



# Regulations of the Board of Directors



23 February 2021

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## PRELIMINARY TITLE

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### Article 1. Definition and Purpose

1. The *Regulations of the Board of Directors* (the “**Regulations**”) of IBERDROLA, S.A. (the “**Company**”), in compliance with applicable legislation and as part of the Governance and Sustainability System, constitute its specific and concrete system of organisation, which further develops and supplements applicable legal and bylaw-mandated rules, taking into consideration the nature of the Company as a holding company and as the controlling entity of those included within its group (the “**Group**”).
2. These *Regulations* have been prepared taking into account the good governance recommendations generally recognised in international markets.
3. The *Regulations* contain the principles of conduct of the Board of Directors of the Company, the basic rules for the organisation and operation thereof, and the rules for the selection, appointment, re-election, removal and conduct of its members, in order to achieve the greatest degree of transparency, effectiveness and control in the performance of its duties to develop and fulfil the corporate interest.
4. The principles of conduct and the rules for organisation and operation of the management decision-making bodies existing at other companies belonging to the Group shall be governed by their respective internal regulations, if any. Such regulations shall conform to the principles set forth in these *Regulations*, without prejudice to any adjustments that may be required based on the specific circumstances of each company, and shall, in all cases, abide by the guarantees required by the Governance and Sustainability System and the principles of coordination and information-sharing that must govern the relations among the management decision-making bodies of the various companies of the Group in order for them to fully comply with their respective duties.

### Article 2. Scope

1. These *Regulations* apply to the Board of Directors, the representative decision-making bodies thereof (whether collective or single-person) and its internal committees, as well as to all members thereof.
2. The persons to whom these *Regulations* apply shall have the duty to be apprised of them, to comply with them and to enforce them, for which purpose the secretary of the Board of Directors shall provide them with a copy that has been updated with subsequent amendments as they are approved, to be acknowledged by means of a signed receipt, and shall also make it available thereto on the directors’ website and publish it on the Company’s corporate website.
3. The directors shall comply with and enforce the provisions of the Governance and Sustainability System and shall confirm such commitment in writing upon accepting their appointment or re-election in such manner as is determined by the secretary of the Board of Directors.

### Article 3. Dissemination

These *Regulations* and any amendments hereto shall be communicated to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and registered with the Commercial Registry (*Registro Mercantil*) pursuant to applicable legal provisions. The current text of these *Regulations* shall be made available on the Company’s corporate website.

### Article 4. Priority and Interpretation

1. These *Regulations* further develop and supplement applicable legal and by-law provisions, which provisions shall prevail in the event of conflict with the provisions set forth herein, and shall be interpreted in accordance with law and the Governance and Sustainability System.
2. Any questions that may arise in connection with the interpretation or application hereof shall be resolved by the Board of Directors, which shall include such amendments, if any, as it deems appropriate.

### Article 5. Amendment

1. The Board of Directors may, by resolution adopted by at least a two-thirds majority of the directors present at the meeting in person or by proxy, amend these *Regulations* on its own initiative, or on the initiative of its chairman, of one-third of the directors or of the Sustainable Development Committee, with the proposed amendment to be accompanied by a description of the reasons for and the scope of the amendment sought.
2. The proposed amendments shall be accompanied by a report of the Sustainable Development Committee, unless the initiative comes from the committee itself or from the Board of Directors.
3. Before holding the meeting of the Board of Directors called to decide upon the aforementioned proposed amendment, the entire text thereof, the report with the rationale therefor and the report of the Sustainable Development Committee, if appropriate, shall be made available to the directors.
4. The Board of Directors shall inform the shareholders of any amendment to the *Regulations* approved thereby at the next General Shareholders’ Meeting.

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## TITLE I. PRINCIPLES OF CONDUCT

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### Article 6. Main Principles of Conduct

The fundamental guidelines for the conduct of the Board of Directors, in addition to strict observance of applicable law, are compliance with the Governance and Sustainability System, effective engagement of the shareholders and other Stakeholders, satisfaction of the corporate interest, commitment to the social dividend and the conformance of its work and that of all of its members to the Company’s *Code of Ethics*.

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### Article 7. Governance and Sustainability System

1. The Board of Directors shall at all times comply with the provisions of the Governance and Sustainability System, without prejudice to the powers that it vests therein to further develop, apply and integrate the rules of which it consists, in order to at all times ensure the achievement of its purposes, and particularly the corporate interest.
2. For purposes of maintaining the proper unity and coherence of the Governance and Sustainability System, the Board of Directors may, on its own initiative, approve reforms that simultaneously affect several documents of the Governance and Sustainability System where the approval thereof is within the purview of the Board of Directors, in which case there shall be no need for a prior proposal or report from any other body.
3. The Board of Directors shall always act in accordance with the provisions of the *Purpose and Values of the Iberdrola group*, which reflect its *raison d'être* and the key values that inspire and guide the strategy of the Group and all of its actions.

### Article 8. Corporate Interest

1. The Board of Directors shall carry out its duties with unity of purpose and independent judgement, always in pursuit of the Company's corporate interest, which is understood as the common interest of all shareholders of an independent company focused on the sustainable creation of value by engaging in the activities included in its corporate object, taking into account other Stakeholders related to its business activity and its institutional reality, in accordance with the *Purpose and Values of the Iberdrola group*.
2. The Board of Directors shall endeavour to ensure that the chairman of the Board of Directors, as well as the Executive Committee and the chief executive officer, pursue the corporate interest.

### Article 9. Shareholders and Stakeholders

The Board of Directors shall endeavour to ensure the effective engagement of the shareholders and other Stakeholders in the business, corporate and institutional enterprise of the Company, affording equal treatment to all shareholders in the same situation.

### Article 10.- Social Dividend

The Board of Directors and its delegated bodies shall perform their duties while endeavouring to ensure that the social dividend, which is conceived, consistently with the *Purpose and Values of the Iberdrola group* and the *Code of Ethics*, as the direct, indirect or induced contribution of value of the Company's activities for all Stakeholders, particularly by contributing to the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations.

### Article 11. Ethical Requirements

1. The Company aspires for its conduct and that of the persons connected therewith to conform and adhere not only to applicable law and its Governance and Sustainability System but also to ethical principles and generally accepted principles of social responsibility. The Board of Directors has the authority for such purpose to approve a *Code of Ethics* that reflects this commitment, applicable to the directors, professionals and suppliers of the companies of Group.
2. The Board of Directors shall adopt the measures necessary to ensure that the directors, professionals and suppliers of the companies of the Group comply with the provisions of the *Code of Ethics*.

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## TITLE II. STRUCTURE AND POWERS

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### Article 12. Structure

Management of the Company is vested in a Board of Directors, its chairman, an executive committee called the Executive Committee (*Comisión Ejecutiva Delegada*) and, if so resolved by the Board of Directors, a chief executive officer (*consejero delegado*).

### Article 13. Powers of the Board of Directors

1. The Board of Directors has the power to adopt resolutions regarding all matters not assigned by law or the *By-Laws* to the shareholders acting at a General Shareholders' Meeting.
2. The Board of Directors has the broadest powers and authority to manage and represent the Company.
3. Notwithstanding the foregoing, pursuant to the Governance and Sustainability System, the Board of Directors shall focus its activity on approving the strategic goals of the Group, on defining its organisational model and on supervising compliance therewith and further development thereof. The Board of Directors may rely on the Executive Committee to perform this supervisory duty.

Without prejudice to the non-delegable powers provided for by law and the Governance and Sustainability System, the Board of Directors shall generally entrust the duties of organisation and strategic coordination of the Group to the chairman of the Board of Directors, to the chief executive officer and to the management team, who shall disseminate, implement and supervise the general strategy and basic guidelines established by the Board of Directors.

4. The Board of Directors shall supervise the activities of the chairman of the Board of Directors, of the chief executive officer and of the Executive Committee, and shall guarantee the effectiveness of the checks and balances system provided for by law and the Governance and Sustainability System.
5. The main function of the Company is to act as the parent company of the Group. In this regard, the Board of Directors shall decide on the creation of country subholding companies in the countries it considers appropriate. Country subholding companies group together the equity stakes in the Group's head of business companies and carry out the function of organisation and coordination in relation to one or more countries and/or businesses, disseminating, implementing and ensuring compliance with the policies, strategies and general guidelines of the Group based on the characteristics and unique aspects of their respective countries and/or businesses. Also, to centralise the provision of services common to their subsidiaries, in accordance with the

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provisions of applicable law and especially the legal provisions regarding the separation of regulated activities.

6. The Board of Directors shall design, evaluate and review the Governance and Sustainability System on an ongoing basis. In particular, it shall approve the *Purpose and Values of the Iberdrola group* and shall attend to the approval and update of the corporate policies, which shall further develop the principles reflected in the *By-Laws* and other elements of the Governance and Sustainability System and codify the guidelines that should govern the activities of the Company and of the companies within the Group, as well as its directors, management personnel and other professionals. The corporate policies shall group together those relating to environmental, social and corporate governance and regulatory compliance aspects.
7. The Board of Directors, within its powers regarding approval of the strategic goals of the Group and the definition of its organisational model, shall occupy itself with the following matters, among others:
  - a. Establish, within legal limits, the policies and strategies of the Group and the basic guidelines for the management thereof, entrusting to the management decision-making bodies and to the management of the head of business companies of the Group the duties of day-to-day administration and effective management of each business.
  - b. Supervise, with the support of the Executive Committee, the chairman of the Board of Directors, the chief executive officer and the management team, as well as the country subholding companies within their respective countries, the general development of such policies, strategies and guidelines by the head of business companies of the Group, establishing appropriate mechanisms for the exchange of information in the interest of the Company and of the companies included within the Group.
  - c. Agree with each of the listed country subholding companies of the Group on their respective special framework of strengthened autonomy and ensure compliance therewith.
  - d. Decide on matters of strategic importance at the Group level.
8. In particular, the Board of Directors, acting upon its own initiative or at the proposal of the corresponding internal decision-making body, shall occupy itself with the matters set forth below (as an example only):
  - A. With respect to the engagement of the shareholders in corporate life and with the General Shareholders' Meeting:
    - a. Lead the strategy of engaging the shareholders in corporate life and establishing a policy that actively promotes it.
    - b. Call the General Shareholders' Meeting, set the agenda of the call to meeting, formulate the corresponding proposed resolutions regarding each of the items on said agenda and approve the rules for implementation of the provisions of the Governance and Sustainability System relating to the holding thereof.
    - c. Propose the amendment of the *By-Laws* and the *Regulations for the General Shareholders' Meeting* to the shareholders at a General Shareholders' Meeting.
    - d. Submit to a decision by the shareholders at a General Shareholders' Meeting the assignment to dependent entities of core activities theretofore carried out by the Company, even though the Company retains full control of such entities.
    - e. Submit to a decision by the shareholders at a General Shareholders' Meeting transactions for the acquisition or disposition of essential operating assets.
    - f. Submit to a decision by the shareholders at a General Shareholders' Meeting transactions having an effect equivalent to the liquidation of the Company.
    - g. Carry out the resolutions approved by the shareholders at a General Shareholders' Meeting and perform any duties that the shareholders have entrusted thereto.
    - h. Approve a policy for the payment of bonuses for attending the General Shareholders' Meeting.
    - i. Generally, submit to the shareholders at a General Shareholders' Meeting all those matters within its purview under applicable law.
  - B. With respect to the policies and strategies of the Company and of the Group and the corporate and governance structure thereof:
    - a. Approve the *Purpose and Values of the Iberdrola group*.
    - b. Establish the general policies and strategies of the Company and of the Group.
    - c. Approve the strategic or business plan, as well as the management goals and annual budgets, the investment and financing policy, the corporate responsibility policy and the shareholder remuneration policy.
    - d. Define the corporate and governance structure of the Group.
    - e. Establish the policy for the control and management of risks, including tax risks, and the supervision of the internal information and control systems.
    - f. Determine the Company's tax strategy and approve investments or transactions with particular tax risks due to the elevated amount or special characteristics thereof.
    - g. Establish the shareholders remuneration policy and propose to the shareholders acting at a General Shareholders' Meeting the decisions it deems most appropriate regarding the application of results and the distribution of dividends, as well as approve the payment of interim dividends. The Board of Directors may also propose other modes of shareholder remuneration.
    - h. Establish the policy regarding own shares.
    - i. Oversee that the country subholding companies comply with the legal provisions on regulated activities within their respective jurisdictions.
    - j. Take note of mergers, split-offs, concentrations or overall assignments of assets and liabilities affecting any of the country subholding companies or head of business companies of the Group.

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- k. Approve the creation or acquisition of equity interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, might diminish the transparency of the Group.
  - l. Upon a proposal of the Audit and Risk Supervision Committee, approve the *General Framework for Relations of Coordination and Information among the Audit Committees of Iberdrola, S.A. and its group*, as well as the *Basic Internal Audit Regulations*.
- C. With respect to the organisation of the Board of Directors and the delegation of powers and the granting of powers of representation:
- a. Approve and amend these *Regulations*.
  - b. Define the structure of general powers to be granted by the Board of Directors or by the delegated management decision-making bodies and the general rules governing the powers-of-attorney granted by the companies of the Group.
  - c. Supervise the effective operation of the committees it has created and the activities of the delegated decision-making bodies and of the members of senior management that it has appointed.
  - d. Under the coordination of the Appointments Committee, perform an annual evaluation of its operation and of its committees, and based on the results thereof design an action plan that corrects any detected deficiencies.
- D. With respect to the information to be provided by the Company:
- a. Manage the provision of information regarding the Company to the shareholders and the markets in general, pursuant to standards of equal treatment, transparency and truthfulness.
  - b. Prepare the annual accounts, the management report and the proposed allocation of the Company's results, as well as the consolidated annual accounts and management report.
  - c. Approve the financial information that the Company must periodically make public due to its status as listed company, ensuring that such documents provide a true and fair view of the assets and liabilities, the financial position and the results of the Company in accordance with the provisions of law.
  - d. Prepare the statement of non-financial information and appoint the independent assurance provider responsible for assurance of the information included therein.
  - e. Approve the *Annual Corporate Governance Report*, the integrated report, the Annual Director Remuneration Report and any other report that the Board of Directors deems advisable in order to better inform shareholders and investors or that is required by law.
- E. With respect to the directors and members of senior management:
- a. Designate directors to fill vacancies by interim appointment (co-option) and propose to the shareholders at a General Shareholders' Meeting the appointment, ratification, re-election or removal of directors.
  - b. Designate and renew internal positions within the Board of Directors and the members of and positions on the committees established within the Board of Directors.
  - c. Propose to the shareholders at the General Shareholders' Meeting the approval of the director remuneration policy upon the terms established by law and the Governance and Sustainability System, and make decisions regarding the remuneration thereof within the framework of the *By-Laws* and the provisions of said policy.
  - d. Appoint the directors that are to perform executive duties and remove them, setting the remuneration to which they are entitled by reason of their executive duties and the other terms of their contracts, conforming to the director remuneration policy approved by the shareholders at the General Shareholders' Meeting.
  - e. Approve the plan for succession and temporary replacement of the chairman of the Board of Directors.
  - f. Approve, upon a proposal of the chief executive of the Company, the determination and modification of the Company's organisational chart, the appointment and removal of the members of senior management and other executives required by law, as well as the establishment of the basic terms of their contracts, including their remuneration and the compensation or severance payments in the event of removal.
- As an exception to the foregoing, following a report from the Appointments Committee, the Audit and Risk Supervision Committee shall, if applicable, submit to the Board of Directors a proposal supported by the corresponding report regarding the selection, appointment or removal of the director of the Internal Audit Area.
- Members of senior management shall be all those members of management who report directly to the Board of Directors, to the chairman thereof or to the chief executive officer of the Company, as well as any other member of management that the Board of Directors acknowledges as such upon a proposal of the chairman thereof or the chief executive officer, and in any event the director of the Internal Audit Area.
- g. Decide on the authorisation or release from obligations arising from the duty of loyalty established by law (unless the decision regarding the authorisation or release legally corresponds to the shareholders acting at a General Shareholders' Meeting).
- F. Other powers:
- a. Decide on the approval of transactions that the Company or companies of its Group engage in with directors or shareholders holding a significant interest or that are represented on the Board of Directors, as well as with persons related thereto, upon the terms established by law and the Governance and Sustainability System.
  - b. Declare its position regarding all takeover bids for securities issued by the Company.

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- c. Decide on proposals submitted thereto by the Executive Committee, the chairman of the Board of Directors, the chief executive officer, the lead independent director and the committees of the Board of Directors.
  - d. Make decisions regarding any other matter within its purview that the Board of Directors believes to be in the interest of the Company or that these Regulations reserve to the Board as a whole. Those powers reserved by law or the Governance and Sustainability System for direct exercise by the Board of Directors may not be delegated.
9. Notwithstanding the foregoing, when there are urgent and duly justified circumstances, and the law so permits, the Executive Committee or the chief executive officer may make decisions regarding those matters referred to in the preceding sections, which must be ratified at the first meeting of the Board of Directors held after the making thereof.
10. In connection with such matters included in this article as may be appropriate, the Board of Directors shall act in coordination with the management decision-making bodies of the other companies forming part of the Group, acting in the common interest of all of them.

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### TITLE III. COMPOSITION

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#### Article 14. Number of Directors

1. The Board of Directors shall be composed of a minimum of nine and a maximum of fourteen directors, who shall be appointed or ratified at a General Shareholders' Meeting, in accordance with law and the Governance and Sustainability System.
2. The determination of the number of directors shall be the purview of the shareholders acting at a General Shareholders' Meeting, for which the shareholders may establish such number either by express resolution or through the filling or non-filling of vacancies or the appointment of new directors.
3. The Board of Directors must submit a proposal to the shareholders at a General Shareholders' Meeting, setting forth the number of directors best suited to ensuring the efficient operation thereof and proper degree of representation of the Board, and to reflecting an appropriate balance of experience and expertise, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters dealt with.
4. The Board of Directors shall take into account the circumstances of the Company and generally accepted good governance recommendations for purposes of the preceding section.
5. The foregoing shall be deemed to be without prejudice to the system of proportional representation to which the shareholders are entitled under the provisions of law.

#### Article 15. Classes of Directors

1. Those directors who perform management duties within the Company or its Group, whatever the legal relationship they maintain, shall be deemed executive directors.
2. All other directors of the Company, whether proprietary, independent or other external, shall be deemed non-executive directors:
  - a. Proprietary directors (*consejeros dominicales*): those directors who own a shareholding interest that is equal to or greater than that legally regarded as significant at any time, or who have been appointed owing to their status as shareholders, even if their shareholding interest does not reach such amount, as well as those representing the shareholders described above. However, if any of such directors at the same time performs management duties within the Company or the Group, such director shall be deemed an executive director.
  - b. Independent directors: those directors who, having been appointed because of their personal and professional qualities, may carry out their duties without being constrained by relationships with the Company or its Group, its significant shareholders, its management personnel or with the other directors. Neither those directors who have been directors for a continuous period of more than twelve years, nor those who are in any of the other situations established for these purposes by law, may be deemed independent directors.
  - c. Other external directors: those directors who are not executive directors and also do not fit the description of a proprietary or independent director.
3. Proprietary directors who cease to have such status as a result of the shareholder which proposed their appointment selling its interest may only be re-elected as independent directors when such shareholder has sold all of its shares of the Company and they meet the other requirements for classification as such.
4. A director who has a shareholding interest in the Company may have the status of independent director provided that the director satisfies all of the conditions established by law and, in addition, the interest held thereby is not significant in accordance with applicable legal provisions.
5. The Board of Directors shall endeavour to ensure that the number of executive directors is the minimum necessary, taking into account the complexity of the Group and the percentage interest held by executive directors in the share capital of the Company, and that a majority of the members of the Board of Directors are independent directors. The relation between the number of proprietary directors and the number of independent directors shall reflect, as far as possible, the ratio of the Company's voting share capital represented by proprietary directors to the rest of the share capital.
6. A rationale for the status of each director shall be given by the Board of Directors at the General Shareholders' Meeting at which the appointment thereof must be made or ratified, and shall be maintained or, if applicable, modified annually in the *Annual Corporate Governance Report* after verification by the Appointments Committee.
7. The preceding instructions are mandatory for the Board of Directors, which shall follow them in the exercise of its powers to propose appointments or re-elections at a General Shareholders' Meeting and to make interim appointments of directors to fill vacancies (co-option), and when legally possible merely constitute guidance for the shareholders at the General Shareholders' Meeting.

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## TITLE IV. APPOINTMENT AND CESSATION OF OFFICE OF DIRECTORS

### Article 16. Selection of Candidates

1. The Board of Directors and the Appointments Committee, within the scope of their powers, shall endeavour to ensure that the candidates proposed to the shareholders at a General Shareholders' Meeting for appointment or re-election as directors, as well as the directors appointed directly to fill vacancies in the exercise of the power of the Board of Directors to make interim appointments (co-option), are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties.
2. The selection of candidates shall endeavour to ensure that an appropriate balance is achieved within the Board of Directors as a whole that enriches decision-making and the contribution of multiple viewpoints to the discussion of the matters within its purview.
3. By way of guidance only, it shall also consider the appropriateness of the directors generally not exceeding the age of seventy years.
4. The Board of Directors shall endeavour to ensure that the procedures for selecting candidates favour diversity of gender, experience and knowledge, and are free from any implied bias entailing any kind of discrimination and, in particular, that they favour the selection of female directors.
5. The Board of Directors shall approve a *Board of Directors Diversity and Member Selection Policy* that specifically develops the principles set forth in the preceding sections. Any director may suggest candidates to the Appointments Committee, which may take them into account if they meet the requirements set forth in these *Regulations* and in the *Board of Directors Diversity and Member Selection Policy*.
6. In the case of a corporate director, the person representing it in the exercise of the duties of the position shall be subject to the same requirements and disqualifications applicable to individual directors. The duties established for directors in the Governance and Sustainability System shall also be applicable thereto and required thereof.

### Article 17. Appointment

1. The directors shall be appointed by the shareholders acting at a General Shareholders' Meeting pursuant to the provisions of law and, to the extent applicable, the Governance and Sustainability System.
2. The proposals for appointment and re-election of directors that the Board of Directors submits to a decision by the shareholders acting at a General Shareholders' Meeting, and the decisions made by the Board of Directors in the exercise of the legally-assigned power to make interim appointments to fill vacancies (co-option), shall be preceded by a corresponding proposal of the Appointments Committee, in the case of independent directors, or a report from such committee, in the case of other directors.
3. The Appointments Committee must propose or report in each case on the assignment of the director to one of the categories contemplated in these *Regulations* and review it on an annual basis.

The proposals and reports of the Appointments Committee shall expressly assess the candidates' respectability, capability, expertise, competence, experience, qualifications, training, availability and commitment to their duties. For these purposes, the Appointments Committee shall determine the estimated time of dedication for non-executive directors, in number of hours per year, setting forth such number in the corresponding report or proposal.
4. If the Board of Directors deviates from the proposals and reports of the Appointments Committee, it shall give reasons for so acting and shall record such reasons in the minutes.
5. At the time of accepting their position, directors must, in addition to their commitment in writing to comply and cause compliance with the provisions of the Governance and Sustainability System upon the terms of article 2.3 above, expressly acknowledge their commitment to the defence of the corporate interest, which must prevail over any other individual or third-party interest, state whether they have any kind of relationship with shareholders owning a significant interest in the Company, and report on any other type of conflict of interest.
6. The required support shall be provided in order for new directors to become rapidly and adequately acquainted with the Company and its Group, such that they can actively perform their duties as such and, if so appointed, as members of any of the committees of the Board of Directors as from their appointment as such. To this end, an *Orientation Programme* shall be made available to them through the directors' website, and which shall cover at least the following aspects:
  - a. Business and organisational model of the Company and its Group: global view of the strategy, the principal areas of business activity, the most significant risks (both financial and non-financial), the Group's commitment to sustainability, the Company's reporting obligations, and the rules on compliance and internal control.
  - b. Corporate, governance and ownership structure: operation of the main corporate decision-making bodies, including the role of the Board of Directors and of each of its committees, their responsibilities and objectives, and the expected dedication to the performance of the corresponding positions.
  - c. Governance and Sustainability System.
7. When circumstances so advise, the Company may establish knowledge refresher programmes for the directors.

### Article 18. Disqualifications

The following may not be appointed as directors or as individuals representing a corporate director:

- a. Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or members of senior management thereof, or such persons, if any, as are proposed by them in their capacity as shareholders.
- b. Individuals or legal entities serving as directors in more than five companies, of which no more than three may have shares trading on domestic or foreign stock exchanges.

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For purposes of the provisions of the preceding paragraph, positions within holding companies are excluded from the calculation. Furthermore, companies belonging to the same group shall be deemed to be a single company.

- c. Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets or other industries in which the Group operates.
- d. Individuals or legal entities that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the Group.

#### Article 19. Term of Office

1. The directors shall serve in their position for a term of four years, so long as the shareholders acting at a General Shareholders' Meeting do not resolve to remove them and they do not resign from their position.
2. Directors may be re-elected to one or more terms of four years.
3. Vacancies that occur may, pursuant to law, be filled by the Board of Directors until the next General Shareholders' Meeting, whereat the shareholders shall confirm the appointments or elect the persons who should replace directors who are not ratified, unless it decides to withdraw the vacant positions.

#### Article 20. Re-election

1. The proposals for re-election of directors that the Board of Directors resolves to submit to a decision of the shareholders at the General Shareholders' Meeting shall be subject to a procedure, which shall include a proposal (in the case of independent directors) or a report (in the case of the other directors) from the Appointments Committee, containing an analysis of the quality of the work performed and the dedication to the position shown by the proposed directors during the preceding term of office as well as an express evaluation of the respectability, capability, expertise, competence, availability and commitment to their duties.
2. Directors sitting on the Appointments Committee shall be evaluated by the committee itself, which shall use the internal and external means it deems appropriate for such purpose, and shall leave the meeting during the debate and voting of resolutions that may affect them.
3. The chairman, the vice-chairs and, if they are directors, the secretary and the deputy secretaries of the Board of Directors, who are re-elected as members of the Board of Directors by the shareholders acting at a General Shareholders' Meeting, shall continue to perform the duties they previously carried out within the Board of Directors, without the need for a new appointment. The foregoing is deemed to be without prejudice to the power of revocation belonging to the Board of Directors.
4. The re-election of the director holding the position of lead independent director shall not entail a continuation in the holding of such position, without prejudice to the Board of Directors being able to re-elect the director as such upon a proposal of the Appointments Committee.

#### Article 21. Resignation, Removal and Cessation of Office

1. Directors shall cease to hold office upon the expiration of the term of office for which they have been appointed or when it is so resolved by the shareholders at a General Shareholders' Meeting.
2. Directors who cease to hold office due to resignation or other reasons prior to the end of the period for which they were appointed shall sufficiently explain the reasons for their cessation or, in the case of non-executive directors, their opinion regarding the reasons for removal by the shareholders acting at a General Shareholders' Meeting, in a letter sent to all of the members of the Board of Directors. All of the foregoing shall be reported in the *Annual Corporate Governance Report*. Furthermore, to the extent relevant to investors, the Company shall publish the cessation in office as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.
3. Directors must submit their resignation to the Board of Directors in the following cases:

- a. When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or the Governance and Sustainability System.
- b. When, as a result of any acts or conduct attributable to the director, serious damage is caused to the value or reputation of the Company or there is a risk of criminal liability for the Company or any of the companies of the Group.
- c. When there are situations that affect them, whether or not related to their conduct within the Company itself, that might harm the good standing or reputation thereof.
- d. When they cease to deserve the respectability or to have the capability, expertise, competence, availability or commitment to their duties required to be a director of the Company.

In particular, when the activities performed by the director, or the companies that the director directly or indirectly controls, or the individual or corporate shareholders or those related to any of them, or the individual representing a corporate director, might compromise the suitability thereof.

- e. When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.
- f. When remaining on the Board of Directors might jeopardise the loyal and diligent exercise of their duties in accordance with the corporate interest for any reason, whether directly, indirectly or through persons related thereto.
- g. When the reasons why the director was appointed cease to exist and, in particular, in the case of proprietary directors, when the shareholder or shareholders who proposed, requested or decided the appointment thereof totally or partially sell or transfer their equity interest, with the result that such equity interest ceases to be significant or sufficient to justify the appointment.

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- h. When an independent director unexpectedly falls under supervening circumstances that prevent the director from being considered as such pursuant to the provisions of law.
4. In any of the instances set forth in section 3 above, the Board of Directors shall request the director to resign from such position and, if applicable, shall propose the director's removal from office to the shareholders at the General Shareholders' Meeting.
5. By way of exception, the resignation provisions set forth in letters f) and g) above shall not apply when, after a report from the Appointments Committee, the Board of Directors believes that there are reasons that justify the director's continuance in office. The foregoing shall be deemed without prejudice to the effect that the new supervening circumstances may have on the classification of the director.
6. In the event that an individual representing a corporate director falls under any of the circumstances set forth in section 3 above, such individual shall be disqualified from acting as a representative thereof.
7. The Board of Directors may propose the removal of an independent director before the passage of the period provided for in the *By-Laws* only upon sufficient grounds, evaluated by the Board of Directors after a report from the Appointments Committee. For such purposes, it shall be deemed that there are sufficient grounds in the event of a breach of the duties inherent in the position of director or when such director has subsequently become subject to any of the prohibitions set forth in section 3 of this article. Such removal may also be proposed as a consequence of public takeover bids, mergers or other similar corporate transactions resulting in a significant change in the shareholding structure of the Company.

#### Article 22. Duty to Abstain

The directors affected by proposals for appointment, re-election, removal from office, admonishment or the approval of a contract with the Company governing their remuneration and their other rights and duties in the case of executive directors, shall leave the meeting during the debate and voting on the respective resolutions.

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## TITLE V. POSITIONS AND COMMITTEES

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### Chapter I. Positions

#### Article 23. Chairman of the Board of Directors

1. The chairman of the Board of Directors shall be appointed from among the directors after a report from the Appointments Committee, and shall have the status of president of the Company and of chair of all of the corporate decision-making bodies of which the chairman is a member, which he shall permanently represent with the broadest powers.
2. The chairman of the Board of Directors shall be responsible for carrying out the resolutions thereof and of the other collective decision-making bodies that he presides over, being authorised in urgent cases to adopt such measures as the chairman deems advisable in furtherance of the corporate interest pursuant to law and the Governance and Sustainability System.
3. The chairman of the Board of Directors undertakes the senior management and representation of the Company and the leadership of the Board of Directors. He exercises the following powers in addition to the powers conferred by law and the Governance and Sustainability System:
  - a. To call and preside over meetings of the Board of Directors and the Executive Committee, setting the agenda for the meetings and directing the discussion and debate.
  - b. To stimulate and organise the debate and active participation of the directors during meetings, safeguarding their freedom to take positions and express their opinion.
  - c. To ensure, with the collaboration of the secretary, that the directors receive in advance information sufficient to deliberate on the items on the agenda.
  - d. To chair the General Shareholders' Meeting and direct the discussion and debate therein.
  - e. To bring to the Board of Directors those proposals that the chairman deems appropriate for the efficient running of the Company, particularly those corresponding to the operation of the Board of Directors itself and other corporate decision-making bodies, as well as to propose the persons, if any, who will hold office as vice-chair or vice-chairs, chief executive officer and secretary and, if applicable, deputy secretary or deputy secretaries of the Board of Directors and of the committees of the Board of Directors.
  - f. With the support of the Secretary of the Board of Directors, to provide to new directors with an *Orientation Programme* and the information needed to perform their duties, as well as to promote access by all directors to training materials and sessions that allow them to continuously refresh their knowledge.
  - g. To promote the work of the consultative committees of the Board of Directors and ensure that they carry out their duties and responsibilities efficiently and with due coordination, having an appropriate organisation for such purposes.
  - h. When they so deem appropriate, based on the results of the annual evaluation coordinated by the Appointments Committee, individually discuss with all or some of the directors the results of their personal evaluation, and any measures to be adopted to improve the performance thereof.
4. The Board of Directors may appoint one or more honorary chairmen of the Company.

#### Article 24. Vice-Chair or Vice-Chairs of the Board of Directors

1. The Board of Directors, upon a proposal of its chairman and after a report from the Appointments Committee, may elect from among its members one or more vice-chairs who shall temporarily replace the chairman of the Board of Directors, with all of the powers and duties thereof and in the order set forth in this article, in the event of non-occasional and unexpected vacancy, absence, illness or incapacity.

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2. If there is more than one vice-chair, the one that is expressly appointed by the Board of Directors for such purpose shall replace the chairman; in default of the foregoing, the vice-chair having the longest length of service in office; and, in case of equal lengths, the oldest.
3. If a vice-chair has not been appointed, the chairman shall be replaced by the lead independent director; in the absence thereof, by the director with the longest length of service in office, and in case of equal lengths, by the oldest.

#### **Article 25. Chief Executive Officer**

1. The Board of Directors may appoint a chief executive officer (*consejero delegado*) with the favourable vote of at least two-thirds of its members, with the powers it deems appropriate and which may be delegated pursuant to law and the Governance and Sustainability System.
2. The chief executive officer shall be appointed upon a proposal of the chairman and after a report from the Appointments Committee. If such position is held by the chairman himself, the proposal shall come from the Appointments Committee.
3. The chief executive officer shall exercise the power to represent the Company in an individual capacity.
4. In the event of the non-occasional and unexpected vacancy, absence, illness or incapacity of the chief executive officer, the duties thereof shall be temporarily assumed by the chairman of the Board of Directors. If both positions are held by the same person or if the latter cannot assume them for any other reason, by the vice-chair or director designated in accordance with the provisions of sections 2 and 3, respectively, of the preceding article, who shall call an urgent meeting of the Board of Directors to deliberate and decide upon the appointment, if appropriate, of one or more chief executive officers.

#### **Article 26. Checks and Balances System: Lead Independent Director**

1. The Governance and Sustainability System shall provide the measures necessary to ensure that neither the chairman of the Board of Directors, nor the chief executive officer or the Executive Committee, have a decision-making power that is not subject to appropriate checks and balances.
2. The Board of Directors shall adopt the measures necessary to ensure that the chairman of the Board of Directors, the chief executive officer and the Executive Committee are under its effective supervision.
3. The appointment of an executive director as chairman of the Board of Directors shall require the favourable vote of at least two-thirds of the members of the Board of Directors.
4. If the chairman of the Board of Directors has the status of executive director, the Board of Directors, upon a proposal of the Appointments Committee and with the abstention of the executive directors, must necessarily appoint from among the independent directors a lead independent director (*consejero coordinador*), who shall be especially empowered, when the lead independent director deems it appropriate, to:
  - a. Chair the meetings of the Board of Directors in the absence of the chairman and of the vice-chairs.
  - b. Ask the chairman of the Board of Directors to call a meeting thereof and to participate with the chairman in the planning of the annual schedule of meetings.
  - c. Participate in the preparation of the agenda for each meeting of the Board of Directors and request the inclusion of matters on the agenda for meetings of the Board of Directors that have already been called.
  - d. Coordinate, gather and reflect the concerns of the non-executive directors.
  - e. Direct the periodic evaluation of the chairman of the Board of Directors and lead any process for the succession thereof.
5. The lead independent director may also maintain contacts with shareholders and proxy advisors when so decided by the Board of Directors or the delegated bodies thereof. In this case, the statements of the lead independent director shall only bind the Company when they are expressly supported by a resolution of the Board of Directors or such bodies.
6. The revocation of any of the foregoing powers shall require a prior report from the Appointments Committee, unless they are powers recognised under the law, in which case they may not be revoked.

#### **Article 27. Secretary, Deputy Secretary or Deputy Secretaries**

1. The Board of Directors, upon a proposal of the chairman thereof and after a report from the Appointments Committee, shall appoint a secretary and, if appropriate, one or more deputy secretaries, who need not be directors. The same procedure shall be followed to decide the removal of the secretary and, if appropriate, each deputy secretary.
2. The deputy secretary or deputy secretaries shall replace the secretary in the event of vacancy, absence, illness or incapacity. If there is more than one deputy secretary, the secretary of the Board of Directors shall be replaced by the corresponding one among them in accordance with the order established at the time of their appointment. In the absence of a secretary and deputy secretaries, the director that the Board of Directors itself appoints from among the attendees at the meeting in question shall serve as such.
3. The secretary of the Board of Directors shall coordinate the tasks of the secretaries of the committees of the Board of Directors as to all matters relating to the Governance and Sustainability System and to regulatory compliance.
4. The secretary of the Board of Directors shall perform the following duties in addition to those assigned thereto by law and the Governance and Sustainability System:
  - a. Maintain and keep custody of the corporate documents, duly record the proceedings of meetings in the minute books and certify the resolutions adopted and decisions made by the collective management decision-making bodies.
  - b. Ensure the formal and substantive legality of all activities of the collective management decision-making bodies and the adherence thereof to law and the Governance and Sustainability System. For such purpose, the secretary of the Board of Directors shall take into account, among others, the orders issued by regulatory authorities, as well as their recommendations, if any.

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- c. Advise the Board of Directors regarding the ongoing assessment and update of the Company's Governance and Sustainability System and report on new initiatives in the area of corporate governance at the domestic and international level, and endeavour to ensure that the Board of Directors takes into account those good governance recommendations for which non-compliance must be explained in the *Annual Corporate Governance Report*.
  - d. Maintain a dialogue with the National Securities Market Commission, unless the Board of Directors expressly assigns this duty to another person.
  - e. Generally act as a channel in relations between the Company and the directors in connection with all matters relating to the operation of the Board of Directors, in compliance with the instructions of the chairman thereof, and without prejudice to the powers of the lead independent director.
  - f. Assist the chairman of the Board of Directors so that the directors receive information relevant to the exercise of their duties sufficiently in advance and in the proper format.
  - g. Channel all requests from the directors regarding the information on and documentation of those matters that fall within the purview of the Board of Directors.
  - h. Decide the information that must be included in the Company's corporate website in compliance with law and the Governance and Sustainability System.
  - i. Act as secretary of the Executive Committee.
  - j. Act as secretary for the General Shareholders' Meeting.
  - k. Under the supervision of the chairman of the Board of Directors, provide the support required by the consultative committees of the Board of Directors so that they may effectively exercise their powers, ensuring that their activities, and particularly their respective meeting schedules and meeting agendas, as well as any appearances, are duly coordinated with those of the Board of Directors and the other committees, receiving and processing communications between the consultative committees and organising and channelling information flows.
  - l. Under the supervision of the Board of Directors, ensure that the consultative committees have the internal and external material and human resources that are appropriate and reasonably necessary to carry out its duties and responsibilities, channelling whatever petitions and requests are made for such purpose to the rest of the organisation.
  - m. Assist the Compliance Unit in handling investigations that affect a member of the Board of Directors, and specifically in selecting the investigating officer, who shall be a person from outside the Group to guarantee independence.
  - n. Inform the Board of Directors or, if applicable, the Executive Committee, of decision-making by the Company as the sole shareholder of its wholly-owned entities in the exercise of the powers of the shareholders at a general meeting, based on certifications of the minutes recording said decisions that are sent by the secretaries of said wholly-owned entities or by their directors in the absence thereof.
5. The secretary must expressly state for the record his opposition to resolutions that are contrary to law, to the Governance and Sustainability System or to the corporate interest, upon the terms set forth in letter f) of article 41.3.
  6. In order to properly perform the duties entrusted thereto, the secretary must have access to the minutes of the meetings of the committees of the Board of Directors for which the secretary is not acting as such.

#### **Article 28. General Secretary and Counsel**

1. The Board of Directors, after a report from the Appointments Committee, may appoint a general secretary, who shall contribute to integration and coordination between the Company and the companies forming part of the Group. The secretary of the Board of Directors, or one of the deputy secretaries thereof, if any, may hold the position of general secretary.
2. The Board of Directors, after a report from the Appointments Committee, shall appoint a counsel to the Board of Directors, who shall have the duties given thereto by law.
3. The counsel shall have access to the minutes of the meetings of the Board of Directors and its committees in order to verify that they comply with applicable legal provisions and with the Governance and Sustainability System.
4. The secretary or one of the deputy secretaries, if any, may perform the duties of counsel to the Board of Directors if they are attorneys-at-law and satisfy the other requirements established by law and it is so decided by the Board of Directors.
5. The general secretary and the counsel must comply with the directors' obligations established in these *Regulations* that may apply due to the nature thereof.

#### **Chapter II. Committees of the Board of Directors**

##### **Article 29. Committees of the Board of Directors**

1. The Board of Directors must create and maintain, as a part thereof and on a permanent basis, an Executive Committee, with the composition and duties described in these *Regulations*.
2. The Board of Directors must also create an Audit and Risk Supervision Committee, an Appointments Committee, a Remuneration Committee and a Sustainable Development Committee. Such committees shall have the composition and duties described in these *Regulations* and in the specific regulations thereof approved by the Board of Directors, the regulation of which shall always favour independence in the operation thereof.
3. In addition, the Board of Directors may create other committees or commissions of purely internal scope with such powers as are determined by the Board of Directors. The chair and the other members of such committees and commissions, as well as the secretary thereof, shall be appointed by the Board of Directors.
4. The committees shall be governed by their own rules and regulations, if any, which shall be approved by the Board of Directors, and in the alternative and to the extent not inconsistent with their nature, by the provisions of these *Regulations* governing

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the operation of the Board of Directors and, specifically, those governing the call to meetings, granting of a proxy to another member of the committee in question, establishment of a quorum, meetings without prior notice, proceedings at meetings and rules for adopting resolutions, voting in writing and without a meeting, and approval of the minutes of meetings.

5. The resolutions of the committees shall be adopted by absolute majority of its members who are present at the meeting in person or by proxy. In the event of a tie, the chair of the committee shall have the tie-breaking vote.
6. The committees of the Board of Directors shall act with due coordination in the defence of the corporate interest, contributing to the good corporate governance of the Company in accordance with the provisions of the Governance and Sustainability System. For these purposes, the chair of each committee shall inform the Board of Directors of the matters dealt with and the resolutions adopted during its meetings at the next meeting of the Board of Directors. In addition, within six months following the end of each financial year of the Company, each committee shall submit to the Board of Directors for approval a comprehensive report detailing its work during the prior financial year, which shall be included in an *Activities Report of the Board of Directors and of the Committees thereof*. This report shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders' Meeting.
7. In order to ensure the due coordination of the activities of the consultative committees, prior to the beginning of each financial year, the secretary of the Board of Directors shall send to the secretaries of such committees an annual plan, including the meeting schedule and planned agendas approved by the Board of Directors, in order for them to then be able to prepare the proposed meeting schedules of their respective committees, which shall include the tentative agenda as well as any appearances they deem necessary.

Based on the information received and the annual plan for meetings of the Board of Directors, the Secretary of the Board of Directors shall validate the proposals received, or make the appropriate comments, and once agreed upon, shall prepare an annual plan for meetings of the corporate decision-making bodies and so inform the secretaries of the committees and keep it continuously updated.

To this end, the secretaries of the consultative committees must notify the Secretary of the Board of Directors, for validation thereby, of any change in the dates, the items to be discussed or the appearances to be requested with respect to the annual meeting plan of the corporate decision-making bodies from time to time in effect.

8. Without prejudice to the provisions of the preceding section, the committees shall meet as many times as their respective chairs deem necessary to exercise the powers entrusted thereto. They shall also meet when so requested by a minimum of two of their members. The chairman of the Board of Directors and the chief executive officer may request informational meetings with any of the committees on an exceptional basis.
9. Any director may be asked to attend meetings of the committees at the request of the respective chair thereof, which request shall be addressed to the chairman of the Board of Directors for such purpose.
10. The committees may also seek, at the Company's expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the relevant committee.

### Article 30. Executive Committee

1. The Executive Committee shall have all of the powers of the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions. However, when there are urgent and duly justified circumstances, and the law so permits, the Executive Committee may make those decisions they deem appropriate for the corporate interest, which must be ratified at the first meeting of the Board of Directors held after the making thereof.
2. The Executive Committee shall be composed of the number of directors decided by the Board of Directors upon a proposal of the Appointments Committee, with a minimum of four and a maximum of eight directors, of which at least two shall be non-executive, at least one of which must be an independent director.
3. The appointment of the members of the Executive Committee and the permanent delegation of powers thereto shall be carried out by the Board of Directors with the favourable vote of at least two-thirds of the members thereof. The renewal thereof shall be carried out at the time and in the form and numbers decided by the Board of Directors.
4. The chairman of the Board of Directors and the chief executive officer shall form part of the Executive Committee.
5. Meetings of the Executive Committee shall be chaired by the chairman of the Board of Directors, and in the absence thereof, by one of the vice-chairs who is a member of the Executive Committee, and if none, by a director who is a member of the Executive Committee, in both cases pursuant to the order set forth in article 24.2 above.
6. The secretary of the Board of Directors or, in the absence thereof, any of the deputy secretaries or, in the absence of all of them, the director that the Executive Committee appoints from among its members in attendance, shall serve as secretary.
7. A director who is appointed as a member of the Executive Committee shall serve for the unexpired portion of such director's term of office, without prejudice to the Board of Directors' power of revocation. In the event that a member of the Executive Committee is re-elected as director, such member shall only continue to serve as a member of the Executive Committee if expressly re-elected as such by resolution of the Board of Directors.
8. The directors shall receive a copy of the minutes of the meetings of the Executive Committee.

### Article 31. Audit and Risk Supervision Committee

1. The Board of Directors shall create a permanent Audit and Risk Supervision Committee, an internal informational and consultative body without executive duties, with information, advisory and proposal-making powers within its scope of action.
2. The Audit and Risk Supervision Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee from among the non-executive directors who are



not members of the Executive Committee. A majority of such directors shall be independent, and at least one of them shall be appointed taking into account the knowledge and experience thereof in the areas of accounting, audit and risk management. Without prejudice to the foregoing, the Board of Directors and the Appointments Committee shall endeavour to ensure that the members of the Audit and Risk Supervision Committee as a whole, and especially the chair thereof, have the expertise, qualifications and experience appropriate for the duties they are called upon to perform in the area of accounting, auditing and management of risks, both financial and non-financial, and that at least one of them has experience in information technology. They shall also endeavour to ensure that as a whole the members of the Audit and Risk Supervision Committee have relevant technical knowledge in the finance and internal control area, as well as in relation to the energy sector.

3. The Board of Directors shall appoint the chair of the Audit and Risk Supervision Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director and who, in any event, must comply with the directors' obligations established in these *Regulations* that may apply due to the nature thereof.
4. Members of the Audit and Risk Supervision Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.
5. The chair of the Audit and Risk Supervision Committee shall hold office for a maximum period of four years, after which period the chair may not be re-elected until the passage of at least one year from ceasing to act as such, without prejudice to the continuance or re-election thereof as a member of the committee.
6. The Audit and Risk Supervision Committee shall have the powers set forth in law, in its own regulations, and in any event the following:
  - a. Conduct a periodic review of the risk policies on at least an annual basis and, if it so deems appropriate, propose the amendment and update thereof to the Board of Directors.
  - b. Approve the policy regarding the selection, contracting and relations with the statutory auditor.
  - c. Ensure that the annual accounts that the Board of Directors submits to the shareholders at the General Shareholders' Meeting are prepared in accordance with accounting standards, reporting thereto on the issues raised therein by the shareholders that are within the purview of the Audit and Risk Supervision Committee, and particularly with respect to the results of the audit of the annual accounts, explaining how it has contributed to the integrity of the financial information, and the role that it has played in such process, and if the auditor has included any qualification in the report, the opinion of the Audit and Risk Supervision Committee regarding the content and scope thereof.
  - d. Monitor the effectiveness of internal control at the Company and within its Group, as well as of their system for managing risks.
  - e. Together with the statutory auditors, analyse significant weaknesses in the internal control system detected during the audit, all without infringing upon the independence thereof. To this end, if appropriate, it may submit recommendations or proposals to the Board of Directors and the corresponding follow-up period.
  - f. Supervise the process of preparing and presenting mandatory financial information and submit recommendations or proposals to the Board of Directors to protect the integrity of this information.
  - g. Propose to the Board of Directors, for submission to the shareholders at the General Shareholders' Meeting, its recommendation and preference for the appointment of a new statutory auditor, pursuant to the provisions of law and the *Statutory Auditor Contracting and Relations Policy*. The proposal of the Board of Directors to the shareholders at the General Shareholders' Meeting must include the recommendation and preference of the Audit and Risk Supervision Committee as provided by law.
  - h. Propose to the Board of Directors for submission to the shareholders at a General Shareholders' Meeting the re-election of the statutory auditors, as well as the terms for the hiring thereof, in accordance with applicable legal provisions, and regularly receive therefrom information regarding the audit plan and the implementation thereof, in addition to preserving the independence thereof in the performance of their duties.
  - i. In relation to the statement of non-financial information: (i) supervise the process of preparing and presenting the non-financial information regarding the Company and its Group; (ii) propose to the Board of Directors the appointment of the independent assurance provider responsible for assurance of the information included therein; and (iii) report to the Sustainable Development Committee on the process of preparing and presenting the statement of non-financial information as well as on the clarity thereof and on the integrity of the content thereof. Said report shall be issued prior to the report that must be issued by the Sustainable Development Committee regarding the aforementioned statement of non-financial information and the preparation thereof by the Board of Directors.
  - j. Supervise the activities of the Internal Audit Area and the Risk Management and Internal Assurance Division, which are functionally controlled by the Audit and Risk Supervision Committee.
  - k. Authorise in advance the services other than those prohibited by legal provisions governing audit activities that the Company's audit firm or the persons or entities connected thereto will provide to companies of the Group, all as provided by law and the *Statutory Auditor Contracting and Relations Policy*.
  - l. Establish appropriate relationships with the statutory auditors to receive information regarding matters that might entail a threat to the independence thereof, for examination by the Audit and Risk Supervision Committee, and any other information related to the development of the audit procedure, as well as such other communications as are provided for in the laws on auditing of accounts and in other legal provisions on auditing.

In any event, it must receive written confirmation from the statutory auditors on an annual basis of their independence in relation to the Company or entities directly or indirectly related thereto, as well as a detailed breakdown of information on additional services of any kind provided to and the corresponding fees received from such entities by such statutory



auditors or persons or entities related thereto, pursuant to the legal provisions governing the auditing of accounts.

- m. On an annual basis, prior to the audit report, issue a report containing an opinion on whether the independence of the statutory auditors is compromised, which shall be made available to the shareholders upon the terms set forth in the *Regulations for the General Shareholders' Meeting*. This report shall contain a reasoned assessment of the provision of each and every one of the additional services other than the legal audit referred to in the preceding letter, considered individually and as a whole, and in relation to the rules on independence or the legal provisions regarding the auditing of accounts.
  - n. Report in advance to the Board of Directors regarding the financial information that the Company must disclose on a regular basis because of its status as a listed company; the committee shall make sure that the interim financial statements are prepared in accordance with the same accounting standards as the annual accounts and, for such purpose, it shall consider the appropriateness of a limited review by the statutory auditor.
  - o. Report to the Board of Directors, prior to the Board's decision thereon, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might diminish the transparency of the Group, unless such transactions are carried out by listed country subholding companies of the Group or by subsidiaries thereof, in which case the audit and compliance or similar body of such listed country subholding company shall be responsible for issuing the relevant report.
  - p. Report on the structural modifications and corporate transactions to be undertaken by the Company, analysing the economic terms and conditions thereof, including if appropriate the exchange ratio as well as the accounting impact thereof.
  - q. Issue such other reports and take such other actions as may also fall within its purview pursuant to the Governance and Sustainability System or as may be requested by the Board of Directors or the chairman thereof.
7. The chair of the Committee may request, through the secretary of the Board of Directors and without prejudice to the provisions of the *Regulations of the Audit and Risk Supervision Committee*, the attendance of any director, member of management or professional of the Company and of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto. The secretary of the Board of Directors shall evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the committee, the identity of the person whose attendance is requested and the meeting schedules of the corporate decision-making bodies from time to time in effect.
8. The Audit and Risk Supervision Committee may also request the presence of the statutory auditors at its meetings.

#### Article 32. Appointments Committee

1. The Board of Directors shall create a permanent Appointments Committee, which shall be an internal informational and consultative body without executive duties, with information, advisory and proposal-making powers within its scope of action.
2. The Appointments Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors, and the majority thereof must be classified as independent.
3. The Board of Directors shall appoint a chair of the Appointments Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director and who, in any event, must comply with the directors' obligations established in these *Regulations* that may apply due to the nature thereof.
4. The Board of Directors shall endeavour to ensure that the members of the Appointments Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform, particularly in the following areas: corporate governance, strategic human resources analysis and evaluation, selection of directors and management personnel, and performance of senior management duties.
5. Members of the Appointments Committee shall be appointed for a maximum term of four years, and may be re-elected on one or more occasions for terms of the same maximum length.
6. The Appointments Committee shall have the powers set forth in law, in its own regulations, and in any event the following:
  - a. Report on and review the criteria that should be followed in composing the Board of Directors and in selecting candidates, and particularly the necessary competence, knowledge and experience, and assess the time and dedication required for the proper performance of their work. In the exercise of this power, the Appointments Committee shall take into account, regarding non-external directors, the relation between the number of proprietary directors and the number of independent directors, such that the composition of the Board of Directors reflects, as far as possible, the ratio of the Company's voting share capital represented by proprietary directors to the rest of the share capital.
  - b. Evaluate compliance with the *Board of Directors Diversity and Member Selection Policy*.
  - c. Ensure that when new vacancies are filled or new directors are appointed, the selection procedures are free from any implied bias entailing any kind of discrimination and, in particular, from any bias that may hinder the selection of female directors.
  - d. Establish a goal for representation by the less represented gender on the Board of Directors and prepare guidance on how to reach this objective.
  - e. Bring proposed appointments of independent directors to the Board of Directors for appointment on an interim basis to fill a vacancy (co-option) or for submission of such proposals to a decision by the shareholders at the General Shareholders' Meeting, as well as proposals for the re-election or removal of such directors by the shareholders at the General Shareholders' Meeting, and report on the proposals for removal of such directors made by the Board of Directors.
  - f. Report on the proposals for appointment of the other directors for the interim appointment (co-option) thereof to fill a vacancy or for the submission of such proposals to a decision by the shareholders at the General Shareholders' Meeting, as well

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as the proposals for re-election or removal of such directors by the shareholders at the General Shareholders' Meeting.

- g. Report on and make proposals for appointment to internal positions on the Board of Directors and proposals relating to the appointment of the members that must make up each of the committees, verifying and confirming compliance with the requirements of expertise and experience in connection with the powers of the committee in question and, in particular, those of the Audit and Risk Supervision Committee.
  - h. Establish and supervise an annual programme for continuous evaluation and review of the qualifications and, if applicable, independence of the directors, as well as of ongoing compliance thereby with the requirements of respectability, capability, expertise, competence, availability and commitment to their duties as directors and as members of a given committee, and propose to the Board of Directors such measures as it deems advisable in this regard, with the power to collect any information or documentation that it deems necessary or appropriate for such purposes.
  - i. Coordinate the evaluation of the operation of the Board of Directors and of the committees thereof, and submit to the full board the results of said evaluation together with a proposed action plan or with recommendations to correct any potential detected deficiencies or to improve the operation of the Board of Directors or the committees thereof.
  - j. Examine and organise the succession of the chairman of the Board of Directors and of the chief executive of the Company and, if applicable, make proposals to the Board of Directors for such succession to occur in an orderly and well-planned fashion, in accordance with the succession plan approved by the Board of Directors.
  - k. Supervise the process of selecting candidates for members of senior management of the Company and report on the proposals of the Company's chief executive regarding the appointment or removal of members of senior management.
  - l. Report on or prepare the Company's proposals regarding the appointment or removal of the independent directors of the country subholding companies as well as of the companies within the Group and of those in which it has an interest and whose direct or indirect owner is not a country subholding company, without prejudice to respecting the independence and uniqueness (upon the terms provided by law) of those that are listed companies and have corporate governance rules that assign such powers to their own appointments committee or equivalent body.
  - m. Issue such other reports and take such other actions as may also fall within its purview pursuant to the Governance and Sustainability System or as may be requested by the Board of Directors or the chairman thereof.
7. The chair of the committee may request, through the secretary of the Board of Directors, the attendance of any director, member of senior management or professional of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto. The secretary of the Board of Directors shall evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the committee, the identity of the person whose attendance is requested and the meeting schedules of the corporate decision-making bodies from time to time in effect.

### Article 33. Remuneration Committee

1. The Board of Directors shall create a permanent Remuneration Committee, which shall be an internal informational and consultative body without executive duties, with information, advisory and proposal-making powers within its scope of action.
2. The Remuneration Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors, and the majority thereof must be classified as independent.
3. The Board of Directors shall appoint a chair of the Remuneration Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director and who, in any event, must comply with the directors' obligations established in these Regulations that may apply due to the nature thereof.
4. The Board of Directors shall endeavour to ensure that the members of the Remuneration Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform, and particularly regarding corporate governance, policy design and remuneration plans for directors and senior management.
5. Members of the Remuneration Committee shall be appointed for a maximum term of four years, and may be re-elected on one or more occasions for terms of the same maximum length.
6. The Remuneration Committee shall have the powers set forth in law, in its own regulations, and in any event the following:
  - a. Propose to the Board of Directors the policies on remuneration of the directors and members of senior management and periodically review them, proposing any amendment and update thereof to the Board of Directors.
  - b. Propose to the Board of Directors the system and amount of annual director remuneration, as well as the individual remuneration of executive directors and other basic terms of their contracts, including any compensation or indemnification payable in the event of removal, in any event pursuant to the provisions of the Governance and Sustainability System and the director remuneration policy approved by the shareholders at the General Shareholders' Meeting.
  - c. Report on and submit to the Board of Directors the proposals of the Company's chief executive regarding the structure of the remuneration payable to the members of senior management and the basic terms of their contracts.
  - d. Report on incentive plans and pension supplements for the Group's workforce, excluding those of the listed country subholding companies and the subsidiaries thereof.
  - e. Conduct a periodic review of the general remuneration programmes for the Group's workforce, evaluating the adequacy and results thereof.
  - f. Ensure compliance with the remuneration programmes of the Company and report on the documents to be approved by the Board of Directors for general dissemination regarding information on remuneration, including the *Annual Director Remuneration Report* and the applicable sections of the Company's *Annual Corporate Governance Report*.

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evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the committee, the identity of the person whose attendance is requested and the meeting schedules of the corporate decision-making bodies from time to time in effect.

## TITLE VI. OPERATION

### Article 35. Meetings

1. The Board of Directors shall meet with the frequency that the chairman thereof deems appropriate, but at least eight times per year, and must hold at least one meeting each calendar quarter.
2. Prior to the commencement of each financial year, the Board of Directors shall set a schedule for its ordinary meetings. Such schedule may be modified by a resolution adopted by the Board of Directors or upon a decision made by the chairman, who shall report the modification to the directors not less than five days in advance of the date originally set for the meeting or of the new date set in lieu thereof, if earlier.
3. The Board of Directors shall also meet when the chairman resolves to call an extraordinary meeting thereof or when such extraordinary meeting is requested of it by one-fourth of the directors, by a vice-chair or by the lead independent director, if any. In the three last-mentioned cases, the chairman of the Board of Directors shall call the meeting within ten days of receipt of the request.

The call to meetings of the Board of Directors shall be carried out by the secretary of the Board of Directors or whoever acts in the secretary's stead, with the authorisation of the chairman, by any means allowing for the receipt thereof.

One-third of the directors may also call a meeting, establishing the agenda thereof, in order for the meeting to be held at the place where the registered office is located, if a prior petition has been submitted to the chairman of the Board of Directors and he has failed, without well-founded reasons, to call the meeting within one month.
4. Notice of the call shall be given as much in advance as is necessary, and in any event not later than the third day prior to the date of the meeting, except in the case of emergency meetings, and shall include an agenda unless dispensed with on duly justified grounds.
5. Any information deemed necessary for the proper preparation of and deliberation at the meetings shall be sent or made available through the directors' website together with the call to meeting.
6. The meetings of the Board of Directors may be cancelled or suspended, or the date, agenda or place thereof changed, using the same procedure.
7. Extraordinary and urgent meetings of the Board of Directors may be called when the chairman of the Board of Directors deems it justified in the circumstances, by any means allowing for receipt of the call to meeting, and the requirements and formalities for the call to meetings mentioned in the preceding sections of this article shall not apply in such case if the circumstances so require in the opinion of the chairman.
8. The chairman of the Board of Directors shall decide on the agenda for the meeting. Any director may submit a request to the chairman of the Board of Directors for the inclusion of matters in the agenda, and the latter shall be required to include them when such request has been made not less than two days in advance of the date set for the meeting. The express consent of a majority of the directors present at the meeting shall be required to submit to the Board of Directors the approval of resolutions not included on the agenda.
9. Without prejudice to the foregoing, the Board of Directors shall be deemed to have validly met without the need for a call if all of the directors are present in person or by proxy and unanimously agree to hold the meeting and to the items of the agenda to be dealt with.
10. Voting by the Board of Directors may occur in writing without a meeting provided that no director objects thereto. In this instance, the directors may deliver to the secretary of the Board of Directors, who shall act on behalf of the chairman, their votes and the considerations they wish to appear in the minutes, using the same methods provided for the call to meeting. Resolutions adopted using this procedure shall be recorded in minutes prepared pursuant to the provisions of law.

### Article 36. Place of Meetings

1. Meetings of the Board of Directors shall be held in person at the place designated in the call to meeting.
2. If so decided by the chairman of the Board of Directors on an exceptional basis, a meeting may be called to be held at several connected places or on-line by using remote communication systems that permit the recognition and identification of the attendees, permanent communication among them and participation in discussion and the casting of votes, all in real time, which meeting shall be deemed to be held at the registered office. The directors in attendance at any of such interconnected places shall be deemed for all purposes to have attended the same meeting of the Board of Directors.
3. The Company will assume the costs of travel to the place of the meeting for directors who do not reside in the country where the meeting is to be held and who attend in person.

### Article 37. Conduct of Meetings

1. In order for resolutions of the Board of Directors to be valid, at least a majority of the directors must be present at the meetings at which they are adopted, in person or by proxy.
2. The directors must attend the meetings of the Board of Directors and, when unable to attend in person, must give a proxy to another director, together with appropriate instructions. Non-executive directors may only give a proxy to other non-executive directors. They may not grant a proxy in connection with matters in respect of which the director is in any conflict of interest situation. The proxy granted shall be a special proxy for each meeting of the Board of Directors, and may be communicated

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by any of the means provided for the call of meetings.

3. On an exceptional basis, based on the circumstances in each case, the chairman of the Board of Directors may authorise the attendance at the meeting of one or more directors by using remote connection systems that permit the recognition and identification thereof, permanent communication with the place where the meeting is held, and their participation therein and the casting of votes, all in real time. Directors connected remotely shall be deemed for all purposes to have attended the meeting of the Board of Directors.
4. When so required by the circumstances, the chairman of the Board of Directors may adopt any measures necessary to ensure the confidentiality of the information, of the deliberations and of the resolutions adopted during the meetings of the Board of Directors.
5. The chairman may invite all those who can help improve the information provided to the directors to attend the meetings of the Board of Directors, while avoiding the attendance thereof during the decision-making portion of the meetings. The chairman may authorise the remote attendance thereof using the communication systems described in section 3 above, if he so deems appropriate. The secretary shall record the entries and exits of guests at each meeting in the minutes.
6. Resolutions shall be adopted by absolute majority of votes cast in person or by proxy, unless other majorities are provided by law or the Governance and Sustainability System. In the event of a tie, the chairman of the Board of Directors shall have the tie-breaking vote.
7. Notwithstanding the foregoing:
  - a. The permanent delegation of powers and the appointment of directors to exercise such powers, as well as approval of the contracts the Company signs with the executive directors, shall require the favourable vote of at least two-thirds of the directors.
  - b. An amendment of these *Regulations* shall require the favourable vote of at least two-thirds of the directors represented in person or by proxy at the meeting.
8. If directors or the secretary state their concern regarding a proposal or, in the case of directors, regarding the status of the Company, and such concerns are not resolved at the meeting of the Board of Directors, a description thereof shall be reflected in the minutes at the request of those stating their concerns.
9. The minutes shall be approved by the Board of Directors at the end of the meeting or at the next meeting. In this latter case, any portion of the minutes may be approved at the end of the corresponding meeting, provided that the text to which it refers has been published on the directors' website prior to the meeting or has been read aloud prior to the adjournment of the meeting.

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## TITLE VII. DIRECTOR REMUNERATION

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### Article 38. Director Remuneration

1. Directors shall have the right to receive the remuneration to which they are entitled pursuant to the resolutions adopted by the Board of Directors in accordance with the provisions of the *By-Laws* and the director remuneration approved by the shareholders at the General Shareholders' Meeting, upon the terms provided by law. The Board of Directors shall ensure that the remuneration payable to the directors is commensurate with the remuneration paid at similarly-sized companies carrying on similar business in the market and that it takes into account their dedication to the Company.

In particular, directors shall be entitled to receive an attendance bonus which, depending on the position held, shall be determined by their work in preparing, studying and informing themselves on the matters to be discussed at the meetings of the Board of Directors and of the committees thereof.
2. In addition, the Board of Directors shall ensure that the amount of the remuneration of non-executive directors is such that it provides incentives to their dedication while not risking their independence.

The Board of Directors shall approve the contracts governing the remuneration of the executive directors, in accordance with the provisions of law. The contracts shall describe the items for which the directors may obtain remuneration for the performance of executive duties, and shall include any potential severance payment for the early removal from such duties and the amounts to be paid by the Company for insurance premiums or contributions to savings schemes. A director may not receive any remuneration for the performance of executive duties if the amounts or items thereof are not provided for in such contract.

The approved contract must be attached as an annex to the minutes of the meeting.
3. Remuneration that is tied to the results of the Company shall take into account any qualifications contained in the audit report that reduce such results.
4. The Board of Directors shall prepare the *Annual Director Remuneration Report* on an annual basis upon the terms provided by law, and which shall be made available to the shareholders upon the call to the Annual General Shareholders' Meeting and shall be submitted to a consultative vote as a separate item on the agenda.

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## TITLE VIII. INFORMATION TO DIRECTORS

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### Article 39. Powers of Information and Inspection

1. A director shall have the broadest powers to obtain information regarding any aspect of the Company, to examine its books, records, documents and other background information on corporate transactions, to inspect all of its facilities and to communicate with the members of senior management of the Company.
2. The exercise of the aforementioned powers shall first be channelled through the secretary of the Board of Directors, who shall

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act on behalf of the chairman.

3. In order to improve their knowledge of the Group, presentations may be made to the directors in connection with the business that it is engaged in. In addition, at each meeting of the Board of Directors, a specific portion of the meeting may be devoted to a presentation on matters that are significant for the Group, including those relating to the Sustainable Development Goals (SDGs) approved by the United Nations and the fight against climate change.
4. The Company shall make available to the directors a specific software application (directors' website) to facilitate the performance of their duties and the exercise of their powers of information, as well as access to the *Orientation Programme* and to training materials addressed to the directors.

Such information as is deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof, in accordance with the agenda included in the calls to meeting, as well as materials relating to director training programmes and the presentations mentioned in the preceding section, shall be posted on the directors' website. Generally, the communications and forms that the directors must deliver to the Company shall be sent through the directors' website. Said communications and forms shall have the same effects as if an original signed copy had been sent.

In addition, the directors shall be given access through the directors' website to the minutes of the meetings of the Board of Directors and the committees thereof, as well as such other information that the Board of Directors resolves to include.

All of the foregoing is deemed to be without prejudice to the measures that may be necessary or appropriate to adopt in order to maintain the confidentiality of the information included in the directors' website.

#### Article 40. Assistance of Experts

1. In order to be assisted in the performance of the duties entrusted thereto, any director may request the hiring of legal, accounting, technical, financial, commercial or other expert advisers, whose services shall be paid for by the Company.  
The assignment must deal with specific issues of certain significance and complexity arising during the performance of the director's duties.
2. The request for an expert to be hired shall be channelled through the secretary of the Board of Directors, who may subject it to the prior approval of the Board of Directors; such approval may be denied in well-founded instances, including the following circumstances:
  - a. That it is not necessary for the proper performance of the duties entrusted to the directors.
  - b. That the cost thereof is not reasonable in light of the significance of the issues and the assets and income of the Company.
  - c. That the technical assistance sought may be adequately provided by the Company's own experts and technical personnel.
  - d. That it may entail a risk to the confidentiality of the information that must be made available to the expert.

### TITLE IX. DUTIES OF DIRECTORS

#### Article 41. General Duties

1. Directors must comply with the duties imposed by law and the Governance and Sustainability System. In particular, they shall act with the diligence of any ordinary businessman and the loyalty of a faithful representative, taking into account the nature of the position and the duties attributed to each of them, acting in good faith and in protection of the corporate interest.
2. In the area of strategic and business decisions, subject to business discretion, the standard of diligence of an ordinary businessman shall be deemed met if the director has acted in good faith without personal interest in the matter being decided, with sufficient information and pursuant to an appropriate decision-making process.
3. In particular, a director shall be obligated to:
  - a. Properly prepare the meetings of the Board of Directors and, if applicable, the meetings of the Executive Committee or of the committees of which the director is a member, for which purposes the director must diligently become apprised of the running of the Company and the matters to be discussed at such meetings.
  - b. Attend the meetings of the decision-making bodies and committees of which the director is a member and actively participate in the deliberations in order that the director's opinion may be an effective contribution to decision-making.
  - c. Fulfil any specific obligation that is entrusted to the director by the Board of Directors, by the chairman of the Board of Directors or by the chief executive officer, and that reasonably falls within the director's scope of dedication.
  - d. Inquire into and inform the Board of Directors of any irregularities in the management of the Company of which the director has had notice, and monitor any situation of risk.
  - e. Propose a call to an extraordinary meeting of the Board of Directors or the inclusion of new matters in the agenda of the next meeting to be held, in order that deliberations may be conducted on such issues as the director deems advisable.
  - f. Oppose resolutions that are contrary to law, the Governance and Sustainability System or the corporate interest, and request that such opposition be recorded in the minutes.  
In particular, directors must clearly express their opposition if they believe that a proposed resolution submitted to the Board of Directors may be contrary to the corporate interest. In particular, independent directors and other directors not affected by a potential conflict of interest shall state for the record their opposition to resolutions that might cause prejudice to shareholders whose interests are not represented on the Board of Directors.
4. If the Board of Directors makes significant or repeated decisions on matters with respect to which a director has made serious reservations and such director tenders their resignation, the director must explain the reasons for their resignation in the letter referred to in article 21.2 above, without prejudice to compliance with the duties established by law and the Governance and

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Sustainability System.

#### Article 42. Duty of Confidentiality

1. A director shall keep confidential the information, the deliberations and the resolutions of the Board of Directors, of the Executive Committee and of the committees of which the director is a member and, in general, shall endeavour to ensure the confidentiality thereof, shall not disclose any information, data, reports or background information to which the director may have had access while in office, and shall not use any of the foregoing for the director's own benefit, for the benefit of the shareholder, if any, that has proposed or made the director's appointment, or for the benefit of any other third party, without prejudice to the duties of transparency and information imposed by applicable law.
2. The obligation established in the preceding section shall not prevent the director from communicating confidential information to third parties in the performance of the duties entrusted to the director as such or the exercise of powers expressly delegated thereto by the Board of Directors or by the relevant committee, provided the duty of confidentiality of the recipient of the information is appropriately guaranteed, under the responsibility of the director, on the terms set forth by law.
3. A director's duty of confidentiality shall survive even after the director no longer holds such position.

#### Article 43. Duty Not to Compete

1. A director may not be a director or hold management positions or provide services to another company or entity whose object is similar, in whole or in part, to the object of the Company or which is a competitor thereof or of any companies within the Group.
2. Excepted from the foregoing restriction are the duties that may be performed and the offices that may be held in companies belonging to the Group, in companies in which the director acts as a representative of the interests of the Group, and in companies in which any of the companies belonging to the Group has an interest and in which the director does not act as a representative of the interests of the Group, unless the Board of Directors, following a report from the Appointments Committee, believes that the Company's interests are jeopardised.
3. The waiver of the duty not to compete may only be approved if no harm to the Company can be expected or if the harm expected is offset by the benefits expected to be obtained from the waiver. It shall be given, in those cases when so required by law, by the shareholders at the General Shareholders' Meeting by means of an express resolution in a separate item of the agenda. In other instances, the waiver may be given by the Board of Directors, after a report from the Appointments Committee.
4. A director who ends the term of office to which the director was appointed or who, for any other reason, ceases to act as such, may not be a director or officer of, or provide services to, any entity whose object is similar, in whole or in part, to that of the Company or which is a competitor of the Company, for a term of two years. The Board of Directors may, if it deems it appropriate, relieve the outgoing director from this restriction or reduce it to a shorter period.

#### Article 44. Conflicts of Interest

1. Directors must adopt the measures necessary to avoid entering into conflict of interest situations pursuant to the provisions of law.
2. A conflict of interest shall be deemed to exist in those situations provided by law, particularly when the interests of the director, either for their own or another's account, directly or indirectly conflict with the interest of the Company or of companies within the Group and their duties to the Company.

An interest of a director shall exist when a matter affects the director or a person related thereto or, in the case of a proprietary director, when it also affects the shareholder or shareholders that proposed or caused the appointment thereof or persons directly or indirectly related thereto.

3. For purposes of these *Regulations*, the following shall be deemed persons related to the director:
  - a. The director's spouse or person related to the director by a like relationship of affection.
  - b. The ascendants, descendants and siblings of the director or of the director's spouse (or of a person with a like relationship of affection).
  - c. The spouses of the director's ascendants, descendants and siblings.
  - d. The companies or entities in which the director or the director's related persons, acting personally or through a third party, fall within any of the instances of control established by law.
  - e. The companies or entities in which the director or any of the director's related persons, acting personally or through a third party, hold a management position or from which they receive remuneration for any reason, provided that they also directly or indirectly exercise a significant influence on the financial and operating decisions of such companies or entities.
4. In the case of a corporate director, the following shall be deemed to be related persons:
  - a. The shareholders who, in respect of the corporate director, fall within any of the cases of control established by law.
  - b. The companies that form part of the same group, as such is defined by law, and the shareholders thereof.
  - c. The individual acting as a representative, the directors, in fact or in law, and the liquidators of, and the representatives holding general powers of attorney granted by, the corporate director.
  - d. Those persons who, in respect of the representative of the corporate director, are deemed related persons pursuant to the provisions of the preceding sub-section applicable to individuals acting as directors.
5. Without prejudice to the provisions of section 1 above, conflicts of interest shall be governed by the following rules:
  - a. Communication: once a director becomes aware of being in a situation of conflict of interest, the director must give written notice of the conflict to the Board of Directors, in the person of the secretary thereof. The secretary shall periodically submit a copy of the notices received to the Appointments Committee, in the person of the secretary thereof.  
The notice shall contain a description of the situation giving rise to the conflict of interest, with a statement as to whether



it is a direct conflict or an indirect conflict through a related person, in which case the latter person must be identified.

The description of the situation must describe, as applicable, the subject matter and the principal terms of the transaction or the planned decision, including the amount thereof or an approximate financial assessment thereof. If the situation giving rise to the conflict of interest is a Related-Party Transaction (as this term is defined in article 48), the notice shall also identify the department or person of the Company or of any of the companies of the Group with which the respective contacts were made.

Any question as to whether a director might be involved in a conflict of interest must be forwarded to the secretary of the Board of Directors, and the director must refrain from taking any action until it is resolved.

- b. Abstention: if the conflict arises from an operation, transaction or circumstance that requires any kind of operation, report, decision or acceptance, the director must refrain from taking any action until the Board of Directors studies the case and adopts and informs the director of the appropriate decision.

To this end, the director shall leave the meeting during the deliberation and voting on those matters in which the director is affected by a conflict of interest, and shall not be counted in the number of members attending for purposes of the calculation of a quorum and majorities.

At each meeting of the Board of Directors and of the committees thereof, the secretary shall remind the directors, before dealing with the agenda, of the abstention rule established in this article.

- c. Transparency: whenever required by law, the Company shall report any cases of conflict of interest in which the directors have been involved during the financial year in question and of which the Company is aware by reason of notice given thereto by the director affected by such conflict or by any other means.
6. The secretary of the Board of Directors shall prepare a register of the conflicts of interest reported by the directors, which shall be continuously updated. The information contained in said register shall have the level of detail sufficient to allow for an understanding of the scope of each of the situations of conflict, and shall be made available to the Compliance Unit when it so requests, and shall also be made available to the Audit and Risk Supervision Committee when it so requests.
7. In those instances where the conflict of interest situation is, or may reasonably be expected to be, of a nature that constitutes a structural and permanent conflict between the director (or persons related thereto or, in the case of a proprietary director, the shareholder or shareholders that proposed or caused the director's appointment or persons directly or indirectly related thereto) and the Company or the companies forming part of the Group, it shall be deemed that the director lacks, or has ceased to possess, the competence required to hold office.
8. The provisions of this article may be further developed through any appropriate rules that may be made by the Board of Directors.

#### **Article 45. Use of Corporate Assets**

1. A director may not use the Company's assets or profit from the director's position in the Company in order to obtain any financial benefit, unless arm's length consideration has been paid and it is a standardised service.
2. On an exceptional basis, the Board of Directors, after a report from the Appointments Committee, may relieve the director from the obligation to provide such consideration, but in any such case, the financial benefit shall be deemed remuneration in kind and must conform to the director remuneration policy.

#### **Article 46. Non-Public Information**

1. A director may use non-public information of the Company for private purposes only if the following conditions are satisfied:
- That such information is not applied with respect to transactions for the purchase or sale of securities or financial instruments of the issuer to which the information directly or indirectly refers.
  - That it does not place the director in a position of advantage vis-à-vis third parties, including suppliers and clients.
  - That the use thereof does not cause any harm to the Company.
  - That the Company does not own proprietary rights in, or have a similar legal position with respect to, the information that the director wishes to use.
2. In addition, the director shall observe the rules of conduct established in the legal provisions governing the securities markets and in the Governance and Sustainability System.

#### **Article 47. Business Opportunities**

1. A director may not take advantage of a business opportunity of the Company, either for the director's own benefit or for the benefit of related persons, unless the investment or transaction has previously been offered to the Company, the Company has chosen not to take advantage of it without any pressure from the director, and the director has been authorised by the Board of Directors to profit from the transaction, following a report from the Appointments Committee.
2. A business opportunity shall be deemed to be any possibility of making an investment or a business transaction that has arisen or has been discovered in connection with the director's performance of duties as such, or through the use of means and information belonging to the Company, or in circumstances such that it is reasonable to believe that the third party's offer was in fact addressed to the Company.
3. Likewise, a director shall not use the Company's name and shall not invoke the position thereof as director of the Company in order to carry out transactions for the director's own account or for the account of related persons.

#### **Article 48. Transactions by the Company with Directors and Significant Shareholders**

1. Any transaction by the Company or the companies forming part of its Group with directors, with shareholders that directly or indirectly own a shareholding interest that is equal to or greater than that legally regarded as significant at any time or that have proposed or caused the appointment of any of the directors of the Company, or with the respective related persons

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(“**Related-Party Transactions**”), shall be subject to the approval of the Board of Directors, or in urgent cases, of the Executive Committee, following a report from the Appointments Committee.

2. In the event that authorisation has been granted by the Executive Committee due to the urgency of the matter, the Executive Committee shall give notice thereof at the next meeting of the Board of Directors in order for it to be ratified.
3. The authorisation of Related-Party Transactions must be approved by the shareholders at the General Shareholders’ Meeting in the instances provided by law, and particularly if it relates to a transaction having a value of more than ten per cent of the corporate assets.
4. As an exception, Related-Party Transactions with any of the listed companies of the Group or with the subsidiaries thereof shall not be subject to the provisions of this article, provided that they have corporate governance rules similar to those of the Company.
5. The execution of a Related-Party Transaction puts the director engaging in said transaction or who is related to the person engaging in the transaction in a conflict of interest, for which reason the provisions of article 44 above shall apply, to the extent applicable.
6. The Board of Directors, through the Appointments Committee, shall ensure that Related-Party Transactions are carried out under arm’s length conditions and with due observance of the principle of equal treatment of shareholders in the same situation. In the case of transactions to be carried out by companies of the Group, the scope of authorisation of the Board of Directors, or that of the Executive Committee, if applicable, referred to in the preceding sections, shall be circumscribed to the verification of compliance with such particulars.
7. In the case of customary and recurring Related-Party Transactions in the ordinary course of business, it shall be sufficient for the Board of Directors to give prior generic approval of the kind of transaction and of the conditions for performance thereof, following a report from the Appointments Committee.
8. If a Related-Party Transaction entails the successive performance of different transactions, of which the second and subsequent transactions are mere acts of execution of the first transaction, the provisions of this article shall only apply to the first transaction carried out.
9. The authorisation shall not be required in connection with transactions that simultaneously satisfy the following three conditions: that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a large number of customers; that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; and that the amount thereof does not exceed one percent of the consolidated annual income of the Group.
10. The Company shall report Related-Party Transactions in the Half-Yearly Financial Report and in the Annual Corporate Governance Report, in the cases and to the extent provided by law. Likewise, the Company shall include in the notes accompanying the annual accounts information regarding the transactions by the Company or by the companies of the Group with the directors and with those persons who act for the account of the latter when such transactions are conducted other than in the ordinary course of the Company’s business or other than under normal arm’s length conditions.

To this end, the directors must give written notice to the secretary of the Board of Directors, on a semi-annual basis, within the first week of January and July of each year, regarding the Related-Party Transactions that they have engaged in. If they are not carried out, the directors shall so report. The secretary of the Board of Directors shall send a notice to the directors on a semi-annual basis requesting the appropriate information that must be sent to the Company.

11. The notice must include the following information: the nature of the transaction; the date on which the transaction originated; the conditions and periods for payment; the name of the person who carried out the transaction and the relationship, if any, with the director; the amount of the transaction; and other aspects, such as pricing policies, guarantees given and received, and any other feature of the transactions that allows for a proper assessment thereof, particularly such information as allows for verification that it has been carried out on arm’s length conditions and in compliance with the principle of equal treatment.
12. The secretary of the Board of Directors shall prepare a register of Related-Party Transactions. The information set forth in such register shall be made available to the Compliance Unit when it so requests, and shall also periodically be made available to the Audit and Risk Supervision Committee through the Internal Audit Area Division.
13. The provisions of this article may be further developed through any appropriate rules that may be made by the Board of Directors.

#### **Article 49. Duty to Disclose Information**

1. A director must report to the Company, through the secretary of the Board of Directors, any situation of direct or indirect conflict that the director or persons related thereto may have with the interests of the Company.
2. A director must also disclose to the Company:
  - a. All positions the director holds at and services the director provides to other companies or entities, as well as the director’s other professional commitments. In particular, before accepting office as director or officer at another company or entity (except for the positions the director is called upon to hold at companies belonging to the Group or at other companies in which the director represents the interests of the Group), the director must give prior notice thereof to the Appointments Committee.
  - b. Any substantial change in the director’s professional status that may affect the condition or capacity by virtue of which the director may have been appointed as director.
  - c. Any judicial, administrative or other proceedings instituted against the director which, because of their significance or characteristics, may seriously reflect upon the reputation of the Company. In particular, every director must inform the

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Company, through the secretary of the Board of Directors, in the event that the director is subject to an investigation, arrested, or an order for the commencement of an oral criminal trial is issued against the director for the commission for any crime, and of the occurrence of any significant procedural steps in such proceedings.

In such instance, the Board of Directors shall review this circumstance as soon as practicable and, following a report of the Appointments Committee, shall adopt the measures it deems fit taking into account the interests of the Company, such as opening an internal investigation, requesting the resignation of the director or proposing the removal thereof.

The Company shall report the adoption of said measures in the *Annual Corporate Governance Report*, unless there are special circumstances that justify not doing so, which must be recorded in the minutes.

- d. In general, any fact or event that may be relevant to the holding of office as a director of the Company.
3. Directors shall provide the Company with an e-mail address as well as a mobile telephone number such that meetings of the Board of Directors and of the committees of which they are members may be called by those means, if so decided, and the corresponding information, if any, may so be provided to them.

#### **Article 50. Extension of Director's Duties**

The duties prescribed in this title of these *Regulations* in connection with the relations between the directors and the Company shall also be deemed applicable by analogy to their potential relations with companies of the Group.

Likewise, the obligations referred to in this title of the *Regulations* shall be binding on the individuals representing corporate directors.

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## **TITLE X. INFORMATION AND RELATIONSHIPS**

### **Chapter I. Information**

#### **Article 51. Annual Corporate Governance Report**

1. The Board of Directors shall, on an annual basis, approve a corporate governance report for the Company that shall include all specifications established by law and any others that the Board of Directors deems appropriate to include therein.
2. The approval of the Company's *Annual Corporate Governance Report* must also be preceded by:
  - a. A report of the Sustainable Development Committee.
  - b. A report of the Audit and Risk Supervision Committee as regards information on the risk supervision systems.
  - c. A report of the Appointments Committee as regards information on the directors and members of senior management.
  - d. A report of the Remuneration Committee as regards the remuneration of the directors and the members of senior management.
3. The *Annual Corporate Governance Report* of the Company shall be included in a separate section of the *Management Report* and shall therefore be approved together therewith and shall be made available to the shareholders together with the other documents relating to the Annual General Shareholders' Meeting.
4. Public notice shall be given of the *Annual Corporate Governance Report* of the Company as provided in securities market rules and regulations.

#### **Article 52. Corporate Website**

1. The Company maintains a corporate website, envisaged as an instrument for channelling its relations with shareholders and the financial community, as well as the other Stakeholders, which is intended to foster their involvement in corporate life.
2. Through the corporate website:
  - a. Shareholders and investors are provided with the documents and information required by law and the Governance and Sustainability System and other information that the Board of Directors, through its secretary, deems appropriate.
  - b. Shareholders are provided with the means to exercise the rights to receive information and to participate in the General Shareholders' Meeting recognised by law and by the Governance and Sustainability System.
  - c. Full or summarised versions of the rules making up the current Governance and Sustainability System are published.
3. The structure of the corporate website shall be determined by the provisions of law and the Governance and Sustainability System.
4. Without prejudice to the foregoing, the secretary of the Board of Directors shall decide the corporate governance information that must be included in the Company's corporate website, and shall be responsible for the update thereof.

### **Chapter II. Relationships**

#### **Article 53. Principle of Transparency**

Permanent contact with its shareholders and ongoing attention to the transparency of corporate information and of relations with its shareholders and with the market generally, in accordance with the provisions of law and the Governance and Sustainability System, are primary objectives of the Company.

#### **Article 54. Relationships with the Shareholders**

1. The Board of Directors shall foster continuous and appropriate information for its shareholders, permanent contact therewith, and their involvement in corporate life, establishing the channels for participation through which the Company shall procure their engagement, with the appropriate guarantees and coordination mechanisms.

In particular, it shall establish the appropriate channels to hear proposals that the shareholders may make in connection with the Company, in accordance with the law and the Governance and Sustainability System.

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2. The Board of Directors shall facilitate exercise of their rights by the shareholders and the performance of the duties established by law and, to the extent applicable thereto, in the Company's Governance and Sustainability System.  
In particular, the Board of Directors shall adopt appropriate measures to encourage maximum participation of the shareholders at the General Shareholders' Meeting.
3. The Board of Directors, assisted by such members of senior management as it deems appropriate, may organise meetings for the provision of information on the progress of the Company and of its Group with shareholders and investors.
4. In its relationships with the shareholders, the Board of Directors shall guarantee the application of the principle of equality of treatment of the shareholders who are in the same situation.
5. The Board of Directors may establish appropriate mechanisms for the regular exchange of information with those shareholders that are holders of a significant and stable financial interest in the Company, regardless of whether or not they are represented on its Board of Directors.  
These mechanisms shall in any event take into account the existence of potential conflicts of interest and may not involve the provision to such shareholders of any information that might place them in a privileged or advantageous position vis-à-vis the other shareholders.
6. All public requests for delegation of voting powers made in favour of any director shall disclose, where applicable, the existence of a conflict of interest with the director or with a significant shareholder and shall specify the direction in which the representative shall vote in the event that no instructions are given by the shareholder, all subject to the provisions of law and of the Governance and Sustainability System.

#### Article 55. Relationships with the Securities Markets

1. The Board of Directors shall immediately inform the public regarding:
  - a. Notices of inside information and other relevant information.
  - b. All changes in the Company's ownership structure, such as fluctuations in significant direct or indirect interests and private shareholders' agreements (*pactos parasociales*) of which the Board has had notice.
  - c. All substantial amendments to the Company's governance rules and regulations.
  - d. The treasury share policy, if any, that the Company intends to pursue on the basis of approvals obtained from the shareholders at the General Shareholders' Meeting.
  - e. All changes to the composition and to the rules of organisation and operation of the Board of Directors and the committees thereof, or to the duties and positions of each director in the Company, as well as any other modification relevant to the Governance and Sustainability System.
2. The Board of Directors shall adopt appropriate measures to ensure that the semi-annual, quarterly and any other financial information that it may be prudent to make available to the securities markets is prepared in accordance with the same principles, standards and professional practices used to prepare the annual accounts and is as reliable as such accounts. For this latter purpose, such information shall be reviewed by the Audit and Risk Supervision Committee.
3. The Board of Directors shall prevent its conduct from influencing the free formation of the price of the securities issued by the Company and, if applicable, of the shares of the companies forming part of its Group.

#### Article 56. Relationships with the Statutory Auditors

1. The Board of Directors shall establish an objective, professional and ongoing relationship with the Company's statutory auditors, and shall have the utmost respect for their independence.
2. The Board of Directors shall meet with the statutory auditors at least once per year in order to receive information regarding the work performed and regarding the accounting status and risks of the Company.
3. The relationship referred to in the preceding section shall be channelled, as a rule, through the Audit and Risk Supervision Committee.
4. The Audit and Risk Supervision Committee shall ensure that the fees of the statutory auditors comply with the provisions of the laws on auditing of accounts.
5. The Audit and Risk Supervision Committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders' Meeting, for appointment of an audit firm as the Company's statutory auditor if it has evidence that such firm is affected by any circumstance of lack of independence, prohibition or disqualification pursuant to the legal provisions governing the audit of accounts, and in any event if the fees that the Company intends to pay it for any and all services are greater than five percent of its total domestic income during the last financial year.
6. The Board of Directors shall make public the fees that the Company has paid to the audit firm, both in consideration for audit services and for services other than auditing, specifying the fees paid to the statutory auditors and those paid to any company forming part of the same group of companies to which the statutory auditor belongs or to any other company to which the statutory auditor is related under a relationship of joint ownership, management or control.

The Board of Directors shall use its best efforts to definitively prepare the accounts such that there is no room for qualifications by the statutory auditors. However, when the Board of Directors believes that its opinion must prevail, it shall provide a public explanation of the content and scope of the discrepancy.

#### Article 57.- Relationships with Members of Senior Management of the Company

Relations between the Board of Directors and the members of senior management of the Company, as provided in these *Regulations*, must be channelled through the chairman of the Board of Directors or the chief executive officer or, in the absence thereof, through the secretary of the Board of Directors.

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