top executive, as necessary.
  - g) Agreeing upon and reviewing refresher programs for each director, when circumstances so advise.
3. The office of President of the Board of Directors may be held by an executive director, in which case the appointment of the President will require a vote in favor by two thirds of the members of the Board of Directors. In addition, if the President is an executive director, the Board of Directors shall appoint, with the abstention of all executive directors, a coordinating director from among the independent members of the Board, who shall have the following powers:
- Requesting Board of Directors meetings or the non-inclusion of new items on the agenda of a meeting already called.
  - Presiding the Board of Directors in the absence of the President and Vice-Presidents.
  - Coordinating and meeting with non-executive directors, reporting their concerns.
  - Maintaining contacts with investors and shareholders to ascertain their points of view in order to form an opinion on their concerns, particularly in relation to the Company's corporate governance.
  - Leading periodical evaluations of the President of the Board of Directors if the President is an executive director.
  - Coordinating the Presidential succession plan.
4. If an executive director, the President shall be considered as a senior executive of the Company and shall be vested with the powers necessary for the exercise of this authority, which shall be delegated by the Board of Directors and, in particular, the following:

- a) ensuring compliance with all of the Bylaws and making sure General Meeting of Shareholders and Board of Directors resolutions are faithfully enforced; and
- b) conducting inspections of the Company and all of its services.

The powers delegated to the President, if an executive director, may be delegated to other people.

#### **Article 9-. The Vice-Presidents**

1. Following a report from the Appointments and Remuneration Commission, the Board must designate one or more Vice-Presidents from among its members. At least one must be independent. The First Vice-President will substitute for the President when absent or when the President so decides. Likewise, the Second Vice-President will substitute for the First Vice-President when absent or when the Vice-President so decides.
2. The First Vice-President may call a Board meeting after three directors request the President call a meeting yet such request is not fulfilled within a week. The same power shall correspond to the Second Vice-President if the First Vice-President does not call a Board meeting under the foregoing terms.

#### **Article 10.- The Secretary of the Board**

1. Following a report from the Appointments and Remuneration Commission, the Board of Directors shall elect a Secretary, whether a director or not, who has the aptitude to perform the duties inherent to such office. If the Secretary of the Board of Directors is not a director, said person shall have speaking but not voting rights. The Secretary of the Board of Directors shall also be the secretary of all delegated or advisory commissions.
2. The Secretary shall assist the President with his/her tasks and do everything possible for proper functioning of the Board, quite specially providing directors with the necessary advice and information, safekeeping corporate documentation, duly reflecting the meeting procedures in the minutes book and certifying board resolutions.
3. The Secretary will ensure that the Board of Directors' actions comply with applicable regulations and the Bylaws and other internal rules, will oversee the formal and material legality of the Board's actions and verify compliance with the provisions issued by regulators as well as make sure the Company's corporate governance criteria and Board of Directors' Regulations are respected.

4. Moreover, the Secretary will assist the President so the directors receive relevant information for the exercise of their duties well enough in advance and in the proper form.

#### **Article 11.- The Vice-Secretary of the Board**

1. Following a report from the Appointments and Remuneration Commission, the Board of Directors may appoint a Vice-Secretary, who does not need to be a director, to assist the Secretary of the Board of Directors or substitute for him/her in the performance of such duty when absent. The Vice-President of the Board of Directors shall also be the vice-president of all delegated or advisory commissions.
2. Unless the Board of Directors decides otherwise, the Vice-Secretary may attend board meetings to help the Secretary draw up the meeting minutes.

#### **Article 12.- Board of Directors Delegated Bodies. Board Commissions.**

1. The Board of Directors may permanently delegate all or part of its powers to one or more Delegated Commissions, within the limits established by the applicable regulations and without prejudice to the powers which it may confer on any person, as well as appoint the directors who will serve on the delegated commission and, where appropriate, the form in which the delegated powers may be exercised. The permanent delegation to one or more Delegated Commissions of any of the Board of Directors' powers which may be delegated in accordance with the regulations in force, and the appointment of the directors who will serve on the delegated commission must be approved by the Board of Directors with a vote in favor by two thirds of its members. Such permanent delegation will not be effective until registered with the Trade Register.
2. When a member of the Board of Directors is assigned executive duties under any title, a contract must be entered into by said director and the Company, which must be approved by the Board of Directors with a vote in favor by two thirds of its members. The director concerned must refrain from both attending the deliberations and participating in the voting, and the approved contract must be incorporated into the minutes as an annex.
3. In any case, the Board must constitute an Audit and Control Commission and an Appointments and Remuneration Commission pursuant to the laws as well as a Risk and Management Commission. The Board of Directors may approve Audit and Control Commission Regulations and Appointments and Remuneration Commission Regulations as well as specific Regulations for the other Commissions that may be constituted which shall further develop the rules on composition, duties and functioning provided for in these Regulations for each one of the Commissions.



4. Moreover, the Board may create advisory committees from among its members with powers to report, advise and make proposals on matters determined by the Board of Directors, as well as designate the directors that will serve on them.

**Article 13.- Audit and Control Commission. Composition, Powers and Functioning**

1. An Audit and Control Commission will be constituted within the Board of Directors in accordance with the following rules:
  - a) The Audit and Control Commission must be comprised of a minimum of three (3) and a maximum of five (5) directors appointed by the Board of Directors from among its non-executive directors, with the majority of them being independent directors.
  - b) The President of the Audit and Control Commission shall be elected by the Board of Directors from among the independent directors on the Commission for a term of four years and may be re-elected after a period of one year has elapsed from the date of their cessation.
  - c) At least one of the independent directors that form part of the Audit and Control Commission will be appointed taking into account their knowledge and experience in accounting, auditing, risk assessment, both financial and non-financial or all of these. All other members, and particularly the President, shall as a whole have the knowledge and experience on such matters and, to the extent possible, in other areas that may be adequate for the fulfillment of their duties by the Audit and Control Commission such as finance, internal oversight and information technologies.

In any case, as a whole and without prejudice to attempts to foster gender diversity and fulfill other diversity criteria, the members of the Audit and Control Commission shall have the pertinent technical knowledge related to the Company's sector of business.

2. Without prejudice to any other duties that may be assigned at any time by the applicable regulations or the Board of Directors, the Audit and Control Commission shall perform the following duties:

*Regarding the monitoring of financial and non-financial information:*

- a) Report to the General Shareholders' Meeting on matters within its scope and, in particular, on the result of the audit, explaining how the audit has contributed to the integrity of the financial information and the role that the Commission has played in this process.

- b) Supervise and evaluate the process of preparation and presentation of the mandatory financial and non-financial information relating to the Company and, where appropriate, to the Group, including the periodic financial and non-financial information that, as a listed company, the Company must provide to the markets and their supervisory bodies, ensuring that the intermediate accounts are prepared under the same accounting criteria as the annual accounts, always relying on the direct collaboration of the external and internal auditors, and presenting where appropriate, recommendations or proposals to the Board of Directors aimed at safeguarding their integrity.
- c) Ensure that the annual accounts that the Board of Directors presents to the General Meeting of Shareholders are prepared in accordance with accounting regulations. In those cases in which the account auditor has included any exception in their audit report, the President of the Audit and Control Commission will clearly explain at the General Meeting the opinion of the Commission on its content and scope, making a summary of said opinion available to the shareholders at the time of publication of the notice of the Meeting, together with the rest of the proposals and reports of the Board.

*In relation to the supervision of internal control and internal audit:*

- d) Periodically supervise the effectiveness of the Company's internal control and internal audit, as well as discuss with the account auditor the significant weaknesses of the internal control system detected during the audit, all without compromising its independence. For such purposes, and where appropriate, they may submit recommendations or proposals to the Board of Directors and the corresponding deadline for their follow-up.
- e) In relation to the information and internal control systems: (i) know and supervise the internal control systems of the Company, check their adequacy and integrity and review the appointment or replacement of those responsible; (ii) ensure in general that the policies and systems established in matters of internal control are applied effectively in practice; (iii) review compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria; and (iv) ensure the independence and effectiveness of the internal audit function, proposing the selection, appointment and removal of the person in charge of the internal audit service, as well as proposing the budget for said service, approving the orientation and the annual work plan, ensuring that its activity is mainly focused on the relevant risks of the Company (including reputational risks), receiving periodic information on its activities and verifying that senior management takes into account the conclusions and recommendations of its reports.

- f) Supervise the unit responsible for internal audit duties that ensure the proper functioning of the information and internal control systems.

The head of the unit who is responsible for internal audit duties will present their annual work plan to the Audit and Control Commission for approval, inform it directly of its execution, including possible incidents and limitations to the scope that may arise in its development, as well as the results and the follow-up of its recommendations, and submit an activities report at the end of each fiscal year.

- g) Establish and supervise a mechanism that allows employees and other persons associated with the Company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially significant irregularities, including those affecting finances and accounting, or of any other nature, related with the company that they notice within the Company or its Group. This mechanism must guarantee confidentiality and, in any case, provide for cases in which communications may be made anonymously, respecting the rights of the whistleblower and the reported party.

*In relation to the statutory auditor:*

- h) Submit to the Board of Directors the proposals for the selection, appointment, re-election and replacement of the account auditor, taking responsibility for the selection process in accordance with the provisions of the applicable regulations, as well as the conditions of their hiring and for this purpose, they must:
  - 1º. define the auditor selection procedure and
  - 2º. issue a reasoned proposal that will contain at least two alternatives for the selection of the auditor, except if the auditor is re-elected.
- i) Regularly collect information from the auditor on the audit plan and its execution, in addition to preserving its independence in the exercise of their duties.
- j) Establish the appropriate relationships with the external auditor to receive information on those matters that may pose a threat to its independence, in particular as regards the discrepancies that may arise between the account auditor and the Company's management, for examination by the Commission, and any others related to the process of carrying out the auditing of accounts and, where appropriate, the authorization of services other than those prohibited in the terms provided in the applicable regulations, as

well as those other communications provided for in the legislation of auditing of accounts and in auditing standards.

- k) In any event, in accordance with the provisions of the regulations governing the activity of the auditing of accounts and other auditing standards, the external auditors must provide them annually with a declaration of their independence in relation to the Company or entities linked to it directly or indirectly, as well as detailed and individualized information on the additional services of any kind provided and the corresponding fees received from these entities by the external auditor or by the persons or entities linked to it.
- l) Provide an annual report, prior to issuing the account audit report, expressing an opinion on whether the independence of the account auditors or audit firms is compromised. This report must contain the reasoned assessment of the provision of each and every additional service referred to in the previous point, both individually and as a whole, other than the legal audit and in relation to the regime of independence or the regulations governing the activity of auditing accounts. This report shall be published on the Company's website sufficiently in advance of the Ordinary General Meeting.
- m) In relation to the external auditor: (i) in the event of resignation of the external auditor, examine the circumstances that led to it; (ii) ensure that the remuneration of the external auditor for their work does not compromise their quality or independence; (iii) ensure that the Company communicates the change of auditor as other relevant information to the Spanish National Securities Market Commission and accompanies it with a statement on the eventual existence of disagreements with the outgoing auditor and, if there were any, their content; and (iv) ensure that the external auditor holds an annual meeting with the full Board of Directors to report on the work carried out and on the developments of the Company's accounting and risk situation.
- n) To supervise compliance with the Audit contract, ensuring that the opinion on the annual accounts and the main contents of the Audit report are drafted clearly and accurately, as well as to evaluate the results of each Audit and, likewise, to ensure that the Company and the external auditor comply with the rules in force on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, the other rules established to ensure the independence of the auditors.
- o) Make a final assessment of the auditor's performance and how it has contributed to the quality of the Audit and the integrity of the financial information.

*In relation to the supervision of risk management and control:*

- p) Monitor and assess the effectiveness of financial and non-financial risk management and control systems related to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational issues or those related to corruption.
- q) Directly supervise the internal risk control and management duties.
- r) Re-evaluate, at least annually, the list of the most significant financial and non-financial risks and assess their level of tolerance, proposing their adjustment to the Board of Directors, as the case may be.
- s) Hold, at least annually, a meeting with the heads of the business units in which they explain the business trends and associated risks.
- t) To be informed of the tax policies applied by the Company. In this regard, to receive information from the person responsible for tax matters on the tax policies applied, at least prior to the preparation of the annual financial statements and the filing of the corporate income tax return and, when relevant, on the tax consequences of corporate transactions whose approval is submitted to the Board of Directors.
- u) Control and supervise compliance with the risk control and management policy, directly or through one or more sub-commissions created for this purpose.

The Audit and Control Commission will perform the duties provided for in this section in coordination with the Risk and Management Commission, as necessary.

*In relation to the supervision of corporate governance, internal codes of conduct and sustainability:*

- v) Supervise compliance with the Company's policies and rules regarding corporate governance as well as the Company's internal codes of conduct. In particular, the Audit and Control Commission shall: (i) supervise compliance with the Internal Code of Conduct in the Securities Markets, these Regulations, Audit and Control Commission Regulations, if applicable, other internal codes of conduct and, in general, of the Company's governance rules, making the necessary proposals for their improvement and ensuring that the corporate culture is aligned with its purpose and values; (ii) supervise the application of the general policy regarding the communication of economic-financial, non-financial and corporate

information, as well as communication with shareholders and investors, voting advisers and other stakeholders. It will also monitor the way in which the Company communicates and relates to small and medium shareholders; and (iii) periodically evaluate and review the Company's corporate governance system, in order for it to fulfill its mission of promoting the corporate interest and take into account, as appropriate, the legitimate interests of the remaining stakeholders.

- w) Supervise compliance with the policies and rules of the Company regarding environmental and social sustainability. In particular, the Audit and Control Commission shall: (i) periodically evaluate and review the Company's corporate social responsibility and sustainability policy in environmental and social matters, in order for it to fulfill its mission of promoting social interest and take into account, as appropriate, the legitimate interests of the remaining stakeholders; (ii) supervise that the Company's practices in environmental and social matters conform to the strategy and policy established; and (iii) supervise and evaluate the relationship processes with the different stakeholders.

Other duties:

- x) Supervise the organization and operation of the Company's Regulatory Compliance system and area.
- y) Prior to their approval by the General Meeting or the Board of Directors, inform on Related-Party Transactions and supervise the internal procedure established by the Company regarding the Transactions whose approval may have been delegated in accordance with applicable regulations.
- z) Inform the Board of Directors, prior to agreeing on the corresponding decisions, on all matters provided for by Law, the Bylaws and the Board Regulations and, in particular, on:
  - a. The financial information and management report, which will include mandatory non-financial information that the Company must periodically make public, when applicable.
  - b. The creation or acquisition of interests in entities of special purpose or domiciled in countries or territories that are considered tax havens.
  - c. The economic conditions and accounting impact and, if appropriate, proposed exchange ratio of structural and corporate modification operations that the Company intends to undertake.

- d. Any other general or specific functions involving reports and proposals that are entrusted by the Board of Directors or that are established by the regulations in force at any time.
3. The Audit and Control Commission shall ordinarily meet at least eight times a year for the purpose of reviewing the periodic financial information that must be disseminated to the markets through the corresponding authorities, together with the information that the Board of Directors must approve and include within its annual public documents. It shall also meet whenever convened by its President, who must do so whenever the Board or its President requests that the Audit and Report Commission issue a report or adopt proposals and, in any event, whenever requested by any of the members of the Audit and Control Commission or is convenient for the proper performance of their duties.
4. The Audit and Control Commission will establish an annual work plan with the main activities the Audit and Control Commission shall perform during the year.
5. The Audit and Control Commission will prepare an annual report on its functioning, highlighting the main incidents that have arisen, if any, in relation to its duties. In addition, when the Audit and Control Commission deems it appropriate, it will include proposals to improve the Company's governance rules in said report. The Audit and Control Commission report shall be made available to shareholders and investors on the Company's website sufficiently in advance of the Ordinary General Meeting.
6. The members of the management team or staff of the Company and its group shall be obliged to attend the meetings of the Audit and Control Commission and to provide their collaboration and access to the information available to them when the Commission so requests. The Commission may also request their attendance without the presence of any other director. The Audit and Control Commission may also require the attendance of the account auditors at its meetings.
7. The Audit and Control Commission may seek advice from external experts when deemed necessary for proper fulfillment of its duties.
8. The Company must provide the Audit and Control Commission with sufficient resources to fulfill its duties. The needs for resources must be channeled through the Secretary of the Company's Board of Directors.

**Article 14.- Appointments and Remuneration Commission.  
Composition, Powers and Functioning**

1. An Appointments and Remuneration Commission will also be constituted within the Board of Directors in accordance with the following rules:
  - a) The Appointments and Remuneration Commission must be comprised of a minimum of three (3) and a maximum of five (5) directors appointed by the Board of Directors from among its non-executive directors, at least two of whom must be independent directors.
  - b) The President of the Appointments and Remuneration Commission shall be chosen by the Board of Directors from among the independent directors on the Commission for a term of four years and may be re-elected one or more times for terms of the same duration.
  - c) As a whole, members of the Commission shall be designated considering their knowledge and experience in the areas that may be necessary for the fulfillment of its duties by the Appointments and Remuneration Commission such as human resources, the selection of directors and management and the design of remuneration policies and plans without prejudice to also fostering gender diversity and meeting other diversity criteria among members.
2. Without prejudice to other duties that may be assigned to it by applicable regulations or the Board of Directors, the Appointments and Remuneration Commission shall have the following basic responsibilities:

Regarding the composition of the Board:

- a) Evaluate the skills, knowledge and experience required on the Board of Directors. To this end, it shall define the functions and skills required of the candidates to fill each vacancy and shall evaluate the time and dedication necessary for them to effectively perform their duties, ensuring that the non-executive directors have sufficient time available for the proper performance of their duties.
- b) Ensure that corporate policies set forth a goal of representation for the gender least represented in the Board of Directors and draw up guidelines on how to reach that goal, as well as propose and submit to the Board of Directors a policy for the selection of directors and diversity.
- c) Periodically verify the category of the directors.

Regarding the selection of directors and senior management:



- d) Submit to the Board of Directors proposals for the appointment of independent directors by cooptation or for submission to the decision of the General Meeting of Shareholders, as well as proposals for the re-election or removal of such directors by the General Meeting of Shareholders.
- e) Report on the proposals for appointment of the remaining directors for their appointment by cooptation or for their submission to the decision of the General Meeting of Shareholders, as well as the proposals for their re-election or removal by the General Meeting of Shareholders.
- f) Annually verify compliance with the selection policy for directors and diversity on the Board of Directors, reporting the findings in the Annual Corporate Governance Report.
- g) To analyze, formulate and periodically review the proposed policies for hiring, loyalty and dismissal of executives, as well as to formulate and review the criteria to be followed for the composition of the management team of the Company and its subsidiaries and for the selection of candidates.
- h) Report on proposals for the appointment and removal of senior management.

Regarding the positions on the Board and the composition of the Commissions:

- i) Propose the members that should be part of each of the Commissions, taking into account the knowledge, skills and experience of the directors and the duties of each Commission.
- j) Report to the Board of Directors on the appointment of the President, Vice-President, members of the Delegated Commission and the Honorary President, if any.
- k) Report to the Board of Directors on the appointment and, where applicable, dismissal of the Secretary and Vice-Secretary of the Board of Directors.
- l) Propose, where applicable, the appointment of the Coordinating Director.
- m) Examine and organize the succession of the President of the Board of Directors and the chief executive of the Company and, if appropriate, make proposals to the Board of Directors so that such succession takes place in an orderly and planned manner.

*In relation to the remuneration of directors and senior management:*

- n) Propose to the Board of Directors the remuneration policy for directors and general managers or those who perform their senior management duties under the direct supervision of the Board or delegated Commissions, verifying compliance therewith.
- o) Analyze, formulate and periodically review the compensation policy applied to directors and senior managers, including share-based compensation systems and their application, weighing their adequacy and performance, as well as ensure that their individual remuneration is proportionate to that paid to other directors and senior managers of the Company.
- p) Propose to the Board of Directors the individual remuneration and other contractual conditions of the executive Directors, verifying that they are consistent with the remuneration policies in force.
- q) Inform the Board of Directors previously of the individual amount of remuneration for each Director as such within the statutory framework and remunerations policy, as well as for the performance of the executive duties attributed to them within the framework of the remuneration policy and in accordance with the provisions in their contract.
- r) Propose the basic conditions of senior management contracts, verifying that they are consistent with current remuneration policies.
- s) Report to the Board of Directors on the systems and amount of annual remuneration of directors and senior managers and verify the information on remuneration of directors and senior managers contained in corporate documents, including the annual report on directors' remuneration, ensuring the transparency of remuneration.

*Other duties:*

- t) Lead the annual evaluation of the Board regarding the operation and composition of the Board and its Commissions and submit to the Board the results of its evaluation together with a proposal for an action plan or with recommendations to correct possible deficiencies detected or to improve its operation.
- u) Inform the Board of Directors annually of the assessment of performance of the Company's senior management.
- v) Periodically design and organize knowledge-updating programs for Directors.

- w) Ensure that any conflicts of interest do not impair the independence of the external advice provided to the Commission.
3. The Appointments and Remuneration Commission shall meet at least once annually in order to prepare information on the Directors' remuneration, which the Board of Directors must approve and make public. Likewise, it shall meet each time it is called by the President, preferably four times a year. However, the President must always call it to meet whenever the Board or its President requests the issuance of a report or the adoption of proposals and, in any case, whenever suitable for the proper performance of its duties.
  4. The Appointments and Remuneration Commission will establish an annual work plan with the main activities the Appointments and Remuneration Commission shall perform during the year.
  5. Requests for information from the Appointments and Remuneration Commission shall be formulated by the Board of Directors or by its President. Likewise, the Appointments and Remuneration Commission must consider the suggestions made by the members of the Board of Directors and the Company's managers and shareholders.
  6. The Appointments and Remuneration Commission may seek advice from external experts when deemed necessary for proper fulfillment of its duties.
  7. The Company must provide the Appointments and Remuneration Commission with sufficient resources to fulfill its duties. The needs for resources must be channeled through the Secretary of the Company's Board of Directors.

**Article 15.- Risk and Management Commission. Composition, Powers and Functioning**

1. A Risk and Management Commission will be constituted within the Board of Directors in accordance with the following rules:
  - a) The Risk and Management Commission shall be comprised of a minimum of three (3) and a maximum of eight (8) directors appointed by the Board of Directors; an executive director may be on this commission.
  - b) The President of the Risk and Management Commission shall be elected by the Board of Directors for a term of four years and may be re-elected one or more times for terms of the same duration.
  - c) As a whole, members of the Commission shall be designated considering their knowledge and experience in the areas that may

be necessary for the fulfillment of its duties by the Risk and Management Commission such as economics and finance in addition to the capacity and experience to fully understand and be absolutely proficient in the Company's strategy without prejudice to also fostering gender diversity and meeting other diversity criteria among members. Likewise, as a whole, the members of the Commission shall have relevant technical knowledge in relation to the Company's sector of activity.

2. Without prejudice to other duties that the Board of Directors may assign to it, the Risk and Management Commission has the following basic responsibilities, among others:
  - a) Periodically review the impact of the operations and planning of the Company and its Group.
  - b) Analyze the financial and resource efficiency of each Project of the Company and its Group.
  - c) Analyze the commercial policy guidelines and the conditions of the most relevant offers of the Company and its Group.
  - d) Periodically monitor the Company's projects, and in particular, those that are most relevant for economic, technical or reputational reasons.
  - e) Monitor periodic analyses of the geopolitical situation of the countries where the Company and its Group operate.
  - f) Prepare periodic analyses of customer and supplier solvency ratios.
  - g) Prepare and monitor the risk map of the Company and its Group.
  - h) Analyze and report on the global approach and strategy of the Company and its Group.
  - i) As regards all the foregoing points, to promote the regulatory compliance system and activities of the Company and its Group.

The Risk and Management Commission will perform the duties established in this section in coordination with the Audit and Control Commission, as necessary.

3. The Risk and Management Commission shall ordinarily meet a minimum of eight times a year. It shall also meet whenever the Board of Directors or its President requests the issuance of a report or the adoption of proposals within the scope of its powers and, in any case, whenever it is convenient for the proper performance of its duties.

4. Anyone with executive duties assigned by the Board of Directors under any title, if not a member, may attend Risk and Management Commission meetings with speaking but not voting rights so as to ensure the Commission fulfills its duties. Moreover, members of the management team or personnel of the Company and its group shall be required to attend Risk and Management Commission meetings and cooperate and provide access to the information available to them when requested by the Commission.
5. The Risk and Management Commission shall establish an annual work plan including the main Risk and Management Commission activities during the year.
6. The Risk and Management Commission may seek advice from external experts when deemed necessary for proper fulfillment of its duties.
7. The Company must provide the Risk and Management Commission with sufficient resources to fulfill its duties. The needs for resources must be channeled through the Secretary of the Company's Board of Directors.

## **CHAPTER V**

### **BOARD FUNCTIONING**

#### **Article 16.- Board of Directors Meetings**

1. The Board of Directors shall meet with the frequency that the Company matters may require and, in any case at least once every two months, and on the initiative of the President or of the Coordinating Director, as many times as they might require for the operation of the Company. The Board of Directors shall also meet when required to do so by at least a third of its members, in which case it will be convened by the President, who will indicate the agenda, to meet within the following month of the request. If upon expiration of this time limit without the President having made the call for the meeting for no justified reasons, the Directors making up at least a third of the members of the Board may call the meeting in the city of the principal place of business.
2. The meetings of the Board of Directors will be called by the Secretary on the order of the President or the Coordinating Director (subject to the corresponding powers), and in the event of absence or incapacity of the latter, on the order of the First and Second Vice-President and thus successively.
3. Notices to attend ordinary meetings shall be delivered personally by letter, fax or email and will be signed by the President or, as applicable, the Secretary or Vice-Secretary on the orders of the President or the parties calling the meeting. The notice shall be sent out a minimum of five (5) days in advance.

The notice will always include the agenda for the meeting as well as relevant information duly summarized and prepared.

The notice to meet may, when the circumstances so require, establish that the session be held by any means of distance communication using any technical procedure (including but not limited to telephone, conference call and videoconference) that ensures the identification and real-time plurilateral connection of the remote attendees. In these cases, a session will be understood as held at the principal place of business.

4. The call for extraordinary meetings of the Board can be also executed even by phone and without the term and other requirements mentioned above when, as determined by the President or the coordinating Directors, the circumstances so require. Notwithstanding the foregoing, any documentation that must be provided to Directors, as applicable, shall be delivered well enough in advance.

Likewise, the Board shall be understood as validly constituted without the need for a call if all of the members are either present or represented and they unanimously agree to hold the meeting.

5. The Board may also pass resolutions in writing without holding a meeting pursuant to the provisions of the Spanish Corporate Enterprises Act.
6. The Board shall prepare an annual calendar of all ordinary sessions.

#### **Article 17.- Meeting Procedures**

1. The Board will be considered validly constituted when at least half plus one of the members are present or represented at the meeting.
2. Directors shall make every effort to attend the meetings of the Board and, when they are unable to do so in person, they shall endeavor to grant their representation in writing and specifically for each meeting to another member of the Board, including the appropriate instructions and informing the President of the Board of Directors thereof. Notwithstanding the foregoing, non-executive directors may only delegate their representation to another non-executive director.
3. The President shall organize the debate encouraging all directors to participate in the body's deliberations.
4. Except in cases where the Law or bylaws specifically establish other majorities, resolutions shall be passed by absolute majority of all those attending the meeting. In the event of a tie vote, the President shall cast the deciding vote.

5. Minutes will be drawn up of all Board of Directors meetings and signed by at least the President and Secretary or Vice-Secretary. They will be transcribed or collected in a Board Minutes Book pursuant to the law.
6. The minutes shall be approved by the Board of Directors at the end of each meeting or at another subsequent one.

## **CHAPTER VI**

### **DIRECTOR DESIGNATIONS AND RESIGNATIONS**

#### **Article 18.- Appointment of Directors**

Following a report from the Appointments and Remuneration Commission, directors shall be designated by the General Meeting or by the Board of Directors in accordance with the provisions of the Spanish Corporate Enterprises Act.

The proposals for appointment and re-election of directors submitted by the Board of Directors to the consideration of the General Meeting of Shareholders and the appointment resolutions adopted by said body by virtue of the powers of co-option legally attributed to it shall be subject, in all cases, to the policy on Board of Directors diversity and selection approved by the Board at any given time and must be preceded by:

- a) the corresponding proposal of the Appointments and Remuneration Commission, in the case of independent directors; and
- b) the corresponding proposal of the Board of Directors, in the case of the remaining directors. The proposal for appointment or re-election of any non-independent director must also be preceded by a report from the Appointments and Remuneration Commission.

In any event, all of these proposals must be accompanied by a supporting report evaluating the competence, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Shareholders' Meeting or of the Board itself.

#### **Article 19.- Designation of Non-Executive Directors**

The Board of Directors shall attempt to elect candidates of renowned solvency, competence and experience. Extreme rigor must be demonstrated in relation to any calls to cover the office of independent director as established in article 6 of these Regulations.

#### **Article 20.- Re-election of Directors**

Before proposing the re-election of directors to the General Meeting of Shareholders, the Board of Directors shall evaluate, with the abstention of

the affected parties as established in article 23.1, the quality of the work and dedication to the position of the proposed directors during the previous term of office.

#### **Article 21.- Term of Office**

1. Directors shall hold office for a term of four (4) years, without prejudice to the possibility of earlier removal by a General Meeting. At the end of their term, they may be re-elected one or more times for terms of the same duration.
2. The appointment of the directors will expire when, once the term has expired, the next General Meeting has been held or the legal term for holding the General Meeting that must resolve on the approval of the previous year's financial statements has elapsed.
3. Any vacancies that may occur may be filled by the Board of Directors by cooptation, in accordance with the law. In the event of vacancies occurring after the General Meeting has been convened and before it is held, the Board shall retain the power to co-opt until the next General Meeting is held.
4. Directors appointed by cooptation shall have their position ratified on the date of the first General Meeting immediately following.
5. A director whose term ends or terminates their position for other reasons may not be a director or hold executive office in another entity having a corporate purpose similar to that of the Company for a period of two (2) years.

The Board of Directors, if it deems it appropriate, may exempt the incumbent director from this obligation or shorten the period of duration.

#### **Article 22.- Dismissal of Directors**

1. Board members shall leave office when the term for which they were appointed has elapsed and when so decided by the General Meeting of Shareholders in use of the powers legally or statutorily conferred upon it. In the case of independent directors, when they have held such position for an uninterrupted period of 12 years, from the time the Company's shares are admitted to trading on the Stock Exchange.
2. The Board Members must tender their resignation to the Board of Directors and formalize, if the Board deems it appropriate, the corresponding resignation in the following cases:
  - a) When they cease to hold the executive positions with which their appointment as director was associated.



- b) When they are involved in any of the cases of incompatibility or prohibition provided for by law.
  - c) When they are seriously reprimanded by the Board of Directors for having breached their obligations as Board Members.
  - d) When their remaining on the Board may jeopardize the interests of the Company or when the reasons for which they were appointed cease to exist (for example, when a proprietary director disposes of their interest in the Company).
3. The directors shall immediately inform the Board when situations arise that affect them, whether or not related to their performance in the Company itself, that may damage the credit and reputation of the Company and shall report in particular on criminal cases in which they are under investigation, as well as any related legal proceedings.

The Board of Directors, having been informed or having otherwise become aware of any of the situations mentioned in this section, shall examine the case as soon as possible and, taking into account the specific circumstances, shall decide, following a report from the Appointments and Remuneration Commission, on the measures to be adopted, such as opening an internal investigation, requesting the resignation of the director or proposing their termination to the General Meeting of Shareholders. This will be reported in the Annual Corporate Governance Report, unless there are special circumstances that justify it, which must be recorded in the minutes. This is without prejudice to the information that the Company must disclose, if appropriate, at the time of the adoption of the corresponding measures.

4. When, either by resignation or by resolution of the General Meeting, a director leaves office before the end of their term, they should sufficiently explain the reasons for their resignation or, in the case of non-executive directors, their opinion on the reasons for the removal by the Board, in a letter to be sent to all members of the Board of Directors. Notwithstanding the fact that all this is reported in the Annual Corporate Governance Report, to the extent that it is relevant for investors, the Company shall publish the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

### **Article 23.- Voting Objectiveness and Secrecy**

1. Pursuant to the provisions of article 30 of these Regulations, directors affected by appointment, re-election or resignation proposals shall refrain from intervening in deliberations and votes concerning them.
2. All Board of Directors votes on appointments, re-election or resignation of directors shall be secret.

## **CHAPTER VII**

## **DIRECTOR INFORMATION**

### **Article 24.- Information and inspection powers**

1. The director may request information on any aspect of the Company and examine its books, records, documents and other documentation. The right to information is extended to affiliate companies whenever possible.
2. The request for information shall be addressed to the Secretary of the Board of Directors, who shall forward it to the President of the Board of Directors and to the appropriate contact person within the Company.
3. The Secretary shall advise the director of the confidential nature of the information they request and receive and of their duty of confidentiality in accordance with the provisions of these Regulations.
4. The President may refuse to provide the information if they consider: (i) that it is not necessary for the proper performance of the duties entrusted to the director or (ii) that its cost is unreasonable in view of the importance of the issue and the Company's assets and revenues.

### **Article 25.- Expert Assistance**

1. In order to receive assistance in performing their duties, non-executive directors may request the hiring of legal, accounting, financial or other experts at the Company's expense. The assignment must necessarily deal with specific problems of a certain importance and complexity that arise in the performance of the position.
2. The decision to hire must be communicated to the President of the Company and may be vetoed by the Board of Directors if it is proven:
  - a) That it is not necessary for the full performance of the functions entrusted to the non-executive directors;
  - b) That its cost is not reasonable in view of the importance of the problem and the assets and income of the Company; or
  - c) That the technical assistance sought can be adequately provided by experts and technicians of the Company.

## **CHAPTER VIII**

### **REMUNERATION OF DIRECTORS AND MEMBERS OF BOARD COMMISSIONS**

#### **Article 26.- Remuneration of Directors and Members of Board Commissions.**

1. The members of the Board of Directors will receive compensation for their offices on the Board of Directors and related Commissions comprised of the following items: (i) a fixed annual allocation for holding office on the Board of Directors; (ii) an additional fixed annual allocation for chairing any delegated or advisory commissions to which they belong; and (iii) expenses for effectively attending meetings of the Board of Directors and any delegated or advisory commission to which they belong.
2. The Board of Directors shall determine for each financial year the manner and time of payment as well as establish the individual compensation for each Director following a report from the Appointments and Remuneration Commission based on the concepts provided for in paragraph 1 above, the statutory framework and remuneration policy in addition to considering the duties and responsibilities assigned to each Director, whether or not they are assigned to a Board Commission, and other objective circumstances that may be considered relevant by the Board of Directors.
3. In addition, directors may be remunerated by the award of Company shares, share options or remuneration linked to the value of the shares. This remuneration must be agreed at the General Meeting and the corresponding resolution must include the maximum number of shares that may be awarded in each fiscal year under this remuneration scheme, the directors to whom it applies, the exercise price or the system for calculating the exercise price of share options, the value of any shares used as references and the duration of the plan.
4. Remuneration for directors must in all case be in reasonable proportion to the Company's importance, its financial situation at any given time and the market standards for comparable companies. The remuneration system established must be oriented towards promoting the Company's long-term profitability and sustainability and incorporating the necessary safeguards so as to avoid excessive risk-taking and the rewarding of unfavorable results.
5. In particular, the Board of Directors shall take all measures within its reach to ensure the remuneration for non-executive directors, including any received as members of Commissions, complies with the following guidelines:
  - a) Non-executive directors must be compensated based on their effective dedication, qualifications and responsibilities.
  - b) The remuneration for non-executive directors should be sufficient to attract and retain directors of the desired profile, but not so high as to compromise their independence of judgment.

6. In addition to the provisions above, Directors with executive functions assigned through any position will receive remuneration for the performance of these functions, which will be determined by the Board on the basis of the following items: (i) a fixed component, appropriate to the services and responsibilities assumed; (ii) an annual variable component, correlated to a performance indicator for the director or Company; (iii) long-term variable remuneration, correlated to a performance indicator for the director or Company; (iv) a benefit component, which can include welfare and insurance schemes and, where appropriate, Social Security schemes; (v) the award of Company shares, share options or other remuneration linked to the value of the shares; (vi) remuneration in kind linked to the provision of services inherent in the performance of their functions; and (vii) compensation in the event of removal or any other form of termination of the legal relationship with the Company which is not due to non-compliance attributable to the director, exclusivity agreements, post-contractual non-compete agreements and/or length of service or loyalty agreements.

The remuneration of Directors with executive duties with respect to the items of remuneration described above must conform to the Directors' Remuneration Policy approved at the General Meeting. In addition, the items of remuneration applicable to Directors with executive duties must be stipulated in the contract between the Director and the Company under the legally established terms. A Director may not receive any remuneration of any kind for the performance of executive duties, the quantities or concepts of which are not provided for in said contract or in the Directors' Remuneration Policy, which must establish the sums and fixed annual compensation for all Directors with executive functions and other provisions established by the law.

7. The maximum amount of annual remuneration for all Directors, both for their membership of the Board of Directors and its Commissions and for their executive duties, must be approved by the General Meeting either by express agreement in this regard or by approving the Directors' Remuneration Policy and will remain in force as long as the General Meeting does not resolve its modification, and may be updated based on the indexes or magnitudes that the General Meeting itself defines.
8. The Company may contract civil liability insurance for its directors.
9. Remuneration for non-executive directors and directors with executive duties shall be indicated in the report individually for each director.

## **CHAPTER IX**

### **DIRECTOR OBLIGATIONS**

#### **Article 27.- General Obligations for Directors**

When performing their duties, directors must act with the diligence required of organized business and loyal representation, acting in good faith and in the best interests of the Company, always putting the Company's interests above their own. As concerns strategic and business decisions subject to business discretion, the standard of diligence required of organized business shall be considered as fulfilled when the director has acted in good faith without any personal interest in the matter object of decision, with sufficient information and in accordance with a proper decision-making procedure. In particular, directors are required to:

- a) Adequately be informed and prepare Board meetings and, where appropriate, the meetings of other delegated bodies of which they are members;
- b) Attend Board of Directors meetings and actively participate in deliberations so that their criteria effectively contributes to the decision making.  
If a director cannot attend a meeting to which he/she has been called for justified reasons, he/she must communicate which director shall represent him/her.
- c) Offer (and, to a larger extent, independent directors) their strategic vision as well as the concepts, criteria and innovative measures for optimal development and evolution of the Company's business.
- d) Perform any specific duty assigned by the Board of Directors or any of its delegated and/or advisory bodies or reasonably included in their dedication commitment.
- e) Investigate any irregularity in the Company's management it may gain knowledge of and monitor any risk situation.
- f) Urge the people with the power to call a meeting to call an extraordinary Board meeting or include the items deemed appropriate on the agenda of the first meeting held.
- g) Object to resolutions that are contrary to the Law, the Bylaws and the corporate interests and request their position be recorded in the minutes when deemed appropriate for safeguarding the company's interests.

#### **Article 28.- Directors' Confidentiality Obligation**

1. Directors shall keep all deliberations of the Board of Directors and any delegated bodies they participate in secret and, in general, refrain from disclosing information they have access to due to their office.
2. The confidentiality obligation shall remain in force even when they have left office. They must keep all confidential information and information, data, reports and history known as a result of their work secret without being able to disclose any of it to third parties or disclose any of it when it may be harmful to the corporate interests. Exempt from the obligations referred to in this paragraph are any situations where the law allows their communication or disclosure to third parties or when, as applicable, they are required to do so by the respective supervisory

authorities in which case the transfer of information must be done in accordance with the law.

### **Article 29.- Non-Compete Obligation**

1. A director may not hold the position of director or executive in companies with the same, similar or complementary type of activity as the Company or perform activities on their own account or on behalf of others that involve effective competition, whether actual or potential, with the Company or that in any other way place them in a permanent conflict with the interests of the Company, unless expressly authorized by the Company, by resolution of the General Meeting of Shareholders, under the terms established by law and with the exception of the positions they may hold, if any, in companies belonging to the group.
2. Notwithstanding the foregoing, the director may provide professional services to entities whose corporate purpose is totally or partially analogous to that of the Company, provided that they previously inform the Board of Directors of their intention, which may refuse to authorize such activity, stating the reasons for such refusal.

### **Article 30.- Conflicts of Interest**

1. Directors must communicate the existence of conflicts of interest to the Board and refrain from attending and intervening in deliberations that affect matters in which they have a personal interest.

A director's personal interest shall also be deemed to exist when the matter affects any of the following persons:

- the spouse or person with an analogous affective relationship;
  - ascendants or descendants and siblings of the director or director's spouse;
  - spouse of the ascendants or descendants and siblings of the director;
  - the companies or entities in which the director has a holding, whether direct or indirect or through an intermediary, that grants them significant influence or in which they occupy a position on the Board of Directors or senior management of the company or its parent company. Significant influence for this purpose is considered a holding equal to or greater than 10% of the share capital or voting rights by which the individual has obtained in law or in practice representation on the company's Board of Directors; and
  - the partners represented by the director on the Board of Directors.
2. Situations of a conflict of interest involving directors shall be included in the annual accounts report.

### **Article 31.- Use of Corporate Assets**

A director may not make use of the Company's assets, including the Company's confidential information, or use their position in the Company to obtain a financial advantage, unless they have obtained the corresponding waiver or authorization from the Company under the terms established by law.

### **Article 32.- Non-Public Information**

Directors shall observe all rules of conduct established in the securities market regulations and, in particular, those relating to the Company's Internal Code of Conduct on Matters Relating to the Securities Markets as concerns the processing of insider information and reserved information.

### **Article 33.- Business Opportunities**

1. A director may not take advantage of a Company business opportunity for their own benefit or that of a person related to them under the terms established in the aforementioned article 30 above, unless they have obtained the corresponding waiver or authorization from the Company under the terms established by law.
2. For the purposes of the foregoing section, a business opportunity is understood to be any possibility of making an investment or commercial transaction that has arisen or has been discovered in connection with the director's performance of their duties, or through the use of means and information of the Company, or under circumstances such that it is reasonable to believe that the third party's offer was in fact directed to the Company.

### **Article 34.- Indirect Operations**

Directors breach their duties of loyalty to the Company by knowingly allowing or failing to disclose the existence of transactions carried out by the people indicated in article 30.1 of these Regulations when they are not subject to the conditions and controls established in the foregoing articles.

### **Article 35.- Director Information Obligations**

1. Directors must inform the Company of any actions by the latter it directly or indirectly gains knowledge of through the people indicated in article 30.1 of these Regulations, all pursuant to the provisions of the Internal Code of Conduct on Matters Relating to the Securities Markets.
2. The Director must also inform the Company of the positions they hold on the Board of other listed companies and, in general, of the facts, circumstances or situations that may be relevant to their performance

as a director of the Company pursuant to the provisions of these Regulations.

### **Article 36.- Related Party Transactions**

1. The system described in this article applies to Related Party Transactions defined in article 5.1.(xii) of these Regulations.
2. The Audit and Control Commission must issue a report before the approval by the General Meeting or Board of Directors of a Related-Party Transaction. In this report, the Commission must assess whether the transaction is fair and reasonable from the Company's point of view and, if applicable, from the point of view of shareholders other than the related party and present the budget on which the assessment and methods are based.

Directors who are members of the Commission affected by the Related-Party Transaction cannot participate in preparing the report.

This report will not be mandatory for Related-Party Transactions whose approval is delegated by the Board of Directors in the terms set forth in article 5.1.(xii) of these Regulations.

3. If the Board of Directors delegates the approval of Related-Party Transactions as provided for in article 5.1.(xii) of these Regulations, the Board of Directors will establish an internal periodic information and control procedure to verify the fairness and transparency of these transactions and, if necessary, compliance with applicable legal criteria.
4. The Board of Directors will promote public dissemination of Related-Party Transactions by the Company or its Group companies, when their amounts reach or exceed 5% of the total amounts of the assets or 2.5% of the Company's annual turnover.

To this end, an announcement with the corresponding legal content shall be inserted in an easily accessible location of the Company's website and also communicated to the Spanish National Securities Market Commission. The announcement must be published and communicated, at the latest, on the same date that the Related-Party Transaction is carried out and must be accompanied by the report issued by the Audit and Control Commission, if applicable.

The aggregate transactions carried out with the same counter-party in the last twelve months will be taken into consideration to calculate the amount of the Related-Party Transaction.

## **CHAPTER X**



## **BOARD RELATIONS**

### **Article 37.- Relations with Shareholders**

1. The Board of Directors shall provide the appropriate channels to hear any proposals that may be formulated by shareholders in relation to the Company's management.
2. Through any of its directors and with collaboration from the members of senior management deemed pertinent, the Board may organize informational meetings on the Company's and the Group's operations for shareholders in the most relevant financial positions from Spain or other countries.
3. In its relations with shareholders, the Board of Directors shall guarantee equal treatment, simultaneously providing the CNMV with the presentations used at public informational meetings and publishing them on the Company's *website*.
4. The Board of Directors shall encourage the informed participation of shareholders at General Meetings and adopt any measures appropriate to facilitate effective exercise by the General Meeting of Shareholders of the duties assigned by the Law and the Bylaws.

In particular, the Board of Directors shall take the following measures:

- a) Make all efforts to make any information legally required and any information that is not legally required yet may be of interest and reasonably supplied available to the shareholders prior to Meetings.
  - b) Fulfill requests for information formulated by shareholders prior to the Meeting with the utmost diligence.
  - c) Answer the questions asked by shareholders at General Meetings with the same diligence.
  - d) Ensure the matters proposed by the Board are voted on in an organized manner and separately, enabling shareholders to intervene to express their opinions on each of the matters submitted for voting.
5. The Company will define and promote a policy of communication, contact and involvement with shareholders, institutional investors and voting advisors, which will respect in full all rules governing market abuse and deal fairly with shareholders in the same position and will be published on its website, including information regarding how it has been put into practice and identifying the intermediaries or persons responsible for the undertaking.

### **Article 38.- Relations with Institutional Shareholders**

1. The Board of Directors will also establish adequate mechanisms of regular exchanges of information with institutional investors who are part of the Company's shareholding structure.
2. Under no circumstance may the relations between the Board of Directors and institutional shareholders involve the delivery to the latter of any information which would put them in a privileged situation or advantage with respect to other shareholders.

### **Article 39.- Relations with Markets**

1. Through communications to the Spanish National Securities Market Commission and on the corporate website, the Board of Directors shall inform the public immediately of any insider information and other relevant information under the terms established in the Spanish Securities Market Act and implementing regulations.
2. The Board of Directors shall take all measures necessary to ensure the half-yearly financial statements and any other information that must be made available to the markets in accordance with the Law is prepared pursuant to the same principles, criteria and professional practices with which the yearly financial statements are prepared. They should also be a true and fair view just as the latter.
3. Without prejudice to the legal obligations regarding the dissemination of insider information and other types of regulated information, the Company will also have a policy regarding the communication of economic-financial, non-financial and corporate information that contributes to maximizing the dissemination and quality of the information available to the market, investors and other stakeholders.
4. The Board of Directors will include information in its annual public documentation on the Company's rules of governance and degree of compliance with them.

### **Article 40.- Relations with Auditors**

1. The Audit and Control Commission must propose the selection, appointment, re-election and substitution of auditors to the Board of Directors to be subsequently proposed to the General Meeting of Shareholders and supervise compliance with the auditing contract pursuant to article 13.2 of the Board of Directors Regulations.
2. The Audit and Control Commission shall refrain from proposing to the Board of Directors -which shall in turn refrain from submitting to the General Meeting- the appointment as auditors of the Company of any

auditing firm that is subject to a cause of incompatibility in accordance with the legislation on account auditing, as well as firms whose expected fees, for all concepts, are greater than five percent of their total income during the last fiscal year.

#### **Article 41.- The Annual Corporate Governance Report**

1. The Board of Directors shall annually approve an annual corporate governance report for the Company with all of the legally required wording along with any other information deemed appropriate. In particular, the report must offer a detailed explanation of the Company's governance system structure and its functioning in practice, particularly including a description of the main characteristics of internal oversight and risk management systems in relation to the process of issuing financial information.
2. The annual corporate governance report shall be approved prior to publication of the call for an ordinary Company General Meeting of Shareholders for the year referred and will be made available to shareholders along with all other General Meeting documentation.
3. The Company will include the annual corporate governance report in a section separate from the management report.
4. In addition, the annual corporate governance report shall be published as provided for by securities market regulations. In particular, the report shall be published just like any other relevant information.

#### **Article 42.- Annual Report on the Remuneration of Directors**

1. Along with the annual corporate governance report, the Board of Directors must prepare and disseminate an Annual Report on the Remuneration of Directors which shall include complete, clear and comprehensible information on the directors' remuneration policy applicable to the year in progress. It will also include an overall summary of how the remuneration policy was applied during the year ended as well as itemized individual remuneration paid for all concepts to each of the directors during the year.
2. This report shall be submitted to voting for consultation purposes as a separate item on the agenda during the ordinary General Meeting of Shareholders.
3. The Company will include the Annual Report on the Remuneration of Directors in a section separate from the management report along with the annual corporate governance report.
4. The Annual Report on the Remuneration of Directors shall be disseminated like any other relevant Company information simultaneously to the annual corporate governance report and will

remain accessible at the Company's website and on the Spanish National Securities Market Commission website for free for a minimum period of ten years pursuant to the laws in effect.